

FAMILY ASSISTANCE ACT OF 1970

HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE NINETY-FIRST CONGRESS

SECOND SESSION

ON

H.R. 16311

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

Part 3 of 3 Parts

AUGUST 24, 25, 26, 27, 31, AND SEPTEMBER 1, 9, AND 10, 1970

PUBLIC WITNESSES AND WRITTEN TESTIMONY



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THE FAMILY ASSISTANCE ACT OF 1970

MONDAY, AUGUST 24, 1970

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

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

Present: Senators Long, Anderson, Ribicoff, Harris, Williams of Delaware, Bennett, Curtis, Miller, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. This hearing will come to order.

I would like to point out that at this moment the Senate under the rules is required to hold a quorum call and establish the presence of a quorum in the Senate, and then proceed to complete the rollcall vote that was being taken when the Senate quit for lack of a quorum on Friday. Other members will be in as this hearing proceeds.

This morning the committee begins hearing public witnesses with respect to H.R. 16311, the Family Assistance Act of 1970. It is the committee's intention to hear witnesses on this measure through September 10 and then suspend these hearings momentarily in order to take testimony on the social security medicare bill.

Thereafter, the plan is that the committee will resume hearings on the family assistance legislation.

Our first witness this morning was to have been Senator Metcalf but Senator Metcalf is in the Senate at this moment and, therefore, I am pleased to call the Honorable John V. Lindsay, mayor of New York City.

Mayor, the press requested that you stand at your place for a moment with your commissioner while they get a picture of you and then we will proceed to hear your statement.

May I say to you, Mr. Mayor, what I have said personally already that the members of the committee very much want to hear what you have to say and they will be in here as soon as they vote in the Senate and I am sure they would like to ask you some questions.

STATEMENT OF HON. JOHN V. LINDSAY, MAYOR, CITY OF NEW YORK, ACCOMPANIED BY MITCHELL I. GINSBERG, COMMISSIONER, DEPARTMENT OF SOCIAL SERVICES

Mayor LINDSAY. Thank you very much, Mr. Chairman. I do appreciate this opportunity to join with the Finance Committee and talk about the Family Assistance Act of 1970.

My associate and colleague, Dr. Mitchell Ginsberg, is with me this morning. I think he is well familiar to the members of the committee and the staff on this subject having worked with them for a long, long period of time to formulate a good program.

We begin with this proposition, that is that the current welfare system is a disaster for the poor, a disaster for taxpayers, and a disaster for the Nation. I do not think that you need me to tell you that. Everyone already knows it.

All you have to do is ask the statistician at HEW or ask the overtaxed family in Van Nuys or a hungry child in Mississippi. They all complain that welfare costs too much and accomplishes very little. They would all favor realistic and sensible reforms. And they would all welcome the equity and evenhandedness of Federal financing and administration.

The administration's current proposal represents some real advances—and suffers from some real defects. Today in the rather lengthy prepared testimony which I would like to submit in whole for the record if I may, and in talking to you in summation here, I will recommend amendments to the bill, and I will focus mainly on those rather than any detailed analysis of the aspects of the bill as we see them.

But I recognize while I am talking about amendments to the legislation that the critical need is for reform—reform now, not in the next session of Congress or the next administration.

No one can wait. The poor cannot live on promises. Our middle-income citizens, the Americans who work for a decent share of the better life, are tired of the welfare mess. We cannot afford to quibble away the chance for change. After discussion and amendment, your committee and the Congress should enact a major overhaul of the welfare system this year.

The failure to act now will aggravate the social crises that threaten to divide America. The alienation of the poorest fifth of our people threatens the tranquility of entire cities. It breeds crime and drug abuse. It damages the health and cleanliness of whole neighborhoods. It constricts the availability of funds for education, health, sanitation, and housing—services that are vital to every citizen. We all have a stake in immediate welfare reform.

And our wealth permits us to make reality equal to our rhetoric. We can afford to relieve the incredible State and local tax burdens that have angered and alienated our citizens—a sum less than some of us pay for a good dinner. We can afford to relieve the deprivation of the working poor—committed men and women, who are determined to pay their way, but aren't earning enough to make it. We can afford that much. And we can afford nothing less.

The real issue, therefore, is not whether welfare reform should be adopted, but what kind of reform Congress should enact.

The administration's bill has a number of shortcomings.

They include the failure to federalize the income maintenance system; the low Federal benefit level for families, which is compounded by the absence of any serious encouragement to the States to increase their own benefit levels; the exclusion of impoverished single persons and childless couples from the Federal program; the failure to provide jobs for welfare recipients; the lack of an adequate definition of what

constitutes "suitable employment"; the compulsory registration requirements for mothers; and the infringement, in some cases, of the basic civil rights of family assistance plan recipients.

In addition, I am deeply concerned by some of the recent revisions made by the administration; that is to say, proposed changes to the House bill.

The bill now discriminates against families headed by an unemployed or underemployed father. It repeats perhaps the most tragic mistake of the present welfare mess by encouraging the break-up of families. Moreover, the proposed reduction in health care and the new supplementary payments provisions mean that vast numbers of poor people will receive less assistance than the pittance they now get. That's a sad way to redeem the pledge to build fairness and justice into the welfare system.

On the issue of fiscal burdens, I believe the singlemost far-reaching reform would be complete Federal financing and administration of the welfare system—a reform not included in this proposal. America should adopt, as a national goal, the creation of a Federal system of income maintenance by 1976—the 200th anniversary of this Republic. It would be unthinkable not to have Federal financing and administration of the social security system. And family assistance is similar to social security. It, too, should be a wholly Federal program. From the perspective of a few years, it would seem unthinkable to do it any other way.

With a complete commitment of Federal resources and talent, perhaps we can celebrate the 200th birthday of America by really wiping out poverty in America. Then, we can focus our attention on the other serious problems that plague us each day. The price of welfare has been paid at the expense of other-needed public services—better education and health, job training and development, increased fire and police protection, more low and middle income housing—in order words, all the things that mean so much to all of our citizens.

And the price is being paid everywhere.

Every urban center in the Nation is experiencing major increases in welfare rolls and costs. Many smaller cities and many suburbs have even surpassed the rate of increase in New York City.

In Westchester County—one of the richest counties in the Nation—the welfare rolls rose by 307 percent in the 1960's; in the manufacturing town of Flint, Mich., they rose 329 percent; in New York, Newark, Omaha, Dallas, Albany, Los Angeles, and Baltimore, the increase was between 250 and 300 percent.

Your committee has been informed that some fiscal relief will flow from the pending welfare reform provisions. I submit, however, that the estimated relief is not sufficient and that the estimates themselves exaggerate the extent to which the bill will ease State and local fiscal burdens. New York, for example—with 11 percent of the Nation's welfare population and approximately 13 percent of its total costs, will receive, according to the HEW charts, about 8 percent of the fiscal relief. That, on the face of it, is inequitable. Add to it the facts that New York City will not abandon supplementing AFDC-UP payment where there is an unemployed father in the house at a cost of \$2 million a year; that it will not abandon maintaining the food stamp program at an additional \$20 to \$30 million a year; that it will continue to pro-

vide free social services to persons above the poverty line at a cost of \$15 million—the result is that this new legislation, far from providing even minimal fiscal relief, will actually cost my city more money, unless some basic changes are made to move toward federalization of the system.

I would suggest to the committee that one method of moving toward that goal would be to allocate funds set aside for revenue sharing. The administration has proposed the development of a revenue-sharing plan and allocated \$500 million for fiscal 1970 and \$1 billion for fiscal 1971, with subsequent increases of \$1 billion each year until the annual total of \$5 billion is reached. At the present time, it appears unlikely that revenue sharing will be enacted soon. Until it is, I propose that a substantial share of the funds already set aside be diverted to increasing the Federal share of the welfare program. This would make possible an immediate step toward the goal of a federalized income maintenance system by 1976. It would immediately lift some of the crushing burden of State and local taxes. It would ease the quiet desperation of the deprived. It is a good way to spend money allocated to a program which apparently will not be approved in the near future.

Obviously, I have some reservations about the legislation——

The CHAIRMAN. Mr. Mayor, if I might just interrupt you for a moment, I know you realize once we get into revenue sharing, with the Federal Government operating at a deficit already, we can expect the cost of that program to increase unless we turn down the 50 Governors and State legislatures every year. It is a very big program, revenue sharing with the States.

Mayor LINDSAY. It is a very important program. Our State is the first State in the Nation to launch upon a program now of State income tax sharing with local governments throughout the State. We are very much for Federal tax-sharing and we would like to see the current proposal that is before the Congress enacted immediately, as soon as possible. Now, realistically, it will not be enacted, as we understand it, by this Congress.

However, the Government has budgeted in its budget \$500 million for this purpose for fiscal 1970, a billion for fiscal 1971. So you are not faced with the problem of budget-breaking, if that money were to be used for the first steps toward federalization of the welfare problem unless, of course, the Congress, in its wisdom, in this session is going to enact revenue sharing, in which case it would be a different story.

As a former member of this institution, I can read the handwriting on the wall, and I am sure you will agree it is most unlikely that revenue sharing will be adopted in this Congress.

The CHAIRMAN. I think you could obtain it provided, if, each member could write his own program and vote a hundred votes for it in the Senate and 435 votes for it in the House the way he wants to do it. The difficulty is trying to get that many people to agree on how it is to be done. But I see your point and that is that if you are not going to vote that through you suggest that that much additional money be allocated to this program, and I think that is a good point, I really do.

Mayor LINDSAY. Well, now, let me get on to two matters that are of concern to this committee, obviously I have some reservations about this legislation before you. I think it could be better. But, frankly,

I do not share two of the objections that have often been raised before this committee and by members of the committee.

As I understand it, some members of this committee are concerned by the possibility that supplementing the income of the working poor will jam 12 million more Americans onto the welfare rolls. That is not true in concept or in fact. Aiding the working poor is not welfare. It's an employment incentive. It encourages self-reliance and self-help. Moreover, our research, which is described in detail in the lengthier statement I am submitting for the record, indicates that, no matter what you call the program, a prediction of 12 million is a vast overestimate. Based on experiences in the six States that now extend supplements to the working poor, we can predict that no more than 3 or 4 million among the working poor will apply for aid in the first 2 years of a Federal family assistance plan. Furthermore, the evidence in New York City is that the employed heads of families receiving supplements do not desert their wives or quit working.

So I am not disturbed by the provisions for supplementing the income of the working poor. We do it in New York—and it's far better than being on welfare.

I also cannot share fully the committee's concern about the so-called "notches" or inequities as they relate to cash and in-kind benefits. They exist under the current program to a far greater extent. The family assistance plan goes a long way toward reducing them.

The lengthier statement I am submitting for inclusion in the record discusses in detail the issues I have briefly touched upon just now, and makes specific legislative recommendations.

In summary, I recommend passage of the family assistance plan with these changes:

1. Establishment of an intent to achieve full Federal financing and administration of the welfare program by 1976, starting with the use of proposed revenue-sharing funds right now.

2. Mandatory supplementation of the Federal benefits for the working poor at Federal expense.

3. An increase in the Federal share of the State supplements in the first year from 30 percent to 50 percent and a provision for full Federal administration of the parts of the program that are entirely federally financed.

4. Establishment of a community service job creation program.

5. A clear definition of the kind of employment clients are required to take.

6. Built in cost-of-living increases for the minimum Federal benefits and the State supplements, and a liberalization of the eligibility level for free social services.

These should be among the goals of this committee and the Congress. I, and the mayors of other large cities whose citizens at all income levels are suffering from the present system, have pledged to do everything we can to work for the speedy enactment of realistic welfare reform. The governors have endorsed a progressive welfare platform. By proposing a family assistance plan, the administration has made a good beginning. Now you have the opportunity to create something better than the present welfare mess. You can fashion a system that is effective and efficient.

I hope you will move quickly for action in this session. It is crucial to keep in mind that only a broadly conceived reform—something this Nation has never had before—can effectively reduce the growing disparity between those who live above the poverty line and those who barely live below it. Only such a system can end the mounting fiscal pressures that threaten the financial well-being of citizens, cities, and States. The time has come to change—not just for the poor, but for all Americans. Sensible policy and human sensitivity both call for reform, real reform, in 1970.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Lindsay, for a very fine statement, and we will put, of course, the entire statement in the record.¹

To what extent do you believe that you could put people to work in desirable public service employment in New York if we here were able to make the money available for it?

Mayor LINDSAY. We believe in New York that it is possibly the most important form of training and employment of all of them. We do have at the present time public service employment funded in large part by OEO, and those are persons who are trained in and working in fields such as health care, hospitals, housing and developments, and the Department of Social Services where Commissioner Ginsberg has spent so many years. In other areas we find it enormously productive. We also find that the turnover is very small, and that the retention of employment is very effective and productive.

The CHAIRMAN. It seems to me, Mr. Mayor, that we would be well advised to go beyond what we did in the work incentive program—and even beyond what the administration is recommending—and to try to provide work opportunities for people. For example, the thought occurs to me it might be desirable for us to provide as much as 100 percent payment for the jobs that you create for people who are presently drawing welfare assistance or people that we want to assist, to work in helping beautify the cities or their communities, as the case may be, and to engage in helping to keep the cities clean.

Now, I would like to see the streets cleaner in every city. New York is one of them. In the area where the streets are dirtiest, it tends to be the area where the welfare payrolls are the highest. It would seem to me to be a worthwhile investment if we would pay some of those people to sweep up what the trash collector misses, and to help keep their cities clean. I have heard some comment about how some of the European cities have been compared to ours. What is your reaction to that? Could you use quite a few more people in helping to beautify the place, and also helping to keep it cleaner and more sanitary?

Mayor LINDSAY. In all aspects of public service that have to do with the well-being of a great city like New York, we can definitely use this kind of training and employment input.

Most local governments increasingly are starved even to the point of bankruptcy—particularly with escalating salary levels, which is the result of hard collective bargaining, which is a national phenomenon now of very large proportions. So all local governments are faced with crying and desperate needs of their citizens for more serv-

¹ See p. 1353.

ices for keeping their parks and playgrounds and streets clean and good looking, and for a thousand other services, too. Nurses' assistants, technical aids in hospitals, and housing workers who will be in the streets on the subject of rehabilitation and inventories of housing stock, all of these areas, the Federal Government could be underwriting a program of community service activity which would help the poor and help these hard-pressed local governments.

Sanitation is obviously one of them. There is the beginning of some Federal interest in this, in the areas where the welfare rolls are the highest through the model cities program. The model cities program in New York is beginning to have a very important sanitation input which I will predict in due course will make a meaningful impact in those communities and obviously free up pressures from other parts of the city.

The CHAIRMAN. I will call on Senator Curtis and I will be back here in a few minutes after I vote.

Senator CURTIS. Mayor, I am sorry I did not get here for your full statement, but I shall read it.

I would like to ask a question of Mr. Ginsberg. The increase in AFDC load from April 1968, to the same period in 1969, was 22 percent. However, from 1969 to 1970, for those same months it was only 4.8 percent, a drop from 22 percent to less than 5 percent. To what do you attribute that?

Mr. GINSBERG. Well, Senator, I think the first thing we have to say is none of us really know exactly. We have some sense of what the factors are, but the state of researching in this business is so minimal that no one could tell with any great exactness. I would think it would be a combination of factors, one has been the impact of various employers' programs.

The mayor has mentioned model cities, our public service program, the development of poverty programs and the insistence they employ more welfare recipients clearly made a difference in this kind of thing.

I think also the fact is that realistically you were getting a higher percentage of the people who were eligible for the program and, therefore, in a sense the pool from which you know welfare clients might be reduced somewhat so there were a whole series of factors that I think resulted in this substantial increase.

Senator CURTIS. It has often been stated, Secretary Richardson in his testimony before this committee indicated that probably about one-half of the people who were eligible for welfare have actually applied for benefits. Do you believe that is true?

Mr. GINSBERG. I believe that is true nationally, Senator. There are variations. I would estimate in New York and I do not have an exact figure, but in New York State on the AFDC, not on the other, I would estimate that somewhere around 75 percent of the people who are eligible are receiving assistance and that most of the others know about the program and have decided for one reason or another not to apply.

Senator CURTIS. That is in New York.

Mr. GINSBERG. Yes, I am talking in that case about New York State, but nationally, I would suspect the figure of 50-percent participation is an accurate one.

Senator CURTIS. Now, in your testimony before the Ways and Means Committee, you indicated that the cost of the program would be sub-

stantially more than the \$4 billion. Would you tell us why you think that?

Mr. GINSBERG. Well, I might comment at that time I dealt particularly with the AFDC and AFDC-UP program. I felt those figures were based primarily in the 1968 estimate. Regardless of what happened, whether you passed a new program by 1972 or 1973, you would have a substantially increased caseload in that there would be a significant additional cost whether a new program went into effect or not.

Senator CURTIS. Why is this going to increase, is it population increase or are there other factors?

Mr. GINSBERG. There are other factors, I believe. As a matter of fact, there is some indication that the population increase from the last year or two is not the main factor. I would say the No. 1 element, and remember again we do not have exact information in this area, goes more to this business of having out there that 50 percent or more who are always eligible but who did not, for one reason or another, apply for the program.

With the developments that have taken place, the poverty program, the civil rights movement, the other Federal programs, for instance, in cities like Baltimore and New York, the urban renewal program proved to be a significant factor in informing a number of people when they were relocated or moved out of where they were living they were eligible for welfare. So I take the increase to be due primarily to factors like that, that you had a large number of poor people in this country who were eligible but who for one reason or another had not applied for welfare and were now applying.

Senator CURTIS. One of the reasons they have not applied was because they did not have the information.

Mr. GINSBERG. There is no doubt about the welfare has never, unlike Social Security, seen as its responsibility to go out and, let's say, advertise that its benefits were available. I think there were millions of Americans who were eligible from a dollar point of view but who either because they did not know or the way programs were administered simply never came on the rolls.

Senator CURTIS. Mayor Lindsay, the New York Times quoted the City Commissioners Hospitals, Joseph Terenzio—is that the way you pronounce it?

Mayor LINDSAY. Former commissioner. We have a new system, a corporation that runs it.

Senator CURTIS. He called the State medicaid program a failure and said the city had been able to do as much with less trouble under the old system of voluntary clinics. Do you agree with his evaluation, and if so, what measure would you recommend to be taken to remedy the situation?

Mayor LINDSAY. I think medicaid, on the whole, has been a positive thing in our city. It has been in some respects a nightmare to administer, and a person like Commissioner Terenzio, the former Commissioner of Hospitals in the old system before we had this new Hospital Corporation that now runs our 18 municipal hospitals and other establishments, obviously had various increased administrative burdens put on him.

But I think that for the most part all of the administrative bugs in the problem of medicare, recordkeeping, and the rest of it, are beginning to be straightened out. No hospital in the country is really ready

for it. What they need is the computerization of health care needs by people, and they are still struggling toward that. It is very difficult to build a computer that can have in its records the health problem of any individual person, but we are getting there. I do not want the impression to be left for the committee that medicaid was not a very positive thing and of enormous benefit to the health needs of our city.

Senator CURTIS. That is all, Mr. Chairman, thank you.

Senator HARRIS. Mr. Mayor, the buzzer sounded a roll call, and I have got several questions I wanted to ask and some discussions on issues raised in your statement which I think is an excellent one and I for one appreciate it very much. I wonder if it would be possible for you to remain here, say, I imagine it would be probably 5 or 10 minutes until the chairman could get back and the others, and we could proceed then further. Is that satisfactory?

Mayor LINDSAY. Senator, I will stay here as long as necessary. The matter is of first importance to this country.

Senator HARRIS. All right, we will stand in recess, then, for about 10 minutes.

(Short recess.)

The CHAIRMAN. Mr. Mayor, the others will be over in just a few minutes. They are on their way. I am going to submit this question, I am going to ask and then submit it because I think that Mr. Ginsberg would probably have better information, Mr. Mayor, but in either event, I would like to have whatever help you can give us on it.

We have some misunderstanding with regard to the work incentive program which was this committee's effort to try and put a lot of people to work and were very disappointed it has not worked out as well as we had hoped, at least up to this point it has not. One of the major reasons for the work incentive program's failure to live up to its expectations is the experience in New York City. In the first years of the work incentive program 12,000 slots were authorized for both New York and California for the work incentive program since both States had relatively comparable welfare populations. New York was not able to use its slots mainly because of the situation in New York City so that a great number of those were transferred to California.

Before Ways and Means in November, Mr. Ginsberg said that the problem of work incentive was a shortage of training slots stating that New York City had filled 95 percent of the 8,400 slots available to it.

The Department of Labor statistics, however, showed that only 4,500 persons were currently listed as being enrolled on November 31 in the city and over 2,000 were in the holding category. I do not know whether those people were receiving money without being trained or whether they were just listed without anything being done about.

I think that would be well to clear up for the record.

Moreover, even by April 20, 1970, less than 4,000 individuals were in training and almost 3,000 people were in holding in New York City.

In April 1970, only seven persons were in on-job training in New York City, and New York has not implemented the special works project portion of the WIN program.

Now that is what I believe you were testifying to, Mr. Mayor, with regard to item 4 establishments of a community service job creation program.

As to getting people on jobs, less than 200 recipients had finished their employability plans in New York City, and were in actual employment with another 500 in a trial work period through April of this year. I will ask the staff to pass this over to you so Mr. Ginsberg can read that.

I think it would be well to take a good look at that statement and comment on it. I wanted him to see it in writing before he comments.

Mayor LINDSAY. Let me just make a preliminary comment and then Commissioner Ginsberg. First of all, your data are not correct.

The CHAIRMAN. Well, that is something about statistics. Oftentimes it is wrong and often times it places emphasis at the wrong point and oftentimes it does not.

Mayor LINDSAY. Right.

The CHAIRMAN. We are not talking about the same data, but let's get together if we can on the problem.

Mayor LINDSAY. Okay. We will give you the facts and the data in respect to the numbers of persons in the WIN program in New York and how effective it has been.

In short, it is not a very good program; it is not terribly effective for several different reasons, mainly because the program has no comprehension at all of what is required, for example, to train a really poor person to be a stenographer, and that is why public service employment, we think, is vastly better.

Incidentally, in New York City on public service employment, we have approximately 10,000 persons who are in one form of public service employment or another. This is not WIN. Most of those are in education funded through title I, and the rest of them, as I mentioned, are in the OEO-funded program. Some are in public service careers such as hospitals and health services and housing.

We have approximately 1,000 in police. In addition to that, we have through model cities quite a number of public service employment areas.

Now, back to WIN. The WIN program is really not that kind of public service, and its shortcomings are manifest. I would like to turn to Commissioner Ginsberg to give you first the data that we have on it and, second, what we think is wrong with the program.

Mr. GINSBERG. Thank you, Mayor. Well, our figures are substantially different, Senator, than the figures that you have indicated. And I have a report in front of me dated August 7, 1970.

For the weeks ending July 24, that would have been July 24 of 1970, we had allocated to us in the city, not the State, 10,200 WIN slots. We had 9,800 people enrolled in the program and 1,500 would be referred; 1,534, I believe is the actual figure who had been referred to the State for those other approximately 400 slots.

Now a member of the Senate Finance Committee staff did mention to me, I believe it was last week, that we had had more than that figure and had been cut back. I went back to New York Thursday and Friday and checked both with the city and the State, and neither the city nor State, the two men in charge—one of the city and one of the State—knew of the cutback in slots being taken away from New York and given to somewhere else. So we would appreciate where the information comes from. But as of the close of July, which is July 24,

we had 9,800 people enrolled and 400 slots available and 1,500 people referred.

Now I think the key question involved, because those are training, is how many have got jobs. It seems to me that is always the payoff question, and I think the record there is a poor one, and that is true across the country.

The State does not provide those figures. I made some rough estimates which would indicate about 650 to 700 had actually wound up their training or had received a job.

Now we do not count it as a job unless they have worked at least a minimum of 3 months. In other words, once they have gone to work we do not assume that the job will hold unless we can show 3 months of uninterrupted work, and so as of the latest figures that I could get, slightly under 700 had got a job as a result of that program and had worked for at least 3 months.

The CHAIRMAN. I would suggest that you offer those figures you have for the record and we will seek to have a comparative study made.

I will ask that there be placed in the record at this point the figures made available to us by the Labor Department so that we can—they may be of a somewhat different date, but I think somebody's staff ought to be able to work this out and see where there is a discrepancy.

(The table referred to and a letter forwarded to the chairman from Mr. Ginsberg follows:)

U.S. DEPARTMENT OF LABOR - MANPOWER ADMINISTRATION
 WORK INCENTIVE PROGRAM
 Current enrollment by program component, by Region, State and Project,
 as of April 30, 1970

REGION - STATE PROJECT NUMBER	Total current enroll- ment	Holding		Participants												
		Appli- cant	Other	Total	Orien- tation	Basic educa- tion	Other pre- voca- tional	In- stitu- tional	Regular on-the- job train- ing	Other voca- tional train- ing	WIN OJT full- cost	General educa- tion develop- ment	Work intern- ship	Spec- ial work pro- ject	WIN inten- sive follow- up	Regular follow- up
REGION II, total	15,839	1,078	3,864	10,897	966	3,669	266	2,488	74	109	0	1,461	105	0	181	1,578
New Jersey, total	2,392	358	276	1,758	112	508	90	295	2	20	0	330	0	0	0	401
Atlantic 9613	173	8	18	147	8	43	3	28	0	0	0	29	0	0	0	36
Camden 9614	196	6	15	175	11	50	23	40	0	0	0	10	0	0	0	41
Essex 9615	590	105	101	384	42	51	0	83	0	0	0	133	0	0	0	75
Hudson 9616	323	42	43	238	1	74	22	36	0	0	0	66	0	0	0	39
Mercer 9617	201	27	10	164	14	74	3	26	0	0	0	34	0	0	0	13
Middlesex 9618	217	43	22	152	0	53	1	9	0	7	0	17	0	0	0	65
Monmouth 9619	297	70	39	188	4	66	32	9	1	13	0	15	0	0	0	48
Passaic 9620	254	34	15	205	18	71	4	34	1	0	0	8	0	0	0	69
Union 9621	141	23	13	105	14	26	2	30	0	0	0	18	0	0	0	15
New York, total + New York City, 5 Counties 9603	10,349	439	3,481	6,429	744	1,831	119	1,402	29	37	0	944	68	0	181	1,074
Erie 9604	7,036	368	2,564	4,104	595	1,436	67	808	7	7	0	609	64	0	110	401
Monroe 9605	1,153	9	368	776	32	122	20	257	3	7	0	114	0	0	65	156
Nassau 9606	108	3	22	83	0	46	3	5	0	3	0	1	0	0	0	25
Niagara 9607	259	14	44	201	30	30	0	49	8	0	0	35	0	0	0	49
Oneida 9608	307	0	46	261	6	9	8	100	1	3	0	56	0	0	5	73
Onondaga 9609	297	9	115	173	21	21	9	21	2	0	0	13	0	0	0	86
Suffolk 9610	331	13	64	254	13	52	1	52	8	0	0	44	4	0	1	79
Westchester 9611	468	21	161	286	16	24	10	85	0	0	0	38	0	0	0	113
Albany 9623	344	0	84	260	21	86	1	22	0	17	0	22	0	0	0	91
	46	2	13	31	10	5	0	3	0	0	0	12	0	0	0	1
Puerto Rico, total 6 Areas 9601	3,061	281	102	2,678	110	1,309	51	788	43	50	0	187	37	0	0	103
	3,061	281	102	2,678	110	1,309	51	788	43	50	0	187	37	0	0	103

* Current enrollment through March. April data not available.

Office of Manpower Management Data Systems
6/2/70

THE CITY OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
New York, N.Y.

HON. MITCHELL I. GINSBERG,
Adviser to the Mayor,
Human Resources Administration,
New York, N.Y.

DEAR MITCH : Please refer to your letter of August 28, 1970 wherein you request certain facts regarding our WIN Program in order to respond to Senator Long.

The following information was secured from the WIN coordinators of the New York State Department of Labor and the New York City Department of Social Services.

The New York State slot allocation for the fiscal year 1969, which ended June 30, 1969, was 12,000. New York City was allocated 8,400 of these slots. On June 10, 1969 the State allocation was increased to 14,400 for the fiscal year 1970, an addition of 2,400 slots. They were allocated as follows:

	For year 1969 original allocation	Increase	For year 1970 new allocation
New York City.....	8,400	1,200	19,600
Nassau.....	200	200	400
Suffolk.....	600	200	800
Westchester.....	200	200	400
Erie.....	1,200	260	1,400
Tricounty.....	0	400	400

¹ To phase up to 10,200.

² Albany, Rensselaer, Schenectady.

New York City's allocation for fiscal year 1970 was 9,600, with the option to phase up to 10,200. Attached is a copy of the memorandum.

Mrs. Laura Valdes, New York City WIN coordinator for the New York State Labor Department, has informed us that to the best of her knowledge, no slots have ever been taken away from New York State, in fact, just the opposite has occurred and the slot allocation for the State has been increased.

As of November 30, 1969, the New York City Department of Social Services had referred to the Department of Labor as potential enrollees 8,313 persons, of these 4,468 were enrolled, and the Department of Labor had not made decisions on enrollment for 1,040. Of the 4,468 enrolled, 2,058 were in "holding" status after enrollment by the Labor Department.

As of April 30, 1970, 14,453 persons were referred; 7,859 of these persons had been enrolled, and the Labor Department had not made decisions on 1,075 referrals. Of the 7,859 enrollees, 4,252 were in various training components; 554 were undergoing orientation, and 3,053 were in "holding status" awaiting assignment to a WIN component.

The breakdown as to where persons were in the WIN pipeline as of April 30, 1970 is as follows:

Orientation and assessment.....	554
Basic education.....	2,575
Prevocational.....	69
Institutional training.....	909
Regular on-the-job training.....	7
Other funded programs (training contracted out).....	106
Other vocational training.....	5
Followup (employed).....	581
Holding.....	3,053
Total.....	7,859

As of May 30, 1970, 15,663 persons were referred; 10,640 of these persons had been enrolled, but due to terminations for various reasons, only 8,392 were actively participating in the program. The Labor Department had not made decisions on 1,135 referrals and 3,060 enrollees were in "hold".

Under the WIN process in New York City at any given time there will be substantial numbers of enrollees in "holding status" who are nevertheless in-

volved in varied activities which are essential to effective participation in an employability development program. For example, an enrollee in Orientation and Assessment is not counted toward our slot allocation until he starts training in another component. The New York State Labor Department advises us that this kind of strict accuracy of reporting will always produce a quantity of hold time since there is no such thing as instant training availability. Even if you adopt the practice of some States, where an enrollee is assumed to have entered a component as soon as he is assigned, rather than when he actually starts (this, of course effectively reduces your hold percentage), you still have the problem of finding or establishing specific components for these enrollees.

In New York City the State WIN team has made educational training a basic segment of the entire WIN program on the conviction that you cannot begin to engage a person in meaningful training or employment if he or she does not possess the minimum educational skills needed in a tight competitive job market.

We know that the demands of the job market in New York City require a person to have at least the educational skills to cope effectively with ordinary day-to-day problems. Many of our enrollees do not possess these skills, therefore, at any given time we have large numbers of enrollees in basic education components, for example, 2,897 as of May 31, 1970 and 3,129 as of June 30, 1970.

When the fiscal year ended on June 30, 1970, we had a total enrollment of 11,436 and were awaiting decisions from the Labor Department on 1,185 enrollees. Of the 11,436 enrolled since the inception of the program, 8,004, were in WIN slots as current participants and 808 were in WIN orientation and assessment preliminary to assignment to slots.

As of August 21, 1970, 18,674 persons have been referred to the Labor Department, 12,905 have been enrolled since the beginning of the program, and we are awaiting decisions by the Labor Department on 1,270 persons. The total number of enrollees actively participating on 8/21/70 was 9,729. If only one-half of the persons awaiting enrollment are accepted for the program we will have developed a capacity to exceed even the increased slot allocation for New York City, permitted under our option to phase up to 10,200.

Considering the New York City Labor Department WIN Team's emphasis on educational supports prior to assignment to training components, we have not had sufficient WIN graduates to be able to evaluate that Agency's effectiveness in obtaining jobs for WIN participants.

The latest data on WIN placements released by the Department of Labor covers May 1970 and indicates job entry for 1,373 persons throughout the State of which 596 were from New York City. You already have the informal report I sent you for June 1970.

Because of the many problems associated with turning on a new program on a massive scale, the New York City WIN effort did not really get underway until January 1969. We feel that we have made substantial progress toward making the program a viable one in our city. We have developed sufficient momentum to fill our current slot allocation and sustain this level of performance for the foreseeable future.

That we have been able to motivate some 7,800 ADC mothers to become involved in a program of self-help is both exciting and rewarding to us.

I hope this information will be of help to you. Members of my staff, and myself, are at all times available if we can be of further assistance.

Sincerely yours,

MAX WALDGEIR,
Acting Commissioner of Social Services.

MEMORANDUM

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL SERVICES,
June 10, 1969.

To:

- (1) Area directors, area Nos. 1-6.
- (2) Commissioners and WIN Coordinators of Participating Districts.

From: Edward Phillips, Director, Bureau of Program Standards (Frank De Santis, WIN Coordinator).

Subject: WIN Field Memo No. 24, slot allocations, Federal fiscal year 1970.

As a result of discussions with the New York State Employment Service, agreement has been reached on the following WIN Program slot allocations for Federal FY 1970.

Note that several participating districts have had their slot allocations increased and that the Capitol district area has been added.

Project	Fiscal year 1969	Fiscal year 1970
New York City.....	8,400+1,200	19,600
Erie.....	1,200	1,400
Niagara.....	400	400
Nassau.....	200+200	400
Suffolk.....	600+200	800
Oneida.....	400	400
Onondaga.....	400	400
Monroe.....	200	200
Westchester.....	200+200	400
Tricounty (Albany, Rensselaer, Schenectady).....	0	400
Total.....	12,000	14,400

† To phase up to 10,200.

Your continued cooperation in implementing referrals will be appreciated. Will you convey this information to cogent districts in your area.

The CHAIRMAN. Now under the work incentive program for public service employment, it may have been a problem because the Federal Government would put up only 80 percent, but there was no way he, under that program—of assuring that the 20 percent would be available from the State or local government. Has that been a problem in New York City?

Mr. GINSBERG. Senator, if I may comment on that, that special works project program so far has gone into effect in one of the 50 States unless something has happened in the last week or two, I believe it is West Virginia, and the people who looked at it there would think it is a disaster that never should have occurred.

I think the special works project, the requirements that have been set up on that that you have to go through, make it an impossible program, and a year from now if that program stays as it is, then you are not going to have any more people. It is not chance that 49 States had nothing to do with that program because it is simply an unworkable one as it is presently organized.

The CHAIRMAN. Well, if you find it won't work, and you have a lot of people there who are drawing money and doing nothing to better their communities, in other words, if we are paying money and society is not getting anything for it other than the good it does by handing the money to those individuals, I would think that those who are responsible, who have the responsibility, should come in and show us how it could be made workable.

Do you have any suggestion as to how that can be done?

Mr. GINSBERG. Yes; we do.

We have a number of suggestions. I think the proposals made by Senators Ribicoff and Harris go to a different approach that makes sense. As the mayor has indicated, we are all for public service, it is the most successful employment and training program in New York City by far.

We have had better than a 90-percent retention rate and we would have jumped at that special projects program if it had any chance

to work effectively, but the regulations established by the Department of Labor are so tight and so inflexible that nobody can operate that program and it is not going to work now or it has not worked in the past.

The CHAIRMAN. That is one of the problems we have been concerned with and Labor wanted to have jurisdiction of that and some of us suspect they sabotaged that program.

I do not care how the responsibilities may be assigned in this Government, whether logically one department ought to handle it or not. But if they have the opportunity to do a job and fail to do it in fact, or if they do it in such a way that they make it fail rather than making it work, it seems to me that that is a prima facie case; they are not the ones who should be administering it.

That is something to study and consider when we take a look at the public service area a second time.

I am also concerned about the problem of trying to provide work and trying to prevail upon as many mothers as possible to work for their own communities as well as for the improvement of their families, and for the example it sets for their children. I know that you, Mr. Mayor, and Mr. Ginsberg, who is here with you today, have felt that there are plenty of mothers who would volunteer for work and that there is no real need of mandatory referrals. Might I ask how many mothers have volunteered for the work incentive program in New York City?

Mr. GINSBERG. Well, the program we financed through OEO, I think we have at the moment 750 people on it. We had a list of something like 8,500 for those jobs but we have never been able to make use of them. We have had better than a 90-percent retention rate so that we timely have better than that at the moment or close to 8,000 names of people in the past who volunteered for that program but could not be placed.

The CHAIRMAN. How many volunteered for the program, that is what I want to know. How many volunteered for the incentive program?

Mr. GINSBERG. You mean work incentive or public service?

The CHAIRMAN. For the work incentive program.

Mr. GINSBERG. Well, as of July 24, we had referred 18,400 people on that program to the work incentive program.

The CHAIRMAN. How many volunteered?

Mr. GINSBERG. Most of them were volunteers because almost all of them were mothers and mothers are not required in the New York State system, to work. So there was a relatively small percentage of men.

I do not have the exact figure, but that was largely a volunteer program.

The CHAIRMAN. Is the understanding then there were about 20,000 mothers under this program who were available and willing to work?

Mr. GINSBERG. Except for a small proportion that I say were men, I would suspect it is not more than 10, and probably less, percent than that.

The CHAIRMAN. Fine.

I am going to call on Senator Anderson if he has any questions.
Senator Bennett?

Senator BENNETT. I was, unfortunately, not here to be able to hear the summary of the mayor's testimony.

The CHAIRMAN. I will call on you later then.

Senator Ribicoff?

Senator RIBICOFF. Thank you, Mr. Chairman.

Either the mayor or you, Mr. Ginsberg; your testimony has drawn upon the experience of New York City in administering the program of assistance to the working poor. Do you believe that further evaluation of your program and the other five States that have such a program would disclose experiences that would be helpful for H.R. 16311.

Mayor LINDSAY. Yes; we do. We have in the main testimony that I offered, Senator Ribicoff, we offered, or I offered, and Commissioner Ginsberg joins in that, and our whole team in New York joined in that, the conclusion that the concern that some members of this committee may have with the working poor portions of the House bill would mean that there would be upward of 13 million Americans who would come forward to be involved in that program and that the expense of that would be too great.

Our conclusion, and we think it is sound, and we think it will stand up under any test, is that that is not going to happen in any event. Our best guess is that it would come forward in the next 2 years with a maximum of 3 to 4 million persons.

Senator RIBICOFF. About a third?

Mayor LINDSAY. About a third.

Senator RIBICOFF. Do you think that once the program got known over what might be the next couple of years—the next 5 years—probably a larger portion might accept it?

Mayor LINDSAY. Well, it might over a period of time, but, on the other hand, New York State and in the five other States that have been involved in programs for the working poor, we have been at it now for how many years?

Mr. GINSBERG. Twenty-one years.

Mayor LINDSAY. Twenty-one years and the percentages have not changed that much.

Senator RIBICOFF. Now, if a program of public service employment was included, what type of jobs would be available in New York City?

Mayor LINDSAY. Almost any type of public service job that you could think of would be available. At the present time, approximately 10,000 public service jobs of one kind or another, some funded by title I of the education program, some through Model Cities, some through an OEO program that has been in effect for a short period of time, they range from paraprofessionals in schools to assistants in hospitals, persons who are aiding in laboratories or assisting technicians, or becoming technicians in due course themselves, to housing people who are working in the neighborhoods taking inventory, or working in rehabilitation programs; to sanitation, which is chiefly in Model Cities in New York, where there are the beginnings of a very important sanitation public service program; to police where we have a thousand cadets in what is in effect a public service program; to tenant patrols in public housing.

We have a very effective tenant patrol program now which is funded largely by city funds, but a tiny part by Federal funds; to fire, which is again in Model Cities.

We have in our fire department a cadet training program funded by Federal money, Model Cities money, essentially public service employment.

Then there are specialized summertime programs which are confined to the summer.

The other day I spent most of the day with Neighborhood Youth Corps problems, and I was with our parks maintenance people, who are using these summer Neighborhood Youth Corps persons to help maintain our parks and beaches, very effectively, I might add.

Senator RIBICOFF. Getting back to that, I am curious about sanitation, and this is no reflection on you, Mr. Mayor, but New York has become, without question, one of the filthiest cities anywhere.

I mean I like New York, I visit it and I have a lot of friends and part of my family live there. The debris and the papers and the refuse are all over the streets of New York, on all streets whether it is the upper East Side, Park Avenue or Fifth Avenue, any place, it is there. How many people today on welfare, on your work programs, are used just to help pick up debris and keep the streets of New York clean?

Mayor LINDSAY. First of all, without going into any details you have to understand the complexities of the union situation that exists.

Senator RIBICOFF. I want to say, I think this is very important to go into.

Mayor LINDSAY. That is true, first of all. But the biggest nonregular unionized sanitation service area we have in the city is beginning to come through Model Cities. Central Brooklyn Model Cities has now a rather effective sanitation input with manpower and equipment, equipment supplied by the city, manpower hired by indigenous people who are running the Model Cities program and after initial periods of training and work are gradually moved over into the regular sanitation service and become fully paid members of the sanitation department and obviously members of the union at the same time.

Senator RIBICOFF. Now, you see, let's say we passed a bill like this, and we would incorporate a work program. What requires the least amount of training that anybody can do on welfare today, whether they are men or women, is to pick up debris and help clean the street. You don't have to spend \$5,000 or \$6,000 a year to train people for that. Now does the sanitation union have a strangle hold on New York City to prevent you from getting a couple of thousand people on welfare to pick up papers on the streets of New York and keep New York clean.

Mayor LINDSAY. Well, let's go back to model cities again. Here the sanitation union has been most cooperative. It has gone forward quietly without a great deal of public debate and we have been able to mount this program in the ghetto areas which is where the chief problem exists and where it needs the most attention, and I do not have to tell you that that may also relieve pressures all over when that happens. The sanitation union has been cooperative and the program is beginning to roll very well, indeed.

We think in the area of sanitation that is the most effective way to use poor people, and involve them in the area of the environment.

I mentioned the Neighborhood Youth Corps a moment ago in which there are teams of persons now engaged in various cleanup programs.

Once again, however, this is done through the antipoverty program.

Our CAP organizations in New York in effect run the Neighborhood Youth Corps program, and I think again that this neighborhood aspect of it with community based people doing the hiring, and receiving the reports, is the effective way to do it.

Beyond that, of course, when it comes to straight sanitation, we seek, as we do in police and fire and other areas to train poor persons and to bring them into those uniformed services and obviously there is a high application for it, too. We are oversubscribed in all three of the major uniform services in New York. The reason for it is we pay so well. We pay extremely high salaries for those service employments.

We just got through adding approximately 1,600 sanitation men to our force in New York, a thousand in the new quota and another 600 by various methods and devices to bring up the existing forces to in effect full quota, and it is obvious that out of those ranks we hope to attract a great many minorities.

Senator RIBICOFF. How many able-bodied men and women are there in welfare in New York City today?

I don't mean the lame, the halt, the blind, the infirm, the aged.

Mr. GINSBURG. We have, Senator, what is called an employable category of men of approximately 28,500 but that includes all men between the ages of 18 and 60. Fifty-two percent of those are functionally illiterate. They cannot read or write. It also includes a substantial number of addicts. So while we classify them because of categorical problems as employable, the truth is that I do not believe that half that number is employable in any significant sense.

Senator RIBICOFF. All right.

Let's say you have got 14,000.

Mr. GINSBURG. Yes.

Senator RIBICOFF. 14,000 people on welfare and what is the average that you pay, what is the average amount being received by these 28,000?

Mr. GINSBURG. Well, of course, it varies as to whether it is a single person—

Senator RIBICOFF. I know.

Mr. GINSBURG (continuing). Or an individual but it is roughly \$70 a month plus rent for that single person that might average about \$1,600 to \$1,700 a year.

Senator RIBICOFF. All right.

Let us say you have had this program that we are talking about, 14,000 able-bodied men and women, these are men, not women.

Mr. GINSBURG. No; these are men.

Senator RIBICOFF. How many are women, after all, a woman can pick up a piece of paper from the street, too, how many are able bodied?

Mr. GINSBURG. We have about 160,000 to 165,000 mothers, AFDC mothers.

Senator RIBICOFF. 14,000 men and 100,000 women, I am very serious about this; they could make New York sparkle, they could make New York clean.

New York is a place people would love to go to.

I notice with a great deal of interest the loss of population in New York. It does not surprise me. I know people, I think the mayor knows them, too, who love New York. Who never thought they would ever cast aspersion on New York and have gone from New York, and are continuing moving from New York City, and the thing that bothers them the most, they tell you is that New York is filthy, it is dirty, it is true, I see this with my own eyes.

MAYOR LINDSAY. You see it in Stamford and Bridgeport, Senator. Senator RIBICOFF. I don't think it is quite as filthy as New York.

MAYOR LINDSAY. Pretty close.

Senator RIBICOFF. I do not think the main street of Stamford or Bridgeport is as dirty as Fifth Avenue or any main street.

MAYOR LINDSAY. I will argue with that.

Senator RIBICOFF. I stayed at the Stanhope Hotel one weekend. I get up early in the morning and like to take a walk right across from the Metropolitan Museum and I was shocked at the filth on Fifth Avenue right across from the Metropolitan Museum, so I started to chat with the doorman there about the procedures. So he tells me about the sanitation department picking up refuse on every other refuse barrel, not every barrel, every other one, and then they get filled and someone knocks them over and the paper and debris get scattered over the streets of New York.

Now, with all these people on welfare, how much training do you have to have to have a stick, a broomstick, with a spike in it to pick up a piece of paper?

I want to put people to work. I believe in public service employment, and I believe that people on welfare, if they can work and if you can train them, should work. But there are many people, I realize, who are functionally illiterates, who have limited intelligence. But how much training do you need to have to have people pick up debris, people in the streets of Hartford, Bridgeport, and Stamford as well as New York City?

MAYOR LINDSAY. Don't you think it is desirable—we have poor people in Bedford-Stuyvesant and Harlem and the South Bronx who are the people you are talking about, and in which district and which areas have the more severe sanitation problems than Fifth Avenue does, don't you think it is desirable to have those persons cleaning up their own neighborhoods?

Senator RIBICOFF. Oh, yes.

How many of these people on welfare of the 160,000 women and the 28,000 men are cleaning up in Bedford-Stuyvesant, the Bronx and Brooklyn, and Queens?

MAYOR LINDSAY. If you care to come with me to New York City—

Senator RIBICOFF. I will.

MAYOR LINDSAY (continuing). To see the sanitation effort being made by people in those three poor areas—

Senator RIBICOFF. I will do that.

MAYOR LINDSAY. I believe it is the only city in America that is doing it, including the cities in Connecticut.

Senator RIBICOFF. I will do that.

I will come with you because to me it is very important. You can go to any European city, come home late at night, at 3 o'clock in the

morning, and see people hosing down the streets. I want it cleaned up in the Bronx and Brooklyn. But if we are talking about giving people a job, I don't care where they clean up the debris, it is important in Bedford-Stuyvesant as well as important on Fifth Avenue.

Mr. GINSBERG. But, Senator, you would agree there should be jobs and the point the mayor is making is nowhere in this legislation is there a single job.

Senator RIBICOFF. You are right, and I think Senator Harris and I had that in mind, 30,000 is only a start.

Mr. GINSBERG. That is right.

Senator RIBICOFF. It is only a start. My feeling is to the fullest extent you can translate it but there has to be a sense of realism. It is not just a question of the highly trained job, but there are things that can be done and people who can be paid to do the simple things that are important for America.

Mr. GINSBERG. Well, Senator—

Senator RIBICOFF. And your city and my cities in Connecticut as well as in New York.

Mayor LINDSAY. If I may interject here, our city can use, any city can use, all the public service help we can get and we hope very much you will be able to translate your frustration and my frustration on sanitation, for example, and I can assure you it has been the most frustrating subject I have had to deal with in 5 years as mayor beyond any to the extent that it makes my old role as a Congressman in this body a very simple one indeed. But if you can translate your frustration and mine into an input in this legislation, this year, that will give use some public service employment of poor people, I can assure you we can do a much more effective job than we are able to do.

I want to add to that also that the reason that some of these cities are strangling to death and not able to cope with the problem is because the massive cost of the local service that we are providing in police, fire, sanitation, nursing, beach and playground cleaning and all the rest of it, the cost of that without adequate revenues is killing all of us, and whatever the Senate can do and the Congress can do, either through public service employment or through revenue sharing or both, to assist us in taking care of the cost of doing business in these near fiscally bankrupt cities will help the whole country. So I commend you on the legislation that you have introduced for public service employment.

I think you and Senator Harris and my own Senator, Senator Javits from New York in this area have done a service. The challenge before the Congress is whether or not they are willing to enact that program.

Senator RIBICOFF. One final question for my 7-year-old grandson who lives in New York and he asked me this on Sunday. He is puzzled. He cannot understand it when the sanitation trucks go up and down the street with brushes and they do not pick up the debris and the dirt but scatter them around. He says, "Why don't those sanitation trucks, Grandfather, have vacuum cleaners to pick up the debris instead of scattering it in the streets?" I ask you that.

Mayor LINDSAY. I will give you an answer to that, the reason is Congress and the Federal Government has put all of its technology and all of its tax incentives, such as they are, to put men on the moon and has done absolutely nothing by way of incentive leadership or en-

couragement on the technology of the environment which means cleaning streets, and other aspects of ordinary living.

The Nation and the Congress must be willing to put as a first priority the leading of industry in this country to do something about compaction, for example. This country is about a hundred years behind Europe in the manufacturing of ordinary compaction for multiple dwellings so you don't have it to burn the garbage, you can compress it, and the reason is that no one has encouraged the private sector to do that except a few hard-pressed cities that have gone to them literally on bended knee asking them to try to do something to meet specifications that will work. The same problem is true of ordinary sanitation trucks which—New York City has the best in the country, they are made to our own specifications and we are ordering them as fast as the manufacturers can put them out, but they still are not modern enough.

Senator RIBICOFF. You mean there is no sanitation truck that picks up the dirt by vacuum process?

Mayor LINDSAY. To a limited extent there are vacuum processes, there are hand-vacuum cleaners that we are now designing to use on the sidewalks of New York. We are using and have been using hand vacuum in the sidewalks of central Brooklyn in connection with the model cities program in central Brooklyn but for the most part we do not have it.

I brought in from Europe a large vacuum mobile truck, an experimental model for the gutters and streets, and it was determined that American know-how was not up to the manufacture of that kind of equipment that was effective, that could be easily operated, and whose maintenance was not a killer. That is how far behind this country is.

Senator RIBICOFF. Very interesting.

I wrote to practically every large industry in America concerning their desire to be involved in postwar conversion efforts, and the replies that I got back indicated that American industry, with practically no exception, would not take the lead at all to go into the problems of changing to a domestic economy to take up the slack after the Vietnam war was over. If the Government does not do it or give the incentive to private industry, private industry unfortunately indicates no desire to do it itself.

I just have one more question.

Can't you buy these trucks from a European manufacturer?

Mayor LINDSAY. We have talked to the European people and the kind of vacuum trucks we would need in New York are not manufactured anywhere that would do us that much good at the present time.

Senator RIBICOFF. And some of the American manufacturers, there must be a big field in this, every city in the United States would be in the market for that type of truck, would they not?

Mayor LINDSAY. You would think so.

I have just been passed a note by one of my colleagues saying it took 2 years to develop a street vacuum cleaner first used by model cities in Brooklyn, which still is not effective but it is the only one available. That is a small size model.

The vacuum truck that we imported came from England, and it was partially effective.

Senator RIBICOFF. I would like to call you on one of these future trips in New York and I would like to see what is being done in sanitation by people indigenous to the neighborhoods. I am very curious.

Mayor LINDSAY. I would be delighted to take you or any other members of this committee on a personally conducted tour, Senator, to show you some of the things going on.

Senator RIBICOFF. Thank you.

The CHAIRMAN. Senator Harris?

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

Mayor Lindsay, I appreciate very much your testimony. As I said earlier, I am particularly impressed with your suggestion, in which I concur, that at the very least we might take the budgeted funds for revenue-sharing and add those into this program for additional Federal administration and financing of the program, and also with your suggestions with regard to jobs and other matters that you cover in some detail.

I wonder if you might comment further about Federal administration.

I wonder if you might indicate further why you think that would be better than to leave the administration as it is now.

Mayor LINDSAY. Well, from the point of view of the administration, Senator, the present setup, and also any future program that is now being discussed in the Congress, is impossible to administer because of the multiple jurisdictions that are involved.

It is commonly thought in New York City that the city government controls welfare and that the welfare rolls are all in control of the city government.

Not so. Welfare in New York City is, first, Federal; secondly, State, and who goes on or who does not go on welfare is entirely within the formulas and the rules and regulations that are prescribed by the Federal Government and the State of New York.

Those two sets of governments then do two things: One, the State requires local governments in New York to fund a large portion of what the Federal Government has put on the State. That is number one. So it is a very costly item to the city.

Then, secondly, the local government is required to administer the whole thing. The result is that you cannot even discuss whether or not a poor person should have a toothbrush at public expense without first going to the State government and then the Federal Government. If you want to change that to say that person should have no toothbrushes or, instead of one should have two, you have to go to two levels of government, go through a whole series of processes before you can get any answer.

You can just imagine what it would be like if the Social Security Administration were run in such fashion that you had three layers of Government all drafting separate regulations that are supposed to dovetail with each other, but often do not, and if those who administer the social security laws of this country were in some cases Federal and in some cases local, and in some cases State, and in a place like New York all three; in effect, what we are suggesting here is that we come to the point where, for the most part, when it comes to persons who are handicapped, not just because they are blind or because they are old, but because they are in such a position that they

simply cannot make a go of it in a free system and in a free market, those persons should, in effect, come under a system which is akin to social security. And if that system is going to be financed by the Federal Government, as we think it should be, otherwise you are going to have a vast disarray in the country of differences, it ought to be administered also by the Federal Government.

Senator HARRIS. I agree with that.

What about the fear which has been expressed by some that people may leave jobs to receive welfare, if this bill is enacted or something better is enacted?

I wonder if you might comment on that from your experience in New York City.

Mayor LINDSAY. Well, I think that fear goes largely to the working poor aspects of the proposed legislation. Our experience in New York, based on two decades of working with the working poor, is that it is not the case.

In New York City we have, in the city, and with no Federal monetary participation, approximately 15,000 families, which means 80,000 persons, involved in supplemental payments to the working poor. It is interesting to note that, what is the figure?

Mr. GINSBERG. Seventy-five percent.

Mayor LINDSAY. Seventy-five percent of the population of our day care centers are working poor families, indicating they are taking advantages of day care and they are working.

The other thing that is interesting to note is that whereas in AFDC probably 90 percent of the participants in AFDC are black and are women, in the working poor program that we have been engaged in, the division is probably between black and white—about 50-50. So that you have an indication that in each case you have possibilities of families or individuals who wind up on the welfare rolls, and the fact that 75 percent of the day care centers are filled with working poor children indicates that you are talking also of mothers with children, and our experience with the working poor has been that they stay with it, they do not leave their jobs in order to go on welfare, and I think my prepared testimony, which I did not read but which has been submitted for the record, goes into all of the data as to those persons who left the working-poor category and went on welfare because of death or desertion of the male of the family, and the figures are remarkable.

How do they go, if I can turn to the Commissioner, he can give you those.

Mr. GINSBERG. May I comment on that?

We did this study in preparation for the bill.

For the year, March 1969 through March 1970, of our approximately 15,400 families in the working poor, we did an examination month by month to look at two things: How many of them would end up on AFDC, and how many of them would end up on AFDC-UP, the unemployed, and we found that for those 13 months the rate that ended upon AFDC was less than 3 percent, it was 2.92, and that included cases where the father died or went to prison or went to a mental institution or deserted, so you add a combination of four significant factors but, added together, they were less than 3 percent; and the percentage, while we have not done the final breakdown, we think desertion is going to be about 1 percent to the less than 3 percent total.

At the same time, that percentage that stopped working and therefore went on the AFDC-UP category, unemployed parents, was slightly less than 1 percent. So that you had 96 percent literally of that group over a 13-month work period that both stayed together and continued working.

Senator HARRIS. I appreciate that very much.

I want an answer to one last question which has three parts, Dr. Ginsberg, and Mayor Lindsay, relating to three rather commonly held ideas about welfare:

No. 1, that people move from one place to the other because of higher welfare payments;

Two, that welfare mothers have additional children because that will increase their welfare payments; and,

Three, that there is a large percentage, larger than in the general population, of those who will cheat in order to get welfare payments.

I wonder if you might make some comment from your own experience.

Mr. GINSBERG. Well, we have examined all three of those rather carefully because, as you know, these three have often been said about New York specifically.

Over the last 10 or 15 years, an examination of the welfare rolls year by year shows that in any one year the percentage of people who come on the rolls, who have been in New York for less than 1 year, is less than 2 percent. The figure is remarkably stable.

Now, that does not mean, if you accumulate this over 10 or 15 years, you do have a substantial percentage who have come from another part of the country. But obviously if they have come for welfare, they are not going to wait 5 or 10 years. I think our last figures showed that better than 80 percent of the people on welfare in New York had been on better than 10 years and nobody would come for welfare and wait 10 years to come on it, so it seems to me the facts are overwhelming in that case; the business of the mother having a child because who would be better off, I have always said that is a point of view held by those who have not been in that situation.

We have in New York what is the most generous payment. An additional child in New York buys a total of about \$1.30 a day as a result of having that child and I say, not facetiously, that is no way to make money so I think it simply does not holdup.

People have children for a whole combination of reasons, and in a study we did on family planning, the biggest reason they did not use it was ignorance or fear of family planning, they did not know enough. They had nothing to do with the desire to make money because you do not make it that way.

So far as cheating, nobody is going to sit here and tell you there are not some cheats in welfare, just as there are in many other systems that I know of. But after—if I may say so—after a most intensive review both by the city, State, and Federal, GAO, they found less than 3 percent of the people in New York on welfare were there who were ineligible, and a lot of that was technical and we challenge that, but, accepting their figures, that was less than 3 percent.

Senator, I am not justifying 3 percent, but any program of a magnitude of a million people, whether welfare, income tax, or anything else,

that certainly is not the kind of figure that would make a case that people just cheat. The kind of life welfare is, you know, there is not much incentive to cheat to get on it.

Senator HARRIS. I said that was my last question, this *last one*, Mr. Chairman, if I may.

Mayor Lindsay, what about the so-called notch problem we have talked about a good deal in this committee and which has been of concern to us. Would you comment on the seriousness of that and what might be done about it?

Mayor LINDSAY. Well, the notch problem is a problem because it is going to be very difficult to arrive at nirvana under which the notch problem is 100 percent licked. You have a notch problem now under the existing setup of welfare, and the proposal that has come over from the House and the administration bill, is an improvement over the existing setup, and will seriously assist it.

When you are talking about working poor, I do think that the experience of the six States that have working poor programs, backed up by the data that are in the record and that Commissioner Ginsberg has just been talking about, indicates that people neither quit their job nor desert their wives as they move up in the economic ladder a little bit.

The history in those six States which have it indicates that the opposite is true, for the most part.

Now, as Commissioner Ginsberg said, you are always going to get the exception and if a newspaper ever finds out about that exception, it will blow it up in such fashion that the whole world will think it is the rule. But in those States that have it, it has not been the experience.

What you are considering before you, and what Congress has an opportunity to do is to create a program under which the incentive is always there so it is better to work than not to work. That can be done.

The measure before you that you are considering, one that I know, Senator, you have been supporting in this Congress and all over the country, has that provision in it, and although no one can argue that you are not going to have a small measure of a problem, it will be far less than what you have now.

Mr. GINSBERG. May I add one word?

Senator HARRIS. Yes, sir, Dr. Ginsberg.

Mr. GINSBERG. Because I know of what deep concern this notch problem is. As the mayor said, it is there now and it is in exaggerated form. There is no one piece of legislation that this committee or this Congress can pass today that will completely eliminate that problem, because in dealing with certain aspects at different ends of the scale there is no way any program can eliminate the notch problem.

It is aggravated here because of a decision which I understand you are limiting the terms of the amount of money that you can spend for this program.

When you seek to eliminate all these notch things and then say you are not going to spend more than x dollars, those two objectives, while legitimate, are impossible to accomplish. So, no matter what this committee does, you can reduce it somewhat, but the notch problem will continue and it is simply not possible to eliminate that completely.

Senator HARRIS. Thank you very much.

Senator ANDERSON (presiding). Senator Bennett?

Senator BENNETT. First, an observation, Dr. Ginsberg, \$1.35 a day is \$500 a year, which is a substantial amount in relation to one of the proposals we have been considering.

For instance, in setting a floor under this program, we add \$300 a year for each child. I am not going to comment except to say it is not negligible to think \$1.35 a day is not worth consideration; \$500 a year is worth looking at.

Mr. GINSBERG. That is true; that is what the Federal Government says, but I am talking about New York City, and obviously the supplement that New York City and State gives brings it up well above the \$300 and \$500 figure.

Senator BENNETT. That is right. It is all right to get that.

In the early part of your discussion, Mayor Lindsay, you indicated that you had about 28,000 men and 160,000 to 170,000 women in the age area that might be considered employable realizing that there are limitations of literacy and other things.

Mayor LINDSAY. Yes.

Senator BENNETT. Can you absorb 200,000 people in public service in New York?

Mayor LINDSAY. Commissioner Ginsberg and I have been discussing this in the last couple of weeks in preparation for this testimony here and we believe the answer is a cautious "yes." I would put the figure, the immediate figure, of what we could absorb in public service employment at a hundred thousand and the reason that I say a hundred thousand is a safer figure than 200,00 is because in the categories of the so-called poor persons, who except for other reasons might be employable, you will find that such a large percentage of those persons are really not employable.

The combination of illiteracy, narcotics, or other debilitating factor, that make the training aspects of it so heavy, so burdensome, and so big, that it is too big a statement to say that they can all be trained for work.

Mr. GINSBERG. I would agree because age, that is up to 64. I could say we could handle 100,000 public service jobs if we had the money.

Senator BENNETT. Of course, these are dead-end jobs. There is not much promotion prospect, not much chance to pull yourself out of the minimum level as I understand the proposal. You cannot absorb these people unless the Federal Government is prepared to pay the total cost, am I right in assuming that?

Mayor LINDSAY. Yes, that is correct. We cannot, We have, and I won't go into the details of it, but we have a number of programs now that bring in the jobless, for the most part poor people, various aspects of municipal employment.

Senator BENNETT. Some of those have Federal matching.

Mayor LINDSAY. Some of them do.

Senator BENNETT. Yes.

Mayor LINDSAY. And for the most part, the public service, the straight public service programs that we have now are supported in part or in whole by Federal money.

Senator BENNETT. If the law were so written that these people were made available to you, would this aggravate your union situation,

could you get them on the job without running into union pressure which might make it impossible for you to use them?

Mayor LINDSAY. It is difficult and it takes weeks and months of negotiation and careful work but it can be done.

I explained to Senator Ribicoff a little while ago that one of the best organized municipal unions in our city is the sanitation union.

Senator BENNETT. Yes, I was here when you were telling him.

Mayor LINDSAY. And here we have been able to work out in effect a public service employment system in connection with model cities that is beginning to be very effective, and it has been worked out together with the union leadership in a very effective way.

Senator BENNETT. But these people are confined literally to the area of it covered by the model cities program.

Mayor LINDSAY. That is correct.

Senator BENNETT. So they cannot be used generally.

How much of an attempt has been made to get part of these people or people like them into private employment where there would be no burden on the Federal Government or the city?

Should we give up and should we simply say—

Mayor LINDSAY. No.

Senator BENNETT (continuing). That these people should now depend entirely on public service jobs and the Federal Government should finance them?

Mayor LINDSAY. As you know, Senator, there have been a number of recommendations made by various commissions, including the Kerner Commission of which Senator Harris was a member, that the private sector be encouraged by various incentives, tax credits included, to become a part of a, in effect, public service employment area.

Just recently we entered into a demonstration program by contract with the U.S. Department of Labor on a work incentive program for poor people who would be employed by the private sector, providing there was training; there had to be training, otherwise it was impossible because, again, most poor people must have training, but also more importantly or equally important, it hoped for elevation on the ladder, one of the problems parenthetically that always exists is the dead end aspect of many jobs which means there is a high rate of turnover.

This demonstration had built into it a system under which the employer was assisted in a step-by-step elevation of those persons combined with training. Is it too early to evaluate it or not?

Mr. GINSBERG. Yes, I think it is too early to evaluate that.

I would like to add another comment, if I may, Senator. I agree with the mayor, I think the bulk of them will have to be in the private industry. While I strongly feel some of them should be in public service but that is not the answer. What I feel are the major mistakes, and I feel it is in this bill again, is to establish training programs with no job at the end of it.

Senator BENNETT. I agree.

Mayor LINDSAY. I can tell you there is nothing more disastrous from everybody's point of view, the person who goes through, who does not have a job, the Government that spent the money, and the industry. I do not think the Congress of the United States, this country, ought to subsidize training programs unless there is a guarantee that the man

or woman who finishes that program successfully gets a job and that guarantee ought to be in advance.

I have seen altogether too many where that turns out not to be the case.

Senator BENNETT. I agree with you completely whether it is a public service job or a job in private industry, it seems to me this whole effort falls and all the money we spend is wasted if in the end people do not have employment.

Mayor LINDSAY. It is curious that some of the private sector industries that are beginning on their own to involve themselves in this field of training and upgrading at great expense to themselves, and perhaps at some competitive disadvantage in some cases, are those who in essence are locked into the central cities, that includes the utilities like telephone, and banks, that find if they want to get clerical help they must go into the business of job training and recruitment, and hiring and advancement.

Some of them have had some very difficult times over it. For all of them it has been expensive, but it is beginning to work. The problem is, will it go fast enough in order to meet the crisis that these central cities have on their hands?

Senator BENNETT. One final comment, Mr. Chairman. I listened with interest to your discussion with Senator Ribicoff about impacted or the machinery for impaction.

Mayor LINDSAY. Compaction.

Senator BENNETT. By your implication the Federal Government has the obligation to subsidize the development of this machine. It would seem to me that if the city put in some tough ordinances somebody would come forward with machinery to supply the need.

I know, I live in an apartment in Washington, and apparently the inspectors had told them they cannot burn the trash any longer.

Mayor LINDSAY. Right.

Senator BENNETT. So we have got a machine that backs up to the door as often as is necessary and it may not be effective but it is impacting the stuff that does down the tube.

Mayor LINDSAY. What you should have is the machine at the bottom of the tubes that does that so that you have instead of having to lug a lot of volume out to the mobile compaction unit, of which we have a lot in New York, we have the big mobile ones, but what I am talking about is the compaction unit at the bottom of the tube.

Senator BENNETT. All right.

A city ordinance with maybe a year or so to give enough lead time would do much more to develop that.

Mayor LINDSAY. We have that ordinance in New York, Senator.

Senator BENNETT. Well, come back and tell us, how much lead time have you put on it?

Mayor LINDSAY. Well, it is a relatively new law that we have inaugurated in New York. You have to either finish or have to close down all incineration in multiple or private dwellings or else it would have to be upgraded in such fashion that it comes close to being as efficient as you can make it, and both require an expense. Insofar as the compaction is concerned, the fact is the industry is way behind and even in a market that is as big as New York, whether it is in an automobile or whether it is a compaction unit, or you name it, the

industry is simply not geared up that fast in order to do what should be done.

Senator BENNETT. The market has suddenly appeared.

Mayor LINDSAY. It is getting there. It needs some help.

Senator BENNETT. There is an old saying, necessity is the mother of invention, and I think that is still true with respect to the ingenuity of people who try to fill an existing market.

Mayor LINDSAY. Correct.

Senator BENNETT. That is all I have to say, Mr. Chairman.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mayor Lindsay, I want to compliment you on a statement that you have dealt with in some detail. I was not here to hear it read and perhaps I shall ask questions, some of which have been asked before, but I am interested in your summary where you would hope that the Federal Government can take over the full financing of the welfare program by 1976. Is that your first recommendation?

Mayor LINDSAY. Yes, sir, that is correct, Senator.

Senator JORDAN. Would you recommend an orderly phasing out between now and 1976 or would you do it abruptly?

Mayor LINDSAY. No, we recommend a step-by-step change. Our recommendation is that the 30 percent Federal contribution figure be moved to 50 percent in this Congress with this bill, and that it escalate 10 percent each year for then next 5 years.

Senator JORDAN. That is your third recommendation, that immediately upon passage of this bill the Federal participation, the Federal share, be increased from 30 percent to 50 percent?

Mayor LINDSAY. That is correct.

Senator JORDAN. Your second recommendation is that the mandatory supplementation of all benefits be at Federal expense.

Do you have an estimate of the costs of those three provisions?

Mayor LINDSAY. Yes, we do.

Senator JORDAN. Have you given it for the record?

Mayor LINDSAY. What are the figures?

Mr. GINSBERG. On item 2, on the assumption which I believe strongly is accurate, in the next several years you will have under the working-poor program 3 to 4 million people in that program at a maximum, and I happen to think it will be a longer time than even 10 years before you go much beyond that.

I believe HEW's estimate of the total cost of that for, say, 10 to 12 million people was \$1.1 billion. Using their figures, which check with some we have done, I would estimate that item is somewhere around \$800 million.

Senator JORDAN. This is your recommendation No. 2?

Mr. GINSBERG. That is right.

Senator JORDAN. The mandatory supplementation?

Mr. GINSBERG. That is right.

Senator JORDAN. How much for recommendation No. 1?

Mr. GINSBERG. Well, if by 1976, we are assuming by that time you have taken over the full program and, you know, on a step-by-step basis, I would think that additional costs there and, of course, it depends on what happens to the caseload, it will be somewhere around \$8 billion extra.

Senator JORDAN. Eight billion extra?

Mr. GINSBERG. That would be Federal. There would be a savings to States and cities.

Senator JORDAN. All right.

Have you an estimate of the amount of cost going from 30 to 50 percent of Federal participation in the welfare program?

Mayor LINDSAY. In the 1 year, the first year?

Senator JORDAN. Yes.

Mr. GINSBERG. That would, of course, depend on what you did on item 2 because that would have some effect on it and that 30 to 50 I think will not cost more than \$5 million to \$600 million, and I suspect that is a little high.

Senator JORDAN. Your estimate then for the first three recommendations would be between \$8 billion and \$10 billion?

Mr. GINSBERG. Yes, although of course if you did two, then three, one and three would cost less because you would have taken a part of it out altogether, and I would think an estimate of somewhere around \$8 billion by 1976 is a fairly accurate one.

Senator JORDAN. Your recommendation No. 4, the establishment of a community service job creation program, does that require Federal help?

Mayor LINDSAY. Yes. We would think that, we would strongly favor legislation of the kind that has been introduced by Senators Ribicoff, Harris, Javits, and some others on community service employment.

I think those bills provide for approximate levels of 30,000 public service jobs for the country, I believe is the level set in those particular bills introduced.

Senator WILLIAMS. Would the Senator yield?

Was your estimate on the basis of only three million to four million extra people taking the benefit of the working poor?

Mr. GINSBERG. Yes, Senator. We now have had that program, somewhat more generously for 21 years, we have today about 92,000 people out of a potential of 300,000 to 400,000 in the city. The other five States have even a lower percentage in the program.

Senator WILLIAMS. When Secretary Richardson was testifying, he said it was their experience that ultimately the eligibles reached the level of the potentials.

Now, in the event that most of the 14 million that would be eligible did participate, what would be the projected costs?

Mr. GINSBERG. Well, if I may change that a little, Senator, when I was talking about meeting, moving up toward full participation, I forgot who asked me that, that was on the AFDC program. I think the percentage of participation in the AFDC program will always be substantially higher than the working poor. You run into a whole set of factors with the working poor, primarily that a large number of them simply do not want to be on welfare, so I think it simply will never happen, although I am hesitant to say never, but I really believe in the foreseeable future that program will never reach the percentage of participation that is true of the AFDC.

If it had gone to that 12 to 14 which is the HEW estimation, that would cost about \$1.1 billion to \$1.5 billion; when they submitted their estimate, it was submitted on full participation, which is not possible.

Senator JORDAN. Your recommendation No. 6 would recommend cost-of-living increases for the minimum Federal benefits and State

supplements, and I assume that would be geared to the cost-of-living index as put out—

Mayor LINDSAY. By the Department of Labor.

Senator JORDAN (continuing). By the Department of Labor.

What do you think about the \$1,600 base? Is that too low, too high, or about right?

Mayor LINDSAY. The \$1,600 base, we think, is OK. For more important to the industrial cities and States of the North is the percentage of supplementation.

We argue, that is why we argue so strongly and passionately, if I may use that word, for the 50 percent rather than the 30 percent.

Senator JORDAN. If you are headed toward a complete federalization by 1970, it is an interim period anyway, is it not? We are only talking about an interim period between now and then?

Mayor LINDSAY. Yes. We are talking, in either event, whether you adjust it to a \$1,600 base or whether you, move upward, the percentage of Federal participation in the supplement, the State supplement, in the last analysis it comes out to be the same thing, it turns out to be full Federal administration and financing.

Mr. GINSBERG. May I add a word, Senator?

Senator JORDAN. Please do.

Mr. GINSBERG. I do not want to disagree with the Mayor, I think \$1,600 basically for a family of four is too low. I think given the various alternatives and given the fact that the program must be held within the budget limits that the administration has proposed, it is realistically not possible to go up above that.

But the fact is, Senator, by the time this program goes into effect, assuming its passage by Congress, there will only be five States in the United States where the basic payment will be less than \$1,600, so I think in a country like this, \$1,600 is too low, but I do not see any prospects of having it go higher.

Senator JORDAN. What should it be?

Mr. GINSBERG. We should aim, and I know we feel, by the time it is taken over federally, it be at the poverty level because I do believe this country can afford to make it up to the poverty level.

Senator JORDAN. What is the poverty level, and how do you define it?

Mr. GINSBERG. The official definition is \$3,720 for a family of four.

Senator JORDAN. Mayor, I am a little surprised to find that in Westchester County, one of the richest counties in the Nation, the welfare rolls rose by 307 percent in 1960. A lot of us were thinking that Westchester County would be the place we would look to for funds to help with the welfare in some of the other parts of the country that are less fortunate than Westchester County. How do you account for that?

Mayor LINDSAY. Well, there are a lot of factors in that, Senator.

It is curious to note the rate of increase in welfare is higher in Westchester County and also in Nassau County, and I believe Suffolk County, than it is in the City of New York, not gross numbers obviously but the rate of increase.

You may be interested to know also that the rate of increase in crime is higher in Westchester County than it is in New York City, again not gross numbers but rate of increase.

Another fact of interest to you is, last year in Westchester County, 50 percent of the county budget went to welfare, and that 50 percent

is reflected in a great many of the other so-called affluent suburban counties around New York and also around the other larger cities of New York State.

One accounts for that by a whole collection of things, outward migration of poor people from central cities, increasing movement of persons directly bypassing central cities areas and winding up in pockets in the suburbs that are now beginning to feel the tremendous pressures of urban life as we have known it in the past quarter of a century, and I think also the pressures on the problem of the working poor are beginning to grow in enormous fashion in suburban communities, indicating in some areas where you may get persons who could make it in central city for one reason or another were able to move to the suburb and could not make it in that part of the world.

Any other point you want to make?

Mr. GINSBERG. I think there is greater awareness that these benefits are available to poor people and that is a significant factor.

Senator JORDAN. Do you think the government, and when I speak of government, I mean government at local, State and Federal level, should be the employer of last resort or first resort or middle resort or where?

Mayor LINDSAY. Well, that is a very difficult question. The fact of the matter is that, if you take my city of New York, 300,000 employees, if you include all of those who are funded by the city jurisdiction and I have to discover the tax revenues for them, but are not under my control like education or transit, if you include those, 300,000 employees, it is to our advantage to keep our cities stable and move forward to employ as many people who need employment as you can and who do not for one reason or another seem to be employed by the private sector and that our goal is to do that.

Obviously, there are limitations of money under which we can do that.

As a practical man it is hard for me to get all tangled up in the rhetoric of employer of last or first resort because the way I see it, a healthy community is one where there are jobs and where people are working and I know sadly in my city that we, you know, we would like to have more schoolteachers, and more nurses in the hospitals and more sanitation workers, more police, more firemen, more maintenance people in the parks, on the beaches than we have at the present time, and we do not simply because we cannot afford it.

Senator JORDAN. You are not suggesting, then, that New York City might be a haven of refuge for welfare people who are even less fortunately situated than those in New York City?

Mayor LINDSAY. Well, no, I do not think it is a place that people come to because of welfare. That is a common notion, I know.

The data and the statistics do not bear that out. People come to New York from other parts of the country or the world because they are looking for a better life, and I have found that over and over again in my personal tours of New York City, talking to poor people who have come from some other part of the country or the world why did they come to New York and it is a story that I imagine has been told over and over again over the decade. They came to New York because they are seeking a better life.

New York tries to be a city of compassion, and it does well because of that. It also takes a lot of blame because of that.

One notices, however, if you examine the figures of what happened in the movement of poor people from south to north, as I was asked to do with Senator Harris in connection with Kerner Commission studies, you found it just like the migration of families in the 19th century across the continent. The big impact of migration of poor people from south to north having begun in the northeastern seaboard gradually moved west, and then it began to light in the midwestern cities, Cincinnati, Cleveland, Akron, and Detroit, and so forth, and in most recent years, by far the biggest impact has been in California.

Senator JORDAN. Did I understand you to say in answer to a previous question that you thought your city could assimilate another 200,000 people?

Mayor LINDSAY. I tried to amend that to 100,000 public service employees.

Senator JORDAN. One hundred thousand?

Mayor LINDSAY. I would be tempted to try 200,000, but I think it would be attempting to bite off too big a piece of the apple. I think 100,000—

Senator JORDAN. What is the dimension of the present load of welfare people that need employment in your city?

Mayor LINDSAY. Our city is one of the lowest, unemployment. One of the good things that can be said about my town, unemployment rates are lower than most other places and most other parts of the country.

There are a lot of reasons for that. But out of the persons who are in the category of welfare, as you know the bulk of those are unemployable for one reason or another. If you include mothers with children with an unemployed father in the household, we think there are lots of possibilities of employment there and we are attempting to do that, as Commissioner Ginsberg testified a moment ago. The male population is small. The greatest amount, the bulk of that, are aged, infirm, blind, and handicapped so then you come down to males who are below 65 and who are not blind, but they, for the most part, a great many of them, with the percentages I am going to turn to the commissioner, are not employable for other reasons. Narcotics would be a very substantial part of that reason. Illiteracy is a portion of it.

Maybe there is some degree of alcoholism mixed up with it. There is a whole entanglement of prison records for a lot of them. So that when it is all said and done, if you try to measure employability in terms of physical capacity as well as the capacity to be productive, it stills down to a very small group, the numbers, again I will have to turn to the commissioner.

Mr. GINSBERG. Well, now as I indicated—

Senator JORDAN. Just a moment. Are you eliminating the addicts and alcoholics as not being employable?

Mayor LINDSAY. No, I am not. I am just saying how big the problem is.

Senator JORDAN. Yes.

Mayor LINDSAY. I won't take your time to go into a discussion of what we are trying to do with narcotic addicts, one, to rehabilitate and to get them off the habit, and cure them, and to train them for employment if they do not happen to have employment, and it is big stuff, but it is very expensive.

The per capita cost of training an addict for a productive life both at home and in the office is probably the biggest that we have of any government assistance programs around.

Senator JORDAN. Commissioner, do you want to add anything?

Mr. GINSBERG. I would say we have about 15,000 employable men, unskilled that I think could be employable. We have about 7,000 men in the AFDC with an unemployed parent, that would be 22,000 men. We have better than 160,000 women on AFDC. You can get all kinds of guesses as to how many, you know, are available for work, given a job and given day care, and I am confident that at least half of them are available so you can get some sense of what the figures are for people who, with the exception of the availability of day care, would be available for work in a short time.

Senator JORDAN. Thank you. My time has expired.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman. I commend you, Mr. Mayor, and Mr. Commissioner, for the in-depth study you have made on the subject, and I know you have had a world of experience in this endeavor. I am a little puzzled on some of the conclusions you submit. I am just wondering when we talk about what has happened like in Westchester County, 370 percent increase in the welfare rolls, what has been the increase in population during that same period of time?

Mayor LINDSAY. In Westchester County?

Senator FANNIN. Yes, I was just wondering.

Mayor LINDSAY. I cannot give you that figure off the top of my head. I will be happy to supply it. It has been substantial as in all suburban counties.

Senator FANNIN. What I was wondering, we heard about Puerto Ricans, 750,000, to a million of them moving into New York and different reports such as that, I do not know how authentic they are, but just wondering how much this has had to do with the increase in welfare rolls.

Mayor LINDSAY. I think it has had something to do with it.

Mr. GINSBERG. I just by chance saw the preliminary figures on the census which just has been taken and I think the increase in Westchester was 25 or 26 percent during that 10-year period.

Senator FANNIN. Fine, thank you.

Do you have any comment on what percentage perhaps would—well, let's take the Puerto Ricans alone that we talk about, I do not know, 750,000 to a million Puerto Ricans have moved in in the past 10 years, would that be approximately right?

Mr. GINSBERG. You mean in New York City?

Senator FANNIN. New York City.

Mr. GINSBERG. I think that is high. What is usually said is somewhere about a million minority people, which would include both Puerto Rican and blacks that have moved into New York City.

Senator FANNIN. I see.

Have you any idea of what percentage of those people, let's take the Puerto Ricans who are on welfare.

Mr. GINSBERG. Yes. I have an idea, depending on the category, of the welfare population in New York City something over 80 percent are a combination of Puerto Rican and black. It is heavily concentrated in the AFDC category.

Senator FANNIN. What percentage of Puerto Ricans?

Mr. GINSBERG. It is very difficult to give you a figure, Senator. I think it would be fair to say, and I would be conservative to say, somewhere around 30 to 33 percent of the Puerto Rican population in New York City is under some form of assistance.

Senator FANNIN. Very, very high. I know you disagree with the conclusion that some of us have come to as far as the number that would be added under the new program, under the family assistance plan especially when we are talking about the employed poor people, but in going into this with Secretary Richardson, I know, of course, he disagreed, but I do not think he is in as much disagreement now as when it was first brought to our attention, and I am just wondering, you talk about the six States, but there is so much difference when you are talking about the entire United States.

For instance, in the West, with your isolated areas and all, do you feel that you can make the same comparison in those areas that you would make in the industrialized areas such as New York or centralized areas.

Mayor LINDSAY. I would make only this comment, Senator, I think your question is an eminently fair one and a proper one. My own experience working with the U.S. Conference of Mayors and working as the vice chairman of the Kerner Commission, led me to the conclusion that the much vaunted differences between areas of the United States when it comes to social problems of this kind are minimal, and increasingly these problems that revolve around poor people and also minorities have become so common in the country, obviously with a greater degree in some parts, usually in the cities than in others, have become so common that it is very difficult to detect much difference anymore.

Mr. GINSBERG. May I add a word?

Senator FANNIN. Yes.

Mr. GINSBERG. Because I think it is a very key question, I would claim the percentage of people in the areas we are talking about would be significantly lower than in the big cities and there are some reasons for that. The program is better known, there are groups who are better known in the poverty groups. We have had some experience in New York where while we have a 30-percent figure, in New York, upstate, and I am not saying it is the same as some of the other States but it is significantly different, has significantly lower percentage, I think a very good weight of the argument is in the areas that you speak of you will have a lower percentage. What we tend to underestimate is the depth of feeling among the blue collar and the people just below the welfare line who do not want to be in it, who do not want to go through it, who don't want their neighbors to know they have it, and that is not a feeling that is easy to overcome. And that will be more marked in the areas that you are talking about.

Senator FANNIN. I know in the Nation—you have great experience in the people we judge by the experience we have had in the individual states, and you perhaps in your individual city, and I know the study you have been making and if I judged my own part I would come to a far different conclusion than you have arrived at. We have more Indians than other states. We have unemployment of 60 to 70 percent, so I am just not taking exception to the rule but just arriving at what

would be the overall perspective of the country and trying to base it on that.

Now, we cannot take an area in New York and compare it with some western area and I know we cannot take an Indian reservation and compare it with Manhattan at one time maybe we could have, but that time has gone. But we are vitally concerned and of course we do not have the pressure, for instance, from the unions that you have in the city of New York and I am just wondering how we are going to deal with that because I think it is a very serious problem, and I think this is something that must be solved if we are going to be able to work and achieve our goals.

Now, how can we secure the union support on these programs?

Mr. GINSBERG. Well, I think the unions have had reluctance to support a working poor program because generally they feel that is the prerogative of the union to help get more money.

I think, I do not want to speak for them, I think the AFL-CIO will now support this program because they understand that it is essential so I do not think you are going to run into union difficulties with that particular aspect of the program.

Senator FANNIN. Well, I think the mayor's testimony has indicated it is quite a barrier and a very serious problem.

Naturally, I am not questioning—

Mayor LINDSAY. I did not mean to leave the impression, Senator Fannin, that there is union resistance to the working poor aspects of this program, and what we are doing in New York on the working poor.

The question I was trying to answer is what is the union involvement in public service employment.

Senator FANNIN. That is exactly what I was arriving at.

You made the statement concerning employing these people to do this work we were talking about, picking up papers or whatever we referred to, what Senator Ribicoff talked about as picking up papers, which goes beyond that. But it is a serious problem and I feel it is mandatory for the government at whatever level, that they manage the affairs of the city or the State rather than to have the union officials manage the affairs, and that is what I am getting at.

I do not feel that we can continue to let the unions dictate our policies. I think we must either have legislation or we must have administration that will insist upon the rights of the general public rather than just the union officials, so this is what I am talking about.

I am vitally concerned about that.

Mayor LINDSAY. A good reason.

Senator FANNIN. Another problem we are talking about unions getting involved, I think the wage rates at which these people could be employed on these public service jobs is quite a factor, is it not?

Mayor LINDSAY. Yes, it is.

What municipal and other unions are concerned about, and you can understand their concern, is that a competing structure might be set up, funded with Federal funds, involving a lot of poor people engaged in the same areas of activities. In New York, in sanitation, for example, the way we have worked that out is to establish a system under which everybody who is in this other structure funded with model cities money, will be funneled into the regular sanitation service with full

benefits, pension rates, sick benefits, et cetera, as any other worker, and they then of course become part of the union, too.

Senator FANNIN. Yes. I understand that.

Mayor LINDSAY. That is not bad, incidentally.

Senator FANNIN. I understand.

Mayor LINDSAY. That brings them into the mainstream, that is OK.

Senator FANNIN. Understand. I am not criticizing the activities of unions, but just saying that I think they must be certainly more broad-minded in the overall goal that you have because after all, if you have a good city, they benefit tremendously by it because if you do not have a city where people want to live and you cannot be prosperous, then of course they suffer from it, and we do have some very serious problems in this country now when we are talking about jobs and I am greatly concerned as to whether we are going to have jobs for many of these people, because we are exporting jobs overseas every day and we know that work in some of the countries, where the pay is 18, 24 cents an hour, and we have to compete with that, unfortunately, and we do not have quotas.

And I, of course, do not want to get into that because I am working on legislation that will benefit the worker in the United States and perhaps not have the quotas that we have, have an equalization of the tariffs and try to overcome some of the great restrictions we have about manufacturing in your State and in your city, and I feel it is of vast importance to all of us.

So I think we have to take this in the overall perspective rather than to consider it in any one single vein, and I do appreciate what you have—the conclusion you have reached.

I would not say I do not agree with you on all those conclusions, but I think it gives us some information for continued study, and I am very appreciative of your testimony.

Mayor LINDSAY. Thank you, Senator.

The CHAIRMAN. Senator Hansen?

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

Mr. Mayor, let me say that we are very pleased to have your testimony.

With 11 percent of all the welfare population living within the city of New York, I believe that was your testimony.

Mayor LINDSAY. Yes, sir.

Senator HANSEN. And with 13 percent of the welfare costs being reflected by the presence of those persons there, what you say and the conclusions that you have reached are of great importance to all of us, and certainly to our country.

I would like, if I may, to ask about the press release that accompanied your statement, in which you say:

“Our wealth permits us to make reality equal to our rhetoric. We can afford to relieve the incredible local State and tax burdens that have angered and alienated our citizens.”

You are differentiating, or I presume you are in this statement, between State and local tax burdens as contrasted with Federal tax burdens.

Mayor LINDSAY. Correct.

Senator HANSEN. It is your thought that people will more willingly pay Federal taxes than State and local taxes, is that what you imply?

Mayor LINDSAY. I think as a general proposition that is true, but more importantly in this world, in this role, in this area in which we are dealing here, it is the only effective way to unite the country in my judgment.

Senator HANSEN. You mean to remove the burden of welfare from State and local taxpayers to the Federal?

Mayor LINDSAY. To deal evenhandedly with this subject of poor people in the Nation and in such fashion that migration is discouraged, that communities that have had the impact of it are stabilized, and that what amounts to a really national crisis, which I believe it is, is addressed by the Federal Government just like any other national crisis, whether it be farmworkers or anything else, we take a look at it and see what the country can do.

Senator HANSEN. And you speak of the evenhandedness that would result from the assumption of these burdens that are presently borne by three levels of government as they could be shifted hopefully by 1976, I think, quoting your testimony, to the Federal Government.

Mayor LINDSAY. Certainly.

Senator HANSEN. And you say one of the advantages, one of the benefits, that would flow from such a shift would be a discouraging of migration? Did I understand you to say that?

Mayor LINDSAY. The impact of this bill here obviously would be to improve conditions for poor people in the South, which has been the chief source of migration over the past 25 years and in that fashion, I would think, would discourage migration on the part of those persons who are going elsewhere to find a better life.

Senator HANSEN. They have gone, in your opinion, Mr. Mayor, to cities such as New York in order to find a better life that would reflect increased welfare benefits or the increased job opportunity?

Mayor LINDSAY. Usually, I think, increased job opportunities. There is no evidence that we can point to that would indicate that because New York City has a higher welfare arrangement than does Mississippi that that is the reason that citizens of Mississippi came to New York or to Detroit or to Newark or to Cincinnati or Cleveland or Akron or Los Angeles. My own experience based on conversations that I have had many times over in the streets with poor people and asking them why did they come to New York, if it was from another part of the country, it was usually to find a better life.

I remember taking the chief of staff of the Kerner Commission on a tour of New York City once, just alone, no press or anything. I took him into probably one of the worst streets in the United States and certainly one of the worst streets in New York, located in Brownsville, Central Brooklyn, alongside Bedford-Stuyvesant. It makes Bedford-Stuyvesant look like Fifth Avenue, and at random I took him into a tenement building that was one of the worst slums you would ever find, and we wandered into a ground floor apartment. There was no door that worked and inside it was relatively clean. Furniture was the normal stuff that you would throw out or I would throw out, and there was a woman there with about three or four of her kids. She was bright-eyed, attractive looking, black, and I said, "How long have you been living here?"

She said about 3 years.

I said, "Where did you come from?"

She said, "Mississippi."

I said, "Why did you leave?"

And she said to get a job and to have a better life.

I said, "Did you find it?", looking around me, sure that the answer was going to be "No, I was disappointed," or something else.

She said, "Yes"; very difficult for anyone to understand, but that was the answer.

Senator HANSEN. She was not on welfare?

Mayor LINDSAY. Yes, she was. She had worked, and I said, "You want to work?", and she said "Yes."

I said, "Why don't you?"

She said, "Because I have to get a place for my children," day care in other words.

Senator HANSEN. Then it would be true, if she had been employed in Mississippi, whether she was or not I would not know, of course, but in any event, welfare in New York City as she compared that with what she had known in Mississippi represented an improvement for her insofar as she and her children were concerned; would that be right?

Mayor LINDSAY. Well, her main experience in New York had been working, and she had quit work because of the children, she was not able to take care of them. Her story was that if she could have her children placed in day care of some kind or another, and if she could get a job, she would go back to work, and that is what she wanted to do.

Senator HANSEN. With reference once more to the angered and alienated taxpaying citizens, I know that Commissioner Ginsberg does not agree with the conclusion that I think maybe Secretary Richardson feels would be reached at some point, but would it be your thought, Mr. Mayor, that if the costs, if the burden of welfare on taxpayers were to be nearly doubled and I would not equivocate on whether it will be or whether it will not be, if it were to be nearly doubled, do you think citizens, taxpaying citizens, who now rebel against State and local taxes, would willingly assume an overall burden of paying nearly twice as much for welfare costs?

Mayor LINDSAY. You are asking a hypothetical question because Commissioner Ginsberg and I do not believe the cost would be anywhere near what has been estimated by some in this area.

Senator HANSEN. Yes.

Mayor LINDSAY. But let's assume there is more cost. I really think that that additional cost is compensated for by the decrease in crime, slum housing, deterioration, polarization, and all of the other terrible pressures that urban America is under now, because our experience has been that particularly in the area of working people, that if jobs can be created and people trained for jobs and they can be placed in those jobs and then a floor put under them in such fashion that they can hold themselves in such jobs pending advancement, that all of the other terrible nightmares and pressures of urban life today are decreased.

You really cannot measure it just in dollars alone. You have to measure it in terms of the quality of life in general in the city or in the suburb, because increasingly it is a suburban question too.

Senator HANSEN. A little further down on the first page of your press release, you point out that the administration's bill has a number of shortcomings, and then you, under those, include the lack of an adequate definition of what constitutes suitable employment.

I saw the results of a study made, I am not certain how long ago, wherein some 8,100 welfare recipients were certified by the Department of Labor, as I recall, back to HEW with the recommendation that those recipients be terminated from welfare rolls because, despite their obvious qualifications for jobs they met every standard and were physically able to work there was no reason why each one of these 8,100 recipients should not be working at jobs they were offered.

Despite their decertification by the Department of Labor some 200 only were terminated from welfare. Would it be your feeling that we have been too lenient in terminating people on welfare rolls because of their unwillingness to accept employment?

Mayor LINDSAY. Well, I think any person who is unwilling to accept suitable employment where employment is available should be immediately terminated from welfare status; immediately.

Senator HANSEN. What do you mean by suitable employment?

Mayor LINDSAY. Well, suitable employment was placed in here because of the massive objections by labor, AFL-CIO, to the working poor provisions of legislation here unless there were amendments in it that would cover their problem. Those amendments have to do with when a person is either trained for work or is working and receiving supplementary benefits. They do not want to see that person working below either minimum or prevailing wage in the locality, whichever is higher, nor do they want to see such a person used as a strikebreaker and being paid for it.

That was their concern.

Senator HANSEN. And do you agree with all of those objections raised by the AFL-CIO?

Mayor LINDSAY. I think they are fair points, and I think they are fair points because of a very practical reason outside of labor's desires here. The very practical reason is that I think that in all of these areas where these pressures are the worst, and I think in other parts, too, that it is impossible for a person to really live half decently if they are not paid the minimum wage or the prevailing wage. You simply cannot do it and the first thing you know you are going to find a welfare case on your hands that you should not have.

Senator HANSEN. Well, under present Federal law, really, aren't we seeing spooks in the closet to talk about the possibility of an employer who comes under the Federal or State minimum wage laws paying less than that amount to anyone?

I mean is this a real fear?

Mayor LINDSAY. I think it is——

Senator HANSEN. Why?

Mayor LINDSAY. I think, I agree with you——

Senator HANSEN. What sort of a situation would arise——

Mayor LINDSAY. I agree with you the fear may be greater than Labor thinks it is but I can see their point.

Senator HANSEN. And you do agree with that point, you say generally.

Mayor LINDSAY. Yes, there will be problems in it. We have certain industries in New York that do not come under Federal minimum wage standards, there are some; and it is true in every community, and what labor says is that they do not think that taxpayers' money should be used to subsidize that.

Mr. GINSBERG. If I may add a word there, Senator, it has not been unknown in this country particularly with welfare recipients that under the penalty of losing their benefits they are forced to take some jobs that do not meet those requirements.

I am not saying that happens in very large numbers, but it does happen and certainly it seems to me this is an appropriate protection to try to make sure it does not happen.

Senator HANSEN. Would it happen if we had effective, efficient administration of welfare?

I mean, I should think the situation to which I refer where the Department of Labor has certified that all of the conditions that might reasonably be expected to be met indeed been met, and this was the case with these some 8,100 welfare recipients, and yet despite the fact only 200 were terminated by HEW. I repeat my question, then.

Mayor LINDSAY. I can only say then whether it is administration or what, that no person should be in welfare who is employable and where there is a job available.

Senator HANSEN. Even though the AFL-CIO might not like that situation.

Mayor LINDSAY. Well, again I think that it would be, in New York City it would be, really the rare case, certainly the exception where a person is going to wind up in a job that would violate normal union rules and regulations because you cannot live below that level; but the main point is, I do think that, and we, Commissioner Ginsberg in his many years of administering the programs in New York was very tough about this, if there is a job training program available and a job available and the person was employable and refused employment that person is off of welfare, and is taken off the rolls.

Mr. GINSBERG. It goes, Senator, to one of our arguments for Federal administration, because you now have 50 States administering these programs differently plus countless cities and municipalities and counties and so forth and you simply get an impossible kind of variation so that you cannot talk about administration except in terms of all these different things.

Senator HANSEN. And what you recommend, Mr. Commissioner, is that we turn the implementation of this plan over to the Federal Government with a record of having certified 8,100 persons who should be removed from the rolls and actually a followthrough by another department of Government removes only 200, you feel this would be an improvement over the present situation you have in New York.

Mr. GINSBERG. I think it is just not in New York. I think Federal administration would be an improvement over the administration over the whole country.

I do not know the example you are talking about but that was not failure of administration by the Federal Government. It had to be failure on the lower levels.

Senator HANSEN. It was administered by two agencies of Government, HEW and Labor.

Mr. GINSBERG. Yes, but they must have brought it to the attention of the State because the Federal Government by itself could not have taken the action that you believe it should have taken.

Senator HANSEN. I was saying the Department of Health, Education, and Welfare should have taken the action and it did not take the action.

Mr. GINSBERG. The only way it could take the action, Senator, is by instructing in some way the local or the State government.

It, itself, could not remove anybody from the welfare rolls.

Senator HANSEN. Just one final question, Mr. Chairman.

One of the concerns we have heard raised by a great many people throughout the country is that this, what some persons refer to as a minimum wage, and it is not that, I recognize specifically, but this minimum Federal amount or the minimum amount that a family of four, say, would be eligible for is only a starter. There will be amendments proposed in the Congress and that whereas at the present time the proposal under the bill before us is that a family of four would receive \$1,600, that that really would be only a start. I believe, Mr. Mayor, that you testified that in your judgment that would be adequate; is that right?

Mayor LINDSAY. I testified that being, I hope, a practical politician, that \$1,600 under all the circumstances is OK because I do not see any chance of moving that upward.

The commissioner said, in answering the same question, that the closer you get to federally defined poverty level the better, and for urban America—north, south, east, and west—that definition is at \$3,700.

Senator HANSEN. \$3,720, I believe, is that right?

Mayor LINDSAY. \$3,720. It is a little bit lower for rural America.

Senator HANSEN. Then may I ask you, sir, what would your position be if the proposal was made to increase this benefit from \$1,600 for a family of four to \$3,720; would you oppose it or would you favor it?

Mayor LINDSAY. I would favor it.

Senator HANSEN. You would favor it?

Mayor LINDSAY. Yes, sir.

Senator HANSEN. May it not be reasonable to assume that there would be a considerable number of other important people who likewise would favor raising this minimum amount from \$1,600 up to or perhaps in some cases exceeding the \$3,720? Is that a reasonable assumption to make?

Mayor LINDSAY. I do not think anybody would argue it should be above the poverty level but it should be to the poverty level, and anything that you strike between \$1,600 and the poverty level obviously helps more people and more local communities throughout the country. As the commissioner pointed out, the \$1,600 level means there are only five States in the Union where payments will be universal.

All the other States have to supplement, if they want to bring people up to the poverty level, and that is why we argue that there ought to be a greater sharing by the Federal Government in the portion of supplementation.

Senator HANSEN. If this were done, would it not likewise follow that these projections of cost increases would be raised accordingly or proportionately?

Mayor LINDSAY. Yes.

Senator HANSEN. Thank you, Mr. Chairman.

I have no further questions.

The CHAIRMAN. Thank you.

Might I ask, Mr. Mayor, with regard to day care if it is not true that you have a lot of working mothers in New York who state they would like to work but that the lack of adequate day care is a big impediment to providing work?

Mayor LINDSAY. Surely.

The CHAIRMAN. Would you tell us—

Mayor LINDSAY. Right.

The CHAIRMAN (continuing). What New York City has been able to do about that day care provision?

Now, the reason I am asking that is because I am trying to provide an amendment to provide for day care.

Mayor LINDSAY. We have about 13,000 youngsters in day care in New York. I just got through receiving a fairly elaborate report by a special commission that I established on this question of day care, and that report has made some very important recommendations which we are examining and hope to implement most of them if not all of them.

One of the recommendations is that a full-time department of day care be established in the Human Resources Administration that is concerned at that level with the problems of day care.

The CHAIRMAN. Well, now, would you and Mr. Ginsberg just give us some idea as to what remains to be done, let's say, in New York City, both in terms of experience and would you try to give us some difference between just providing babysitting and providing day care for children.

Mayor LINDSAY. Well, our guess is that the numbers of youngsters who are eligible or should be eligible, and could be taken care of in day care, if we have the resources for it, are in the neighborhood of about 100,000, approximately 100,000.

The CHAIRMAN. You think you need to provide day care for about 100,000 youngsters?

Mayor LINDSAY. Yes, sir.

The CHAIRMAN. How many of them are in day care now?

Mayor LINDSAY. 13,000.

The CHAIRMAN. So you would need about eight times the day care that you presently have. I see Commissioner Ginsberg is nodding his head as well.

Mayor LINDSAY. Correct.

The CHAIRMAN. I personally feel in a city the size of New York where have the people together it is not the same problem that exists in rural areas of trying to get children to day care centers. With that type of concentration it seems to me if the children are healthy and able-bodied, then between what we can do and what you can do, we ought to make it possible to provide day care for every mother who wants to work. Now what is your reaction to that?

Mayor LINDSAY. Positive.

The CHAIRMAN. That is the way it seems to me.

I just say I was severely criticized for trying to suggest some way of providing day care for children in all the cities, and one of the cities in Louisiana where the newspaper there said they had plenty of babysitting available already. But it seems to me that we have just

a great number of places where mothers want to work and we cannot provide adequate day care the way it stands now.

You do not have the money for it now, do you?

Mayor LINDSAY. Don't have the resources to provide as much day care as we would like.

Mr. GINSBERG. Senator, in 1965, I believe day care in New York City was financed entirely with city money. Then it was 50-50 city and State and it has only been within the last year there has been any significant Federal contribution at all, and then there is the problem as you know because you have been very close to all construction and there is a problem of what I consider somewhat unrealistic standards.

Every city, county, State has standards which are usually beyond reality and have stood in the way of some expansion.

The CHAIRMAN. One thing I am suggesting in the amendments I am offering is simply setting a Federal health and safety standard to say that if the child care facility meets the standard we are setting here that is adequate. I would hope we won't run into too much of a State's rights or home-rule problem there with people saying that the Federal standard is not adequate.

What are the standards—we take the life and safety codes that most States use and simply adopt that as our standard.

We would have to have the day care unavailable because we cannot get together with every city in America about the fire standards and the safety codes.

Could you give us some suggestions as to what needs to be done with regard to day care over and above simply providing custodial care of the children?

Mr. GINSBERG. I think it should be more than custodial. It seems to me there are health services, there are certain educational services that can be built in there, there are certain social services. It seems to me one of the objectives of a good day care program ought to help make it possible for these people as adults not to end up in the same kind of welfare situation as their parents are.

I do not see this just as a place to park the kids but a much more meaningful experience. When you talk about day care, you have to look forward to when these children are no longer children but adults.

The CHAIRMAN. If we have a frustrating experience for a mother who has seven or eight children or more it has been suggested to me we might just as well pay the mother to stay home and look after her children. What is your experience?

Mr. GINSBERG. I am all for day care. I think there is an underestimation of the cost of that program.

I think we have to take into consideration what is going to happen when they become adults, but if you put eight children in day care it is going to cost you money.

The CHAIRMAN. It is going to cost you more in day care than to give the mother money. What might be the reaction of the children?

Mr. GINSBERG. I am not an expert but some mothers feel the women should be paid for the services in the home. But you cannot judge this program only by the immediate costs. It seems to me there are other advantages. I happen to think in many instances aside from the work itself it is to everybody's benefit to have the kids and mother not to-

gether all the time. The notion it is always better to have the mother taking care of the children is an utter myth to me.

The CHAIRMAN. In some respects the mother can be driven out of her mind trying to take care of four or five children all the time.

Mr. GINSBERG. So can the kids.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Just a couple of questions.

In answer to a question by Senator Hansen, you said you thought this should be raised to \$3,200 or \$3,300 or was it \$3,700?

Mayor LINDSAY. What I was saying was there ought to be full Federal financing by 1976 and whether it is done by increasing the base level from \$1,600 upwards to the poverty level by 1976 or whether it is done by a Federal pickup of the State supplementation—it makes little difference which way it is done.

Senator WILLIAMS. Are you familiar with the Harris bill, the bill introduced by Senator Harris, S. 3433, which would raise the \$1,600 for a family of four to around \$3,200 to \$3,300?

Mayor LINDSAY. Yes.

Senator WILLIAMS. Do you endorse that bill?

Mayor LINDSAY. Well, I came in here with the recommendation, and I will stand on that recommendation, that because of all the work we have done, particularly Commissioner Ginsberg at the House and at HEW and with other Senators, outside of this committee, that politically we think it is better to stand on a proposition under which we would ask for an immediate 50-percent sharing of the supplement rather than an increase in the base.

In the best of all worlds, sure, I think Senator Harris has done a service offering the bill that he has.

As a practical man, I would doubt that that has much chance.

Senator WILLIAMS. Well, of course, merely offering a bill does not mean anything unless you act on it, and my question is, do you recommend that bill be accepted or rejected?

Mayor LINDSAY. I would like to see it accepted obviously.

Senator WILLIAMS. You would like to see it accepted?

Mayor LINDSAY. Obviously.

Senator WILLIAMS. The estimated cost on that bill by the Secretary of HEW was an additional \$12 billion to \$17 billion above the bill passed by the House and that by 1974, it would cost between \$24 billion and \$37 billion above the bill that was passed by the House. Do you think we can afford it?

Mayor LINDSAY. Again, No. 1, we would have differences with the estimate as to the cost on the working poor portions of this based on what we think is very real experience, so we would have real differences there.

Secondly, the reason we come in with a recommendation that you go forward with your \$1,600 base and make the modest adjustment of moving the 30-percent Federal contribution on that portion of it that is the supplement to 50 percent is that we think that it would be cheaper than what is proposed by the Senator's bill. Also I think it has a better chance politically of getting through, so that is our recommendation. Obviously, in the best of all worlds we would like to see something that brings everyone up to the poverty level.

Senator WILLIAMS. We recognize there can be a difference of opinion as to the projected costs.

Our committee is caught somewhat in the position of having to accept the administration's estimate of cost, but there would be one alternative to that and that is to provide in the bill that not to exceed a certain amount can be spent in any one area and then we could accept your estimate of the costs and limit the expenditures to the amount set by your estimate.

Would you support such a proposal?

Mayor LINDSAY. No, sir.

Senator WILLIAMS. So you have a little more confidence in the administration's estimate than appears on the surface; is that correct?

Mayor LINDSAY. I do not. I do not think their cost, the administration's cost estimates are accurate.

Senator WILLIAMS. I was just wondering. I understood you to say you would not be willing to accept your own estimate frozen into the law.

Mayor LINDSAY. No; I do not say that.

Senator WILLIAMS. What did you say?

Mayor LINDSAY. What I said was that my position is that the big difference between the administration estimate and our estimates have to do with the working poor, and we argue, and we are convinced that we are right, that the figure of 12 to 13 million that would take advantage or come into the working poor program is a vast overestimate.

We put that figure at \$3 million to \$4 million outside, and we believe that we are right because, and we base that belief on New York City in 21 years of experience, and the other five States that have had this program for various periods of time. Their experience is more conservative than ours in respect of those figures.

Senator WILLIAMS. Of course, if you are correct, then the administration has substantially overestimated the cost of the program.

Mayor LINDSAY. Correct.

Senator WILLIAMS. And if we decided to accept your estimate of the cost of the program and recommendations, would you be willing to have the committee freeze those estimates and freeze it as a maximum that could be spent under the program on occasion?

Mayor LINDSAY. For the working poor?

Senator WILLIAMS. Yes.

Mayor LINDSAY. I would buy that.

Senator MILLER. It is good to see you, Mr. Mayor and Mr. Commissioner.

I would like to follow along on this question raised by Senator Hansen because, as I understood your response, you favored, although granted that the political realities do not indicate that this will happen, increasing the \$1,600 to \$3,722, the poverty level.

Mayor LINDSAY. By 1976.

Senator MILLER. If that understanding is correct, perhaps the question was not clearly understood.

Mayor LINDSAY. By 1976.

I do not think you can do it all in 1 year.

Senator MILLER. All right. But does this mean you favor increasing the \$1,600 to \$3,720 by cash and that that will be in addition to the other benefits, in-kind benefits, food stamps, State supplements, medic-

aid, public housing? Do you wish to take those into account in arriving at the \$3,720, because if you do not, if the cash payment is to go to \$3,720, these other in-kind benefits that I mentioned—I recall in Phoenix, Ariz., for example—would amount to about \$2,200, a total welfare package of \$5,920.

I just wonder which way you were recommending that we go, if you had your “druthers” on it.

In other words, are you talking about going from \$1,600 to \$3,720, counting everything, or are you talking about going from \$1,620 to \$3,720 plus everything?

Mr. GINSBERG. If I may comment on that, Senator, now in 48 States there would not be anything as a State supplement so far as money is concerned because you would be over what they are paying out, so that is out.

Senator MILLER. You would be over what?

Mr. GINSBERG. \$3,720 would be higher than the cash payment in more than 45 of the States, so when you include a supplement in at least 45 States that would not even be an issue so we are not talking about requiring a State supplement over the \$2,720.

Senator MILLER. All right.

So you are then talking about adding on the \$3,720 the medicaid benefits, the food stamp, and the public housing?

Mr. GINSBERG. If I may comment on each of those separately because I think the medicaid is the one that is, I think, the most important.

Under food stamps the actual value, of course, of food stamps at the current rate would be under \$300, however. However, if Congress were to move in that direction of \$3,720, I would think it would be well worth cashing in the food stamps and having it included in that, so I would not see that as a problem.

Public housing, I do not believe, I know we discussed that before, as you know, I do not believe that is a real supplement. The overwhelming fact is that most of the people, better than 90 percent of the people on public housing are not on welfare.

Much has been made of public housing as a supplement for welfare, but the truth is, it is for a very small minority. So if you are going to compare public housing, then you have to look at the benefit to the nonwelfare person who is in public housing, so I really do not see that as a supplement.

Senator MILLER. What about rent supplements?

Mr. GINSBERG. I happen to think rent supplements are a good idea.

Senator MILLER. So do I, but what about including them?

Mr. GINSBERG. It is a very small program. I would have to look at what you are going to provide and what the rents are before I would be able to answer that.

I would guess if you raised the income of most of those people to \$3,720, the rent supplement would be less a factor.

The medicaid or medical insurance I believe is essential.

I believe all Americans have to have at least a minimum of medical care and I would, frankly, personally like to see some form of medical insurance available for all the people in the United States.

Obviously, above a certain income it would be contributory but I think it is absolutely essential—that it is in everybody's own self-

interest to see decent medical care is provided, and I do not think that can be provided out of that \$3,700.

Senator MILLER. You are familiar with the administration's family health insurance plan?

Mr. GINSBERG. The proposal for next year I have studied it, yes.

Senator MILLER. Do you favor it?

Mr. GINSBERG. No, I think it is an inadequate plan. It would, as I understand it, would limit it to \$500. I think for some people that is adequate, but for many others it is not and that will mean inevitably that States and cities are going to end up having to supplement and pay it out of their own funds.

Senator MILLER. In other words, you do not think the \$500 premium across the board for all of these people would fund the program?

Mr. GINSBERG. Absolutely not, Senator.

Our experience in our State and many others would indicate that is not so.

Senator MILLER. I guess what I am getting at is that, there is increasing concern about all of these categorical programs, that we might be better off if we just throw them all out the window along with the cost of administering each one and end up with one cash payment, a monthly cash payment scaled according to needs, and from that they have to buy their food and they have to take care of the medical insurance and their rents or rent supplements.

What do you think about that approach?

Mr. GINSBERG. I have long been——

Mayor LINDSAY. Not bad.

Mr. GINSBERG. I have long been for a straight cash program based on need without the categories, the whole system in the United States of welfare with one category meaning you are helped and another category you are not helped does not make any sense from the standpoint of the recipients or the taxpayer, and I think it would be a great step forward if this country would get to the cash payment based on need.

Senator MILLER. You see what bothers me is that this family assistance plan has been advertised as a \$1,600 plan, which it is not at all.

In Phoenix, Ariz., it is about a \$3,900 plan, probably considerably higher in New York by the time you take all the other things into account. Perhaps we ought to be forgetting about \$1,600 or so much for food stamps or so much for medicaid and look at the total package which is absolutely what is needed by the recipients and to the taxpayer.

Let me ask you this, Mr. Mayor and Mr. Commissioner, do I understand that New York State supplements vary according to whether the person lives in New York City or lives in upstate New York or out-of-State New York?

Mr. GINSBERG. New York City and the metropolitan counties around the city and I think Erie County upstate have a basic payment, not counting rent, which is the same, of \$231 for a family of four, and upstate other than those counties have \$208 for a family of four, so we have a \$23 variation within the State, not limited to New York City but to the city and the metropolitan counties.

Senator MILLER. What about upstate, Syracuse, that would be \$208, would it not?

Mr. GINSBERG. Two hundred eight dollars for a family of four plus rent.

Senator MILLER. Plus rent?

Mr. GINSBERG. Right.

Senator MILLER. All right, now is there any differentiation between Syracuse and some little community, population 500?

Mr. GINSBERG. The State department of social services made a study and found there were not any essential differences so there are now two levels of payment.

Senator MILLER. Is there any difference between someone living in Syracuse and someone living on a farm outside?

Mr. GINSBERG. I would suspect there is, but I would say, based on their study, they did not find there was a significant enough difference.

Senator MILLER. Is there any difference in payment?

Mr. GINSBERG. No, on the payment there is no difference, just two categories.

Senator MILLER. It would appear New York State has made a differentiation between the metropolitan area of New York City and outside of that, and I presume that it could refine that still more as between farm dwellers and nonfarm dwellers. Do you not think that could be done in this bill?

Mr. GINSBERG. Senator, one point that gets overlooked here is that in a sense, on the national basis, that has been done because the State supplements vary so much from one State to another. As far as some of the Southern States that are more rural, their payments are significantly lower than those in, say, the urban States in the rest of the country. So you have done some of that. But I think there is a case for a differential based on cost-of-living and I have long argued that ought to be taken into consideration in welfare.

Senator MILLER. There may be a differentiation in what we have now but it is hardly a scientific differentiation; is it?

Mr. GINSBERG. No; it is not. Very little about welfare is scientific.

Senator MILLER. One last question, Mr. Mayor. You are noted for being an optimist and yet I find a pessimistic statement in your conclusion in which you say it appears unlikely that revenue sharing will be enacted within the next few years. Whether the Governors Conference is strongly in favor of this I am not sure, but do I understand the Mayor's Conference is in favor of this if it is properly worded?

The President, of course, has endorsed it, but why do you have such a pessimistic outlook as to suggest it is unlikely for several years?

Mayor LINDSAY. I do not believe you are going to have revenue sharing in this Congress; then you have the election period, and heaven knows what is going to happen after that, we won't see it happen in the immediate future.

Senator MILLER. It could happen next year.

Mayor LINDSAY. I would like to see it to happen. We believe in it. We have brought it about in New York State at long last in localities. It is not going to happen this year and I am thinking about this fiscal year too because I know the Congress and the administration are worried about the budget.

The budget has made provision for it, and that money is there to be used, and if the Congress does not pass a revenue-sharing proposal in this Congress that money can, in my opinion, and should be used to, in

my judgment, to fund the aspect to this program that will lead toward the greater participation by the Federal Government, 50 percent sharing this year or in the first year of operation of the supplement, the State supplement, and then each year after that an additional 10 percent.

What I am trying to suggest is that the argument, I know, is being made that the change of the formula from 30 to 50 percent is too expensive. No. 1, we do not think it is that expensive. No. 2, there is a budget item that is already allocated by this administration that is not going to be used for revenue sharing—we do not think so—therefore it could be available for this purpose.

Senator MILLER. You are talking about the \$500 million—

Mayor LINDSAY. Yes, and the \$1 billion in the second year.

Senator MILLER (continuing). Set forth in the budget for the first year.

Mayor LINDSAY. Of course, I can understand why you could argue in favor of this.

On the other hand, if you really want revenue sharing, I can understand how this might delay revenue sharing because of budgetary considerations.

Senator MILLER. But I must say I am inclined to agree with you that it does not appear that revenue sharing has a very good chance in this Congress because this Congress, the life of this Congress, is somewhat limited.

Mayor LINDSAY. But this bill has a chance.

Senator MILLER. Yes, but the effective date of this bill can make some difference, too, from a fiscal year's standpoint.

Mayor LINDSAY. Yes, it can, but then the next Congress comes back full of—wholly charged up and wanting to serve the public interest, it will fill in any gaps that may have been left by this Congress, I would assume. If it is used up, if this Congress has already allocated \$500 million toward 50-percent sharing of the supplements, I would hope that the Congress would be so enthusiastic about revenue sharing that it would immediately go forward with that program and the administration would come down in its budget estimates with the revenues to do that.

Senator MILLER. The evidence of optimism is now cropping up. [Laughter.]

That is all I have.

It is nice to see you.

Mayor LINDSAY. It is nice to see you.

Senator ANDERSON. Mr. Mayor, we all appreciate this very much.

(Mayor Lindsay's prepared statement follows. Hearing continues on page 1363.)

STATEMENT OF HON. JOHN V. LINDSAY, MAYOR OF THE CITY OF NEW YORK

I am particularly grateful to the Committee for this early opportunity to testify on the welfare bill before you; first, because the experience of New York City's welfare program has led me to the firm conviction that the system itself must be reformed now, and second, because I would like to comment on some of the information about our experience that has figured so prominently in your deliberations.

At the outset, I would like to declare myself strongly in support of passage of substantial welfare reform in this session of Congress.

It is certainly true that the provisions of H.R. 16311 and its recent administrative revisions do not embody ideal solutions to the nation's income main-

tenance problems. The proposals have many shortcomings and even take some backward steps.

But the bill, even in its present form, is a substantial improvement over what we have now.

That point needs special emphasis. The present welfare system has many inequities. It provides too little aid to too few with too great stigma attached. It differentiates unfairly between welfare recipients in different states and between earners and non-earners in the same state; its administration is unnecessarily and inhumanly complex; and it places intolerable fiscal burdens on state and local treasuries, especially in the urban and industrial states.

Under the Family Assistance Plan and the new program for the aged, blind and disabled, these evils will not disappear; but some *will* be reduced. Gentlemen, we are not starting from scratch. Far from creating the inequities that have so concerned the Committee during the past months, FAP takes important steps toward reducing some of them.

To a substantial extent we could make the inequities and disincentives disappear if this nation were prepared to make the necessary investment in aid to all persons, based on need alone, at least at the poverty level. Our basic objective should clearly be to establish a Federal system with full Federal administration and financing. Only then can we make major progress on the problems that plague us and have troubled the Committee for the past months. But the realization of that goal would take more money than the administration appears to be willing to budget at this time.

As a first step, then, the Family Assistance Plan—with some revisions that have been suggested and will be repeated during these hearings—can make progress toward that goal in ways that will be both fiscally and socially responsible.

Briefly, the key forward steps include Federal aid for intact families with full-time working heads—the so-called working poor; establishment of a minimum Federal floor for assistance payments—increasing benefits in four or five states, or for less than 10 percent of the current AFDC recipients; and the creation of an option for Federal administration of the entire income maintenance program.

At the same time the bill has a number of shortcomings that are of serious concern. They include the low level of Federal benefit for families, including the absence of any serious encouragement to states to increase their benefit levels; the exclusion of needy single persons and childless couples from the Federal program; the failure to provide jobs for the benefit of welfare recipients who will be required to register for work; the lack of an adequate definition of what constitutes "suitable employment" and the compulsory registration requirement for mothers; infringement in some cases of civil rights for FAP recipients; and the limited fiscal relief for New York and other large urban states which now shoulder the heaviest financial burdens of welfare.

In addition, the most recent revisions made by the Administration include a few serious backward steps. The exclusion of intact families with unemployed or underemployed fathers from the state supplementation mandate does nothing to discourage family breakup, and retreats from the Administration's original proposal. Also the proposed reduction in medical care and the proposal that the secretary require supplementary payments only up to "the payment level" mean that a substantial number of poor people will receive less assistance than they do now. Furthermore, the new eligibility requirements for social services and the proposal of a closed end appropriation for such services also mean either a diminution in services to people or additional fiscal burdens for cities and states.

THE WORKING POOR

The heart of the Family Assistance Plan—at once its most seminal and controversial contribution—is Federal assistance to the family headed by a man who works full time.

The case for including these families in the national income maintenance program has been made over and over again. It is their exclusion that most dramatically creates the present program's major failures—disincentive to employment and lack of encouragement for family stability.

We cannot continue a system that fails to encourage independence and family stability. While it is tragically true that we are lacking in the research facts to establish cause and effect in this area, simple equity dictates the development of sound social policy with regard to family life and work. As a matter of policy,

this nation cannot tolerate the perpetuation of a system that provides more for a large family that does not work than the same size family can earn at the minimum wage; more for a family headed by a woman than a man; more for a family in which the man is not married to the woman than where there is a legal union. However, the answer simply does not lie in further reducing the present low level of benefits for these groups.

I recognize the Committee concern about the potential size and cost of the working poor program and the complexity of its administration. Some have said that the immediate magnitude is too great to establish such a national program now.

Out of our interest and concern with this part of the program, and the attention that has been given to our experience in New York, we have done some work in this area that I would like to share with you now.

This work leads me to three conclusions: that out of the 9 to 12 million persons in working poor families who will become eligible for FAP supplements, not more than 3 to 4 million will apply in the first two years and the amount of supplementation they will receive will be quite low; that the heads of working families receiving supplementation will not desert their wives and children or give up their jobs; and that many years of experience with state supplemental programs provide enough knowledge to establish an efficient, Federal supplemental program for the working poor.

Potential FAP Enrollment

Discussion of FAP since its proposal has included the assumption that 9 to 12 million persons would be enrolled in the working poor program. The administration has recently noted that these figures should have been taken to mean the numbers *eligible* for assistance, not those expected to *enroll*. Nonetheless, the vision has been conjured up of 9 to 12 million additional FAP recipients the day after the effective date of the bill. The \$4.1 billion budget was estimated on that basis.

The experience of the six states that now provide the working poor with supplements does not bear out the projection of 100 percent participation. These states—Illinois, Massachusetts, New Jersey, New York, Pennsylvania and Rhode Island—have been helping the working poor without Federal aid for from two to thirty years. (A chart is attached, showing the enrollment, average monthly earnings and supplementation, and method of determining the size of supplement. These are tentative figures which we in New York pulled together some months ago and there may be minor variations since that time.)

After all these years, New York City has only about 15,400 families with about 92,000 persons enrolled in the working poor segment of General Assistance and the other five states combined have less than this number.

In New York, these families are eligible at the same benefit levels as AFDC. They receive the difference between their earnings and the benefit level for their size family, with working expenses amounting to about \$800 a year disregarded. They receive no further earnings disregard but the level of earnings to which they are still eligible is substantially higher than in the proposed FAP program.

The program has existed for more than 20 years, and during the past few years active efforts have been made to recruit members of the working poor to the assistance rolls—with singularly little result.

What is the potential eligibility? The New York State Department of Labor, Division of Employment, estimated last January that 270,500 *families* were headed by a man who was earning at or below the poverty line—which approximates the welfare benefit level in New York.

Our research shows this figure to be much too high. We estimate that 300,000 to 400,000 persons in New York City are living in families eligible for welfare supplementation today. And yet only 90,000—less than one-third—are receiving it, despite the relatively high levels of assistance, the publicity given to the program, and the growing acceptance of welfare as an entitlement.

The experience in the other states shows even lower rates of utilization.

One can only speculate about the reasons for this reluctance to apply for the aid to which these families are entitled. Hostility to the whole idea of welfare is especially marked in the lower working class, unions emphasize raising the minimum wage and certainly do not encourage application for public assistance, welfare's requirements for an investigation and restrictions on possessions are strong deterrents and, in other states the program is less well known. Even though one can certainly expect increased utilization of a Federal program with

Federal information dissemination, it will take many years before participation will come anywhere near the figure of 12 million.

The stigma of welfare will take many years to erode. An example: In New York City, the Medicaid applications of 181,000 people showed them to be eligible also for financial aid. Letters were sent to each case, informing them of this fact. There was no discernible increase in the caseload as a result. The two million of more families who are eligible for less than \$300 a year in FAP will surely be hesitant to give up what many define as their self respect. And, in many jurisdictions, it will be a long time before aggressive recruiting to the program becomes the order of business.

For all these reasons, the enrollment of 3 to 4 million of the working poor in FAP within two years would seem to be the best estimate of participation.

Parenthetically, I have noted that the national experience with Medicaid costs has often been cited as justification for extreme wariness about FAP. However, the estimates of *participation* in Medicaid, made by HEW prior to enactment, were low by a very few percentage points. It was the *cost* of the care that increased far beyond predictions. With FAP, the costs are predictable and the rate of participation, as I have said, will be far below the HEW estimate.

Desertion

Much has been made of the concept of fiscal abandonment—the theory that the AFDC increase is largely due to situations in which fathers move out of the family home specifically to increase total family income by adding AFDC benefits for the mother and children. Obvious though this strategy may seem to those of us who give substantial attention to increasing our incomes, there is no evidence that fiscal abandonment does or does not occur, or to what extent.

The facts of this matter are important because they relate to a question often raised about Family Assistance for the working poor; once the working family is receiving benefits, will the earner stop working or desert his family so it can receive higher benefits from state supplemented FAP?

There is insufficient evidence to prove or disprove either point. But two preliminary studies of the New York City General Assistance and AFDC caseloads are interesting.

Based on our latest available data, we had a monthly average of 15,411 cases of working poor families receiving aid from General Assistance during the 12 months from March, 1969 to March, 1970. An analysis of these figures indicates an average annual rate of 2.55 percent moving to AFDC—meaning that the father either died, deserted, was imprisoned or otherwise disappeared—and .71 percent moving to AFDC-U—meaning that the father became unemployed or reduced his hours of employment. There was little variation from month to month during this period.

In the last two weeks of March, about 3,000 AFDC cases were opened for a variety of reasons. Of these, about 700 were opened for reasons of desertion, of which 538 were analyzed. This analysis indicates that in 93 percent of the 3,000 cases, fiscal abandonment could *not* have been a factor. In the remaining 7 percent, representing 25 percent of the desertion cases we found only that income maximization could not be ruled out entirely as a factor; neither was there evidence that it was a factor.

Obviously, definitive statements about these issues must await much more substantial research. But the first, preliminary studies show little tendency to desertion or unemployment when a family is receiving supplementary aid, and far less fiscal abandonment than has been alleged in theory.

Administrative concerns

Concern has been expressed about the possible administrative as well as financial burdens of the working poor segment of FAP. This concern has led some to suggest a delay in implementing this segment of the program.

Since coverage of the working poor is, as I have said, one of the most crucial parts of the program, holding out the most hope of real reform, I strongly urge that such delay not be imposed.

In my judgment, the growth of the program will be far slower than has been predicted. The experience of the six states now covering the working poor can be studied by the Federal Government, and many lessons can be learned from pre-testing the program in the way proposed by Senator Ribicoff in the amendment that he introduced last week. I am gratified that we were able to assist Senator Ribicoff in the development of his plan.

I urge the Committee to give most serious consideration to this amendment. Without immediate inclusion of this segment of the population, welfare's outstanding inequities will continue, desertion will not be discouraged and the divisiveness that now exists between the welfare population and the working poor will be perpetuated with all its dangers to the stability of the nation.

EMPLOYMENT

Although there are many Americans who will always require income support—the aged, the emotionally and physically disabled, and young children—for most people employment must remain the number one source of income.

To complement the Family Assistance Plan, a practical program that would provide jobs at decent wages is urgently needed. The training provisions in HR 16311, while desirable, merely extend the Work Incentive concept of the 1967 amendments and, therefore, can be expected to achieve only the same minimal results.

It is true that in many states and cities, there were serious problems in getting the WIN program underway, and some serious criticism of the implementation of the program is justified. But, in the end, the results were, in New York for example, that almost every WIN slot is being filled: 9,800 of our 10,200 slots are filled and 1,500 referrals have been made for the remaining 400.

However, the number of WIN slots was very small in relation to our total population in need, and even for this small number, there were few real, steady, wage-paying jobs at the end of the education-training route.

Again using New York City as an example of what I know exists all over the nation, there are thousands of necessary community service jobs that could be created not only to provide employment for the jobless and the underemployed, but to improve the quality of life in our beleaguered cities. Local treasuries are too overburdened to create these jobs without Federal help.

I have been very pleased to note the special interest of the Chairman and Senator Talmadge in this aspect of concern with welfare. Senator Ribicoff and Senator Harris have also recognized the need for a public service job creation program, and I wholeheartedly support their new amendment for the Federal financing of 30,000 public service jobs.

It appears to me that such a program could be financed within the overall cost of the FAP budget, since for every FAP recipient who received a salary under this program, part of his FAP payment would be saved. Most of the balance could probably be made up from part of the \$300 million allocated to job training in HR 16311. This would represent a significant beginning and should be seen as complementary to the much larger program proposed in the Nelson manpower bill.

Senator Talmadge's amendment also includes a provision substantially improving the House bill's requirements for work registration. His priority system for registration, recognizing that concentration should be on the part of the welfare population from whom employment should be expected, is far more realistic and productive than the bill's present provisions. I would also urge the Committee to consider testing the tax incentive provision proposed in the same amendment. While it is my belief that in the present economic climate, government must take greater responsibility for job creation, the encouragement of the private sector is necessary and proper. Senator Talmadge's approach is certainly worthy of immediate demonstration.

As for the definition of suitable employment, I am in support of the position taken by the AFL-CIO: that no person should be required to take a job that pays less than the minimum or prevailing wage, whichever is higher; that is involved in a labor dispute; or that has hours and working conditions below those for comparable work in the area.

At the very least, the definition of suitable work should be returned to that of HR 16311 before it was amended on the floor of the House.

THE "NOTCH" PROBLEM IN CASH AND IN-KIND BENEFITS

Much of the discussion in the Committee has focused on a basic difficulty in the current welfare program as well as in the design of FAP—the so-called notch problem. But there are several points that have not been sufficiently emphasized in this connection.

First, the notch problem is worse under the present program that Congress and the Administration are seeking to improve.

Today, there is often no financial incentive to take a job or increase employment since in many areas more can be gained from welfare. Under FAP, this problem is reduced through the supplements to the working poor and the provision of income disregards to all recipients.

Today, the broken family headed by a woman in some states can gain more from welfare or a combination of earnings and welfare than can an intact family headed by a man. Under HR 16311's requirement that unemployed families receive state-supplemented FAP, this inequity was reduced at least insofar as the unemployed were concerned. But the absence of this mandate for the working poor perpetuates the notch that penalized employed intact families.

Second, in relation to eligibility for in-kind benefits such as medical and food assistance and free social services, any income-tested program inevitably produces a situation in which a dollar more of income can eliminate all other benefits. It is my understanding that no manipulation of a means-tested system can completely eliminate the point where income exceeds eligibility for services. Other kinds of income-tested programs have the same characteristic.

In searching for some means to reduce the notch problem further, the Administration has proposed removing mandatory state supplements for unemployed, intact families. In any judgment, this cure is worse than the disease.

First, it will reduce benefits to some 90,000 families currently enrolled in the AFDC-UP program, and will fail to extend these benefits to countless thousands of others. Second, it perpetuates the inequity as between female-headed and male-headed unemployed families. And, third, it violates the President's pledge that no poor person would suffer from the passage of this legislation.

It has been my observation, in addition, that people at low income levels do not calculate carefully the impact of a few additional hours of work on their total income in relation to public assistance. A high-level executive may decide not to take on an extra consultancy that would push him into the next tax bracket. But a blue-collar worker in marginal industry is unlikely to refuse a 31st or 36th hour of work a week—or a better job paying \$10 a week more—because he calculates that his FAP will be reduced.

In other words, my feeling is that the impact of the "notch" on part time versus full time work will not be nearly great enough to justify the radical surgery recently proposed for AFDC-UP.

A more sensible and effective solution has been proposed by Senator Javits and others—mandatory state supplementation of the working poor, with Federal reimbursement at the same rate as the rest of the FAP program.

The Administration has said that it considered and rejected this solution because its cost would be an additional \$1 billion. For the reasons I outlined earlier, I am convinced that the working poor enrollees will be fewer than estimated, and therefore the increased cost of supplementing them would be substantially less.

If the same reimbursement formula were to be applied to the working poor supplement, there would of course be increased costs to state and local governments—which many can ill afford. For this reason, I urge consideration of making the supplemental working poor program entirely a Federal responsibility—its financing as well as its administration.

BENEFIT INCREASES—COST OF LIVING

H.R. 16311 establishes the principle that the poverty level—for purposes of Federal reimbursement—be revised annually in accordance with increases in the cost of living.

Applying the concept of cost of living increases to other aspects, especially the minimum benefit, of the programs for families and the aged and disabled would remedy one of its outstanding omissions—the failure to provide a mechanism for increases in benefits to people and in rates of Federal reimbursement to states.

The Administration has made clear its unwillingness to accept any increase in the FAP budget, at least in the first year of its implementation, despite the fact that the basic FAP benefit and the rate of Federal sharing in the supplement are much too low.

Since the benefits are so low and the fiscal relief to states minimal, it would be desirable to include in the legislation some schedule for increases over the years.

A method for doing so would be to adopt the cost of living increase principle and apply it to the basic Federal benefit, the state benefit levels and the percentage of Federal participation in the supplements.

In this way, the system could move in orderly stages toward poverty level benefits and full Federal financing, while at the same time leaving room for additional legislated increases in future years.

DAY CARE

The availability of day care arrangements for pre-school children is crucial not only to their own development but to the success of public manpower programs. In most communities today, a woman's availability for work and training depends on her ingenuity in securing day care for her children from friends and relatives.

In his proposal for the creation of a Federal Day Care Corporation, Senator Long has recognized the necessity of providing adequate funds for the development of day care facilities. His approach is one that offers a good deal of promise. One would need to look closely at how the Corporation would relate to other day care programs, and whether the method of financing without some Federal appropriation would result in an unduly high cost of care. Also, one would have to insure that the new Corporation did not retard accelerated day care programs that are developing in some of the states such as New York.

The record is abundantly clear that the Committee should not expect significant improvement in child care availability unless Federal assistance is increased through FAP, Title IV, the Administration's proposed Title XX or other child development legislation. Even under the recent provision of 75 percent Federal funding for day care, states and localities have had difficulty contributing the remaining 25 percent necessary to create a comprehensive network of facilities. Several new bills are now pending before the House and Senate, but most have limited fund authorizations, and each would require annual appropriations.

The Committee should also be aware that FAP has conflicting provisions with respect to serving low-income families currently served as "former" and "potential" recipients of public assistance. If those groups were to be excluded, it might well force many families onto the welfare rolls because the lack of child care would prevent them from working. Ironically, once they began receiving FAP, they would then be eligible for child care.

As for the problem of creating facilities, I very much welcome the HR 16311 provision that extends Federal aid to the construction of facilities, if the Secretary finds no other alternatives available. In New York City, where we now have 8,340 children enrolled in group day care, the greatest deterrent to rapid expansion is the scarcity of appropriate facilities in neighborhoods where they are most needed.

We have an additional 4,000 children enrolled in the Family Day Care program—in which up to five children are cared for in the home of a welfare mother, while their own mothers are working or in training. I would be happy to provide the Committee with more information about this program as a valuable supplement to group day care, especially in large inner cities.

FOOD STAMPS

The Administration's revision of the food stamp program to allow for an automatic check-off for eligible recipients is welcome and, in some measure, should increase participation in the program.

However, the reasons for low utilization of the food assistance program today include not only the requirement of individual initiative each month, but the small size of the bonus in comparison with the investment required—except at the very lowest income levels.

The effect of the new legislation would be to reduce the size of the bonus in some states even further, thus practically insuring low participation among eligible persons and cutting thousands of families out of the program altogether.

While there is no actual provision in H.R. 16311 lowering eligibility for food stamps, I notice that the charts reflect what I understand to be a new schedule to be promulgated by the Department of Agriculture or HEW.

Under this schedule, a family of four without income in my state would be entitled to a food stamp bonus of \$154 a month, compared with an average bonus today of about \$300. Families with any income at all would be automatically

excluded from participation, whereas today their bonus is gradually reduced as income increases.

This is a very serious notch problem that will either hurt thousands of people now in the program or will cost states and cities millions of dollars to keep the program at its present level. I hope that the Committee will review the new food stamp schedule and recommend revisions that will protect poor people who are most in need.

ADMINISTRATION

After nearly five years as Mayor of the nation's largest city—in a state where the cities and state share financing and administration of welfare—I am more than ever convinced of the necessity of Federal administration of the income maintenance program.

The participation of three levels of government in a program as complex as welfare can only reduce its efficiency and the nationwide consistency of its treatment of recipients.

One of FAP's historic contributions to national social policy is its establishment of the option for Federal administration of the entire income maintenance program. And here, the Administration's recent revisions of H.R. 16311 take a step forward: extending the option of Federal administration to medical assistance, general assistance and food stamps in states that choose Federal administration of the entire income maintenance program.

My preference, of course, would be for mandatory Federal administration. Although we were involved in the development of the proposal to reward states choosing Federal administration with 100 percent Federal assumption of administrative costs, I do not think this measure goes far enough in encouraging a Federal program.

I urge the Committee to consider language that would assume Federal administration of both the Family Assistance Benefit and the state supplement, placing on the state the burden to opt out of that arrangement and requiring the state to show cause why it should do so. Further, I recommend that only states providing a substantial proportion of assistance costs be allowed to consider operating the income maintenance program.

In any case, a new program financed entirely or mainly by the Federal Government—such as the working poor segment of FAP—should be under direct Federal administration.

Turning to another administrative issue, I strongly urge the Committee to include specific language protecting the rights of state and local welfare workers who would be transferred to the Federal system. These would be primarily clerical-administrative personnel, thousands of whom have established seniority, benefit and pension rights over many years. They are understandably fearful lest these rights be abridged by a change in government employer.

SOCIAL SERVICES, TITLE XX

The Administration's proposed revision of the social services program has many interesting features and opens some welcome opportunities.

I would like to focus briefly, however, on two aspects that present serious problems: the restriction of eligibility and the closed end on appropriations.

In principle, as has often been recommended, social services should be available to all as needed. However, this bill even reduces the availability of services to persons who currently receive them.

Limiting eligibility for free social services—aside from protective services for children—would eliminate many people from present public programs, or would require a partial payment that would erode already minimal incomes and would be prohibitive in administrative cost.

In addition to day care, which I have already mentioned, such services as family planning, family counseling, homemaker services, rehabilitation for the mentally and physically handicapped, and programs for the aged would be restricted. One of the main values of these programs is in their capacity to prevent dependency. Must we wait for a family to fall below the poverty line before we can help them? Families in marginal financial circumstances may not be able to see that a few dollars for services will help them remain self-supporting. These are the very families that need to be identified and recruited into free public programs.

The ceiling on eligibility would create a strange situation in New York, where our welfare benefits are slightly above the poverty level. In our state and in

New Jersey, welfare recipients would be required to pay for the very services that Congress in the past decided to fund for their benefit.

I am sure that such is not the Committee's intent.

Various solutions would be to increase eligibility to 133 percent of the poverty line, or to establish eligibility at the poverty line but extend it also to all welfare recipients.

On the issue of a closed end appropriation for services, I was very pleased to see that the House Appropriations Committee, before which we testified on this issue, voted against the Administration proposal for a closed end on services in the Federal Budget for fiscal 1971. I believe the budget is still pending before Senator Magnuson's committee in the Senate.

Before the two committees joint testimony was presented by the City of New York, the State of Pennsylvania, the National Conference of Mayors, the National Urban League and the American Public Welfare Association. All these groups were agreed that an arbitrary limit on state and local expansion of social services would cut off many valuable programs now being developed under the 1967 amendments, would fail to cover the increased costs of present programs—thus reducing current services—and would militate against the aims of the legislation now before you.

In your deliberations on Title XX, therefore, I would urge the Committee to take a close look at the implications of the eligibility and financing restrictions on vital social services.

ADMINISTRATIVE ISSUES

There are several administrative issues receiving relatively little attention that seem to me to require careful consideration since they affect the lives of many people and the future directions of the program.

One set of issues relates to the Administration's revision of Sec. 452 as it defines the benefit level states are required to maintain for broken families under FAP.

Since 30 states pay less than their "standard" of need, either through the device of paying a percentage or the imposition of a maximum ceiling, HEW sought a simplified method of stipulating the benefit states would be required to pay. The solution—requiring states to meet the payment that would have been made to a family with no income—will adversely affect an estimated 300,000 to 400,000 persons who have some income.

The punitive effect of this provision was first identified by this Committee's staff, but the remedy subsequently suggested by the Administration—"grandfathering in" present recipients—seems to be inequitable and, perhaps, unconstitutional. Despite the complications of the original Sec. 452, a return to the House version would be preferable to the recent revision.

Another issue is raised by HR 16311's mandate that a declaration form of application be used by the aged, blind and disabled; no mention of this requirement is made in relation to families.

Many states and cities throughout the country have been using the declaration form of application for AFDC for some time, both in the interests of efficiency and dignity, and to make possible the separation of the functions of income maintenance and social services. Studies of the declaration method show it contains sufficient safeguards of the program. As the income maintenance moves toward Federal administration, it is more than ever vital that efficiency and responsible simplicity be pursued.

Both the history of success with the declaration and the desire for an efficient, effective program should encourage the Committee to mandate the use of a declaration form of application for FAP recipients.

A third issue: the definition of child support and alimony payments as unearned income, and therefore subject to 100 percent tax.

Such payments are, in effect, income earned by the separated father. States should not be discouraged from seeking and collecting these payments by the fact that increased contributions decrease only the Federal share of the assistance payment.

If these payments were defined as earned income, and half were to be disregarded, both the families and the states would have more incentive to pursue support payments and alimony.

Senator Ribicoff introduced an amendment to this effect. I believe it deserves support.

A fourth issue involves the life-time liability of a putative father, whether or not he knows that he has the children for whom he is held responsible and no matter how small the Social Security benefit or other Federal benefit he may receive in later life. I believe that a statute of limitations would be appropriate for this provision, and the normal legal procedures should be followed.

Five, I understand that the bill requires disabled persons to accept vocational rehabilitation as a condition of income support, and that parents are held financially responsible for the support of their disabled children above the age of 21. Experts in working with the disabled inform me that these provisions are unrealistic and punitive. I urge the Committee to eliminate the adult disabled from the group for whom parents must be responsible, and to place vocational rehabilitation for the disabled on a voluntary basis.

FISCAL RELIEF

Before concluding, I ask the Committee to consider the plight of the nation's large cities. Every urban center in the nation is experiencing sharp increases in welfare enrollment and costs—many cities equalling and surpassing New York's experience.

In Westchester—one of the richest counties in the nation—the welfare rolls increased 307 percent in the 1960's; in the manufacturing town of Flint, Michigan, they rose 320 percent; New York, Newark, Omaha, Dallas, Albany, Los Angeles and Baltimore all increased between 250 and 300 percent.

As well as improvements in the basic program, these cities, their states and many others throughout the nation desperately need fiscal relief from the squeeze in which welfare has placed them. The people coming for help, need help; there is no question that we are just now catching up with the terrible poverty that has afflicted too many Americans for too long.

But the cities and states cannot continue to carry such a large share of the fiscal burden. They cannot continue to strangle programs that should be expanded and improved in order to prevent the need for public assistance in the first place: better housing, education and health services.

The Committee has been informed that some fiscal relief will flow from the pending welfare reform provisions. I submit, however, that it is not only insufficient as it appears, but is even less than the current estimates.

New York State, for example—with 11 percent of the nation's welfare population and about 13 percent of its total costs—will receive, according to the HEW charts, about 8 percent of the fiscal relief. That, on the face of it, is inequitable.

However, there are some additional facts. The HEW figures assume that the state will abandon supplementing AFDC-UP. We will *not* abandon that program, and it will cost the City about \$2 million more a year than we are now spending. Maintaining the food stamp program at the currently scheduled levels will cost the City an additional \$20 to \$30 million a year, and continuing to provide free social services to persons above the poverty line will cost \$15 million more. There will be equivalent costs to the state. A major additional cost would result if the Federal Health Insurance Plan is enacted in anything like its present form.

As a result, the new legislation—far from providing minimal fiscal relief—will cost the City money unless some basic changes are made.

Some changes I have suggested—retaining the current food stamp schedule, increasing eligibility for social services, restoring the mandatory supplement for AFDC-UP and requiring supplementation of the FAP benefit for the working poor.

In addition, I strongly urge an increase in the rate of Federal participation in the supplement at least from 30 percent to 50 percent. Senator Javits' proposal that sharing be on the Medicaid formula of from 50 to 83 percent would, of course be preferable.

CONCLUSION

More than any single reform of the complicated, irrational welfare program, the single most far-reaching would be complete Federal assumption of financing and administering the income maintenance system.

This Congress should make clear its intent that this goal should be achieved by 1976, the 200th anniversary of the Republic.

There are various methods that might be considered to accomplish Federaliza-

tion of the system and we would, of course, be glad to provide the Committee with detailed suggestions.

One method of moving toward the goal would be to make use of proposed funds for revenue sharing.

The Administration has proposed the development of a revenue sharing plan and has allocated \$500 million in the current fiscal year and \$1 billion in the next, with subsequent increases of \$1 billion each year until the total of \$5 billion is reached.

At the present time, it appears unlikely that revenue sharing will be enacted within the next few years. Therefore, I propose that a substantial share of the funds already set aside be allocated to increasing the Federal share of the welfare program.

This would make possible an immediate step toward the goal of a Federalized income maintenance system by 1976.

EXISTING WORKING POOR PROGRAMS.—NONFEDERALLY AIDED

State	Cases	Average family size	Average monthly earnings	Average monthly supplementation	Supplementation formula
Pennsylvania.....	2,240	4.0	\$257.90	\$177.00	Standard minus net income, working expenses, and \$30 and 30 percent.
Massachusetts.....	1,233	4.0	240.03	53.10	Standard minus net income, working expenses.
Illinois.....	1,200	8.7	325.00	155.00	Standard minus net income, working expenses.
New Jersey.....	6,130	7.0	360.00	246.71	Standard minus net income, working expenses, and \$30 and 30 percent.
Rhode Island.....	250	7.0	290.00	125.00	Standard minus net income.
New York City (90 percent of State load).	15,400	6.0	312.00	171.24	Standard minus net income, working expenses.
Total.....	26,480				

Senator ANDERSON. Next we will hear from the Honorable Lee Metcalf, the junior Senator from the State of Montana.

STATEMENT OF HON. LEE METCALF, A U.S. SENATOR FROM THE STATE OF MONTANA

Senator METCALF. Mr. Chairman, thank you for permitting me time today to offer a statement in behalf of amendment 796 to the Family Assistance Act. Originally offered as S. 2265, also pending in your committee, the measure has been revised and submitted as an amendment with the cosponsorship of Senators Mansfield, Goldwater, Gravel, Harris, McCarthy, Mondale, Moss, Stevens, and Yarborough. We hope for your approval.

Our amendment would extend to all States 100-percent Federal payments for expenditures by the States under public assistance programs for aid to all Indians, Aleuts, Eskimos, or other aboriginal persons. Existing law provides special Federal payment of 80 percent for expenditures by the States in behalf of the Navajo and Hopi receiving assistance in three categories, old-age assistance, aid to dependent children, and aid to the needy blind. Our amendment would provide Federal payments for old age assistance, aid to the needy blind, aid to the disabled, and medicaid. In addition, Federal payments would reimburse the States 100 percent of the supplemental payments to families contemplated in the Family Assistance Act.

In April 1950, the distinguished ranking member of this committee, Senator Clinton Anderson, with Senators Hayden, O'Mahoney,

Chavez, and McFarland succeeded in amending the Social Security Act to increase the Federal share of assistance to the Navajo and Hopi from 75 to 95 percent in some cases and from 60 percent to 92 percent in others.

A legislative history of Public Law 474 was written by the former Secretary of Health, Education, and Welfare, Mr. Wilbur J. Cohen, and published in the Social Security Bulletin for June 1950. I would appreciate it very much if Mr. Cohen's article might be incorporated in the hearing record following my statement.

Mr. Chairman, I believe that the American Indian is a Federal responsibility. I have yet to hear an argument, and I have heard them all I think, that has persuaded me that the separate States are or should be responsible.

Just recently Mr. Nixon reminded us in the strongest rhetoric of this fact. He said :

The special relationship between Indians and the Federal government is the result * * * of solemn obligations which have been entered into by the United States government * * * the Indians have often surrendered claims to vast tracts of land and have accepted life on government reservations. In exchange, the government has agreed to provide community services such as health, education * * * services which would presumably allow Indian communities to enjoy a standard of living comparable to that of other Americans.

The message went on to say :

Because of the high rate of unemployment and underemployment among Indians, there is probably no other group in the country that would be helped as directly and as substantially by programs such as the new Family Assistance Plan and the proposed Family Health Insurance Plan. It is estimated, for example, that more than half of all Indian families would be eligible for Family Assistance benefits and the enactment of this legislation is therefore of critical importance to the American Indian.

Mr. Chairman, the report of the National Council on Indian Opportunity (Jan. 26, 1970) said :

President Nixon's proposal for a Family Assistance Program is a major step toward restoring dignity to the individuals involved. We support the concept of this program and urge its enactment and adequate funding. (Emphasis mine.)

Unless the Congress amends H.R. 16311, to provide adequate funding, it is my opinion that still another promise to the American Indian will not be kept, not because the States are unwilling but because they are unable.

Probably it is true that half of all Indian families would be eligible for benefits, but the Family Assistance Act as adopted by the House repeals Public Law 474 so that not even the special payments for the Navajo and the Hopi will be made as before. Moreover, the administration, in its reports on my predecessor bill, S. 2265, recommended against its enactment while offering no alternatives in its proposal to assist the States in meeting the promises Mr. Nixon was later to make to the Indians.

Once again, we are long on rhetoric and short on money.

The Montana Department of Public Welfare has advised me that it is costing \$1.1 million in the biennium to provide assistance to Indians

in State-approved plans for old-age assistance, aid to dependent children, aid to the needy blind, and medicaid, as well as aid to the disabled. The State is simply not able, even with an expenditure of this magnitude, to meet the needs that should be met, either of the Indian people or of the non-Indians.

If the Family Assistance Act is adopted Montana's slender budget will be further strained.

Mr. Chairman, I ask the Department of Health, Education, and Welfare to prepare a projection of the additional Federal cost if our amendment were to be adopted. It is, of course, understood that these sums are now being spent by the States, or would be spent, if they had the money, after approval of H.R. 16311.

Summarized, the additional cost to the Federal Government would be \$45 million annually under existing law and \$70 million annually with enactment of H.R. 16311.

I would be grateful if the table and the text evaluating amendment 796 might be incorporated in the record of this hearing so that it will be readily available to all Members.

Mr. Chairman, I have one final plea.

There are many, many hopeful signs on Indian reservations and among Indian people today. In Montana there are several economic development programs that are changing life on the reservations from one of hopelessness and joblessness to one of hope and industry and employment and education. There are motels, recreation complexes, et cetera. The Fort Peck Indians, for example, were successful in securing a contract to repair rifles. The enterprise has employed 120 people and has brought a payroll to the reservation that has in turn brought pride and stability. I am convinced that we are on the right track. I am convinced that the Senate, with approval of the Alaska native claims bill, has prepared the way for Alaska natives to participate fully in the benefits of economic development in that great State. In Rough Rock, Ariz., a demonstration school among the Navajo Indians has achieved national recognition. The project is a crash program of education, vocational training, health, home economics, and involves both children and adults. The project has truly demonstrated what may be done.

I believe if we continue this momentum the American Indian in a generation could so significantly improve his condition that the cost of public assistance would drop sharply.

In the meantime, public assistance is a vital support without which I fear economic development cannot succeed or cannot succeed soon.

That concludes my statement, Mr. Chairman. Senator Mansfield, who has read it, asks that it also be considered his.

We earnestly request your approval.

(Attachments to the statement of Senator Metcalf follow:)

COST ESTIMATE: ADDITIONAL FEDERAL COST OF PROVIDING 100 PERCENT OF "NORMAL" STATE COSTS OF ASSISTANCE TO AMERICAN INDIANS RECEIVING PUBLIC ASSISTANCE UNDER H.R. 16311, THE FAMILY ASSISTANCE ACT

NUMBER OF INDIAN RECIPIENTS AND THE ADDITIONAL FEDERAL COSTS

[Dollar Amounts in millions]

	Current ¹		Projected ²	
	Recipients	Amount	Recipients	Amount
Total.....	114,000	\$45.	171,000	\$70.
Maintenance assistance.....		25.		37.
Medical assistance.....		20.		33.

¹ Represents the additional costs under the proposal for the estimated number of Indians currently receiving public assistance under the federally aided programs.

² Represents the additional costs under the proposal for those currently aided plus the estimated number of Indians that will become eligible under the less restrictive welfare policies specified in H.R. 16311 for all groups of recipients and for higher assistance standards in the adult categories.

COST ESTIMATE: SENATOR METCALF'S PROPOSAL

Method for estimating number of Indian recipients and additional Federal cost:

A. Number of Indian recipients—

1. Obtained the recipient rate for Indians by eligibility factor for most recent period for which such data were available (number of Indians obtained from most recent characteristics studies of OAA, AB, APTD, and AFDC recipients.

2. Compared the recipient rates for *all* recipients by eligibility factor for the period corresponding to study year with rate for *all* public assistance recipients as of December 1969.

3. Estimated rate for Indians as of December 1969 by keeping the same relationships between the recipient rates for Indians and *all* recipients for the earlier period and the rates for both groups for December 1969.¹

4. The estimate for the "projected" number of recipients was obtained by increasing the "current" estimated number in (3) above by 50 percent. Adjusted figure used for AFDC and APTD.

B. Costs for maintenance assistance—

1. For the adult categories, we used the estimated U.S. State share of the average payment under HR 16311 times 12 times the estimated number of adult Indian recipients.

2. For the AFDC supplementary payment, we used estimated State share of average monthly supplementary payment for the U.S. (amount obtained from ASPE) times the number of AFDC recipients.

C. Costs for medicaid—

1. Computed a cost per case month amount by eligibility factor for the U.S. which was multiplied by the estimated number of Indian recipients.

2. Inflated amount in (1) above by 8 percent to give effect to the costs for "other" medicaid recipients, i.e., individuals age 21-64 not categorically related and other children under 21.

3. The State share was estimated at 49.2 percent (non-Federal share of total payments in fiscal year 1969) of the total payments for the money payment recipients, categorically related recipients, and other children under 21 plus the total cost for individuals age 21-64 which represented the additional Federal cost under the proposal.

¹ Numbers receiving AFDC also were estimated by applying 1.3 percent (percent Indians in 1969 study) to total child recipients, which yielded a lower figure. The lower figure was used as the "current" number and APTD number also was adjusted downward using AFDC as a model.

PUBLIC ASSISTANCE PROVISIONS FOR NAVAJO AND HOPI INDIANS: PUBLIC LAW 474

(By Wilbur J. Cohen*)

On April 19, President Truman approved Public Law 474, providing for the rehabilitation of Navajo and Hopi Indians. Section 9 of this law provides for increasing the Federal share of public assistance payments for needy Indians of these tribes who reside on reservations or on allotted or trust lands and who are recipients of old-age assistance, aid to dependent children, or aid to the blind. The new law becomes effective July 1, 1950. It provides that with respect to assistance payments for these Indians the Federal Government will pay, in addition to its regular share under titles I, IV, and X of the Social Security Act, 80 percent of the State's regular share. The maximums for individual payments specified in the Act apply to these payments.

Thus, in a payment of \$20 to a needy individual, the regular State share is \$5 and the Federal share is \$15. For Navajo and Hopi Indians the Federal Government will pay \$4 additional (80 percent of the \$5 State share) or a total of \$19 out of the \$20 payment. The Federal share in such a payment would thus be increased from 75 percent to 95 percent. In a \$50 payment the Federal share would be increased from \$30 to \$46, or from 60 percent to 92 percent.¹ The accompanying table illustrates the effect of section 9 on public assistance payments to Navajo and Hopi Indians.

FEDERAL SHARE OF ILLUSTRATIVE PUBLIC ASSISTANCE PAYMENTS TO NEEDY MEMBERS OF THE NAVAJO AND HOPI TRIBES

Law	Federal share of payment, by specified amount							
	To aged or blind individual				To 1 dependent child		To 3 dependent children	
	\$20	\$40	\$50	\$60	\$27	\$54	\$63	\$106
Social Security Act Amendments (1948).....	\$15.00	\$25.00	\$30.00	\$30.00	\$16.50	\$16.50	\$40.50	\$40.50
Public Law 474 (1950).....	19.00	37.00	46.00	46.00	24.90	24.90	58.50	58.50

LEGISLATIVE HISTORY

The first form (S. 1407) of the legislation that became Public Law 474 was introduced on March 25, 1949, by Senators O'Mahoney, Hayden, Chavez, McFarland and Anderson. Companion bills, H.R. 3476 and H.R. 3489, were introduced in the House of Representatives.² S. 1407 passed the Senate on July 6, 1949, with amendments, and passed the House with some further amendments on July 14, 1949.³ In the Conference Committee a new provision dealing with increased Federal grants to the States for public assistance to Navajo and Hopi Indians was included in section 9. The Conference Report was accepted in both the House and the Senate on October 3, and the bill was then sent to the President. The President vetoed the bill on October 17, 1949,⁴ but his veto message did not contain any objection to the public assistance provisions of the bill.

The Senate deleted the provisions of the bill to which the President objected and passed a new bill, S. 2734, on October 18, the day after the veto was received. Immediate consideration of the bill in the House on October 18 was objected to by Representative Kean, a member of the House Committee on Ways and Means.⁵

*Technical Adviser to the Commissioner for Social Security.

¹ The above figures and those in the table are used only as general illustrations of the amount of Federal participation. They are based on hypothetical individual payments, whereas actually, under the basic formula of the Social Security Act, the Federal percentages are not applied to individual payments but rather to the average payments of a State under each title. That part of any payment for a month in excess of \$50 to an aged or blind recipient and in excess of \$27 with respect to one dependent child in a home and \$18 with respect to each of the other dependent children in a home is not counted in computing the averages.

² For the history of legislative proposals before 1949 see *Hearings Before a Senate Subcommittee of the Committee on Interior and Insular Affairs on S. 1407* (81st Cong., 1st sess.), pp. 3-7. Hearings were also held on H.R. 3476 by the House Committee on Public Lands.

³ For proceedings in the House see *Congressional Record* (daily edition), July 14, 1949, pp. 9682-82.

⁴ *Ibid.*, Oct. 17, 1949, pp. 15119-20.

⁵ *Ibid.*, Oct. 19, 1949, pp. 15243-46.

With the adjournment of Congress, S. 2734 went over to the second session in 1950. The House passed the bill on February 21, 1950, with several amendments, one of which changed the method of determining the Federal share of public assistance payments to the two tribes. However, this amendment was based upon an erroneous interpretation of section 9 and in effect made the entire public assistance provision inoperative.⁶ The Conference Committee therefore deleted certain language from the amended section 9 and thus restored the section's effectiveness.⁷ The Conference Report was adopted by the House on April 6, 1950, and by the Senate on April 10. The President signed the bill on April 19, 1950.

The basic issue as to whether Indians should be given public assistance entirely at Federal expense or on the same basis as other individuals has been the subject of lengthy debate. When the House added the provision to S. 1407 to make all Indians within the Navajo and Hopi reservations subject to the laws of the State in which they live, it became necessary to consider whether this same principle should be applied to public assistance recipients or whether it should be modified in some way. The following quotation from the Conference Committee Report describes the difference of opinion between the two houses:

"The House conferees insisted upon section 9, but the Senate conferees wanted it eliminated for the reason that the extension of State laws would obligate the States to make available the benefits of the State social security laws to reservation Indians, an obligation which has not been assumed by New Mexico and Arizona for two reasons: First, they have not admitted their liability, claiming that under the enabling acts and Federal laws the Indian was an obligation of the Federal Government. Second, because of the large Indian population, the States strenuously urged their financial inability to meet this obligation."⁸

The Conference Report also explains the justification for the "80-percent formula":

"Less than 20 percent of the Navajo and Hopi Indians speak the English language. The States have indicated their willingness to assume the burden of administering the social security laws on the reservations with this additional help. The Conference Committee was of the opinion that this was a fair arrangement particularly in view of the large area of taxfree land and the difficulty in the administration of the law to non-English-speaking people, sparsely settled in places where there are not adequate roads; and that it would be of particular advantage to the Indians themselves. This arrangement can and no doubt will be changed as soon as the Indians are rehabilitated. Both States assume full responsibility for nonreservation Indians at the present time.

"The percentage to be paid by the States under this section, other than the cost of administration, is the same as was worked out in a conference at Santa Fe, New Mexico, between representatives of the Federal Security Agency, Bureau of Indian Affairs, the offices of the Attorney General of the States of Arizona and New Mexico, and the State Department of Welfare of the States of Arizona and New Mexico, on April 28 and 29, 1949. At this conference, it was agreed that the net cost to the State would not exceed 10 percent of the total cost incurred by the Federal and State Governments in aid to needy Indians (aged, blind, and dependent children). This is the agreement under which the States are now operating. However, it is the opinion of the Conference Committee that the Indians would be greatly benefited by the States' assuming full responsibility for the administering of this law, and it would assure a continued assistance which would not be dependent upon appropriations through the Bureau of Indian Affairs from year to year.

"Before the passage of the Social Security Act, the Federal Government assumed full responsibility for needy reservation Indians, and there is strong argument that the Federal Government still has full responsibility for their care. The additional cost of the extension of social security benefits not heretofore assumed by New Mexico and Arizona is only part of the cost of the extension of State laws to the reservations. Therefore, the Conference Committee is of the opinion that the amendment which was adopted is a fair and equitable division of the expense."⁹

⁶ *Ibid.*, Feb. 21, 1950, p. 2129.

⁷ See Conference Report on S. 2734, *Congressional Record* (daily edition), Apr. 5, 1950, p. 4835.

⁸ House Report 1338 to accompany S. 1407, Sept. 22, 1949, p. 7.

⁹ *Ibid.*, pp. 7-8.

The 80-percent formula embodied in Public Law 474 is based upon a formula proposed in bills S. 691 and H.R. 1921, introduced in both houses on January 27, 1949, for all Indian "wards" in any State. Testimony was given before the House Committee on Ways and Means in favor of H.R. 1921,¹⁰ but the Committee did not report that bill out nor did it include any special provision for Indians in the social security bill, H.R. 6000, reported out by the Committee.

HISTORICAL BACKGROUND

On several occasions Congress has given consideration to legislation affecting Indians receiving public assistance under the Social Security Act. In 1935 when the original social security bill was being considered in the Senate, a provision for payment by the Federal Government of the full cost of Indian pensions was passed by the Senate as an amendment to the pending bill. The proposed amendment provided for a new title in the Social Security Act making payments to Indians "a pension from the United States in the sum of \$30 per month."¹¹ This amendment was sponsored by Senator Norbeck of South Dakota. It was dropped, however, by the Conference Committee and was not included in the final law.

In a special report of the Social Security Board on proposed changes in the Social Security Act, which President Roosevelt submitted to the Congress in January 1939, the Board stated as follows:

"A number of States have a considerable Indian population, some of whom are still wards of the Federal Government. The Board believes that, with regard to certain Indians for whom the Federal Government is assuming responsibility in other respects, and who are in need of old-age assistance, aid to the blind, or aid to dependent children the Federal Government should pay the entire cost. If this provision is made, the Board should be authorized to negotiate cooperative agreements with the proper State agencies so that aid to these Indians may be given in the same manner as to other persons in the State, the only difference being in the amount of the Federal contribution. The Board believes that it should also be given authority to grant funds to the Office of Indian Affairs for this purpose, if that appears more desirable in certain circumstances."¹²

The House Committee on Ways and Means, however, did not include any provision concerning Indians in the 1939 social security bill. The Senate Committee on Finance considered an amendment affecting Indians but did not report it out. On the floor of the Senate, an amendment was offered which provided that "notwithstanding any other provisions of law, the Social Security Board shall not disapprove any State plan under titles I, IV or X of this act because such plan does not apply to or include Indians."¹³ This amendment passed the Senate but was deleted by the Conference Committee and was not included in the final 1939 law.

The Social Security Administration has consistently interpreted the Social Security Act to mean that a State public assistance plan could not legally be approved if that plan discriminated against any citizen of the United States on account of race. Twenty-four of the 26 States in which there are Indians residing on reservations provide public assistance under the Social Security Act to these individuals. In Arizona and New Mexico, however, questions have been raised over the years by both State agencies as to whether reservation Indians were to be included in the public assistance programs under the Social Security Act.

The immediate factors that led to the inclusion of the public assistance provisions in section 9 of Public Law 474 first made themselves felt on April 17, 1947. On that date the State Board of Public Welfare of New Mexico refused the application of a Navajo Indian for old-age assistance on the grounds that reservation Indians were not a responsibility of the State Welfare Department "just as long as they are under the complete jurisdiction of the Indian service

¹⁰ *Hearings before the House Committee on Ways and Means on H.R. 2892* (81st Cong., 1st sess.), pp. 791-801.

¹¹ *Congressional Record*, June 18, 1935, p. 9540; see also letter from the Commissioner of Indian Affairs stating that he was "in sympathy with this proposal," pp. 9540-41.

¹² *Hearings Relative to the Social Security Act Amendments of 1939 Before the House Committee on Ways and Means* (76th Cong., 1st sess.), February 1939, p. 15. The Secretary of the Interior also urged that "social security benefits for Indians be administered as a part of the general plan for the citizens of the United States" (*Hearings Before the Senate Committee on Finance on H.R. 6655*, 76th Cong., 1st sess., June 1939, p. 272).

¹³ *Congressional Record*, July 13, 1939, pp. 9027-28.

and insofar as the expenditure of State money for their welfare is concerned." At about the same time the Arizona State Department of Public Welfare also took a position that it would not make payments to reservation Indians.

The Social Security Administration discussed the subject with the State agencies in an effort to resolve the conflict between the position they had assumed and the requirement of the Social Security Act that assistance must be available to all eligible persons within the State. Discussions continued over a period of time, and the States were informed that the continued receipt of Federal funds for their public assistance programs was dependent on whether the State programs were operating in conformity with the principle that applications are to be accepted from all who apply and assistance granted to all eligible persons. During the same period the Bureau of Indian Affairs made some payments, as their funds permitted, to needy Indians in the two States.

Finally, after all efforts to bring the States into conformity with the requirements of the Social Security Act had failed, the Commissioner for Social Security, after due notice, held hearings to determine whether there was a failure by New Mexico and Arizona to operate their plans in accordance with sections 4, 404, and 1004 of the Social Security Act. A hearing on New Mexico was held on February 8, 1949, and on Arizona on February 15, 1949. Before findings or determination based upon these hearings were made, the arrangements described in the quotations from the Conference Report on S. 1407 were completed at Santa Fe, New Mexico, on April 28 and 29, 1949, and assistance was provided for reservation Indians in these two States. It was the purpose of Public Law 474 to solve, by congressional action, the problems raised in the hearings before the Social Security Commissioner.¹⁴ As stated in the Conference Report on the bill, the Committee felt that efficient operation could be more definitely assured if the State were to administer the entire program for needy Indians rather than share the responsibility with the Bureau of Indian Affairs.

Senator ANDERSON. Mr. Eberle will give us brief testimony here and then we will adjourn.

**STATEMENT OF W. D. EBERLE, COCHAIRMAN, COMMON CAUSE
(FORMERLY URBAN COALITION ACTION COUNCIL)**

Mr. EBERLE. Thank you very much.

Mr. Chairman and members of the finance committee, I am appearing on behalf of the Common Cause, formerly the Urban Coalition Action Council.

John Gardner is our chairman and I am one of our cochairmen.

We represent a broad constituency of business, labor, civil rights, and community groups and we are very much in favor of this House bill 16311.

Mr. Chairman, I have submitted a complete written statement and, in view of the time, I am prepared to stand on that statement and submit it in full. I would either be delighted to answer questions or cover a few of the highlights at your convenience, whichever is most appropriate for you.

Senator ANDERSON. We will include it in full in the record. I think any supplementary statement you may want to give we will be glad to have. We are sorry.

Mr. EBERLE. I apologize for having a meeting out of the State in Connecticut this afternoon but I did want to be here because, as one

¹⁴ On December 27, 1949, the Arizona State Board of Public Welfare adopted a resolution stating that it would not discontinue its policy of excluding crippled reservation Indian children in the provision of treatment services. The Commissioner of the State department in transmitting the Board's resolution to the Chief of the Children's Bureau of the Social Security Administration stated that it was "necessary to sever our connections." No Federal funds have been paid to Arizona under part 2 of title V of the Social Security Act since December 22, 1949.

of the business executives who have taken a real interest in this bill, I can only urge you again that it is time we have a change.

There are many improvements that could be made but we think this bill should be passed at this time and start us on reform.

Senator ANDERSON. Thank you very, very much.

Mr. EBERLE. Thank you.

(Mr. Eberle's prepared statement follows:)

STATEMENT OF W. D. EBERLE, COCHAIRMAN, COMMON CAUSE (FORMERLY, URBAN COALITION ACTION COUNCIL)

My name is W. D. Eberle and I appear today as spokesman for Common Cause (formerly the Urban Coalition Action Council). Its chairman is John W. Gardner, former Secretary of Health, Education and Welfare; and I am a co-chairman.

Common Cause represents a broad constituency of business, labor, church, civil rights, and community groups that have joined together to speak as one on the need for welfare reform. We have made the passage of a meaningful welfare reform bill a primary objective of our organization. As a body we have endorsed the basic principles embodied in the Family Assistance Act of 1970 (H.R. 16311).

I am one of the many business executives who have taken an active interest in seeking solutions for the domestic ills that beset our country. Most of us who have studied the programs by which our government attempts to aid the 15th of our nation trapped in poverty are appalled at the chaos in our present welfare system. It is a "crazy-quilt" structure of 54 separate programs. This jerry-built system is bound to fall of its own weight. It not only does not work, but more tragically does nothing to encourage people to get off welfare. It is dehumanizing and promotes welfare dependency. We must begin to junk this creaky machinery now.

Congress has in this session the rare opportunity to do just that. An important initial legislative step has been taken. The House of Representatives has passed H.R. 16311 by a substantial margin. Welfare bills are not politically popular. The Members of the House should be commended for uniting behind a bill that includes substantial reforms. This bill is now before you. It is not a perfect bill. It is innovative and, therefore, perplexing, controversial and troublesome.

Your Committee asked the Administration to redraft the bill to resolve some of the problems created by a new system. The President has submitted the new draft. It retains the basic unique features of the House-passed bill: the national minimum benefit level financed by the Federal Government; uniform standards of eligibility; and inclusion of coverage of the working poor. The retention of these key features is commendable.

The extension of coverage to families headed by a full-time male worker, the so-called working poor, is the most singular accomplishment in the Act. Thirty-nine per cent of the poor families with children in this country are headed by full-time workers. The heads of these families work hard. They try. Yet, they do not earn enough to provide a minimal living standard for their families. Presently, there is no Federally-assisted welfare available to needy families with a working father. How discouraging this must be for these working men desperately trying to hold their families together. This bill for the first time will provide an income supplement for these families.

In 1967 your Committee pioneered in the move to correct the disincentive to work inherent in the welfare system. This bill improves the work incentive and extends its coverage to families headed by a working father.

This is one nation and every citizen should be treated in a like manner. H.R. 16311 establishes a single set of eligibility rules and program standards for all states. Except for the variations in supplemental payments by the 50 states, this bill will treat all our citizens in the same manner no matter where they live.

John W. Gardner, our chairman, has said that he would have been very proud during his tenure as Secretary of H.E.W. to establish the principle of the Federal Government providing a minimum level of payment throughout the nation and financing it. It is a historic step and must be considered a major advance in Federal policy.

The House bill extended the Federal benefits for families with an unemployed father in the home to all 50 states. In the 23 states that presently have an unemployed father program, Federal matching for the state supplement would have continued. The Administration proposes to phase out these matching funds. That would be regrettable. 90,000 families in 23 states would have their benefits reduced. The "Grandfather Clause" proposal by Secretary Richardson will aid these families, but will not help future beneficiaries, and a program that has been a strong inducement to keep families together will end.

If we are to get rid of our present chaotic welfare system, H.R. 16311 needs to be perfected. It provides for a benefit income level that is too low and there is no promise of commitment for an increase. The incentive provisions for Federal administration are confusing and do not assure Federal administration of even the Federal program. The changes wrought on the House floor deleting the well-accepted Unemployment Insurance definitions of "suitable work" were unfortunate. The Act, as it now reads, makes it possible to coerce beneficiaries to accept jobs with employers who provide substandard wages and working conditions. The work requirement for mothers of school-age children remains. Needy individuals and couples are not covered. A job creation program is still missing. Making up these deficiencies is a must. This is what Common Cause is going to work for in the Senate and what I wish to speak to now.

BENEFIT LEVEL

Obviously \$1,600 plus food stamps for a family of four without other income is not enough. No doubt this level is based on what the Administration and the House Ways and Means Committee believe we can afford under present budget constraints. This reasoning accepts the budget as it now stands without the possibility of change.

A nation with an almost trillion dollar gross national product has the capability to provide a decent payment for its needy. The money must be made available. We have it. For example, denial of the House Armed Services Committee's gratuitous addition to the Navy's budget of \$435 million not requested by the Administration would allow us to immediately raise the benefit level to over \$1,700 for a family of four. Further reductions in defense spending would free even more funds. We must start this process of examining our priorities. Promise of an adequate benefit level in this bill will assure this re-examination. I would like to assume that the ultimate goal of this Act is to reach the poverty level, but there is no provision for such an increase even with the proposed state participation. Nor is there a sufficient incentive for states to raise benefits. If state supplementation is to be required, matching funds of more than 30% are needed. The best long-term approach, however, is for this Act to provide for a nationwide increase in federal benefits to the poverty level over a specified period of time.

FEDERAL ADMINISTRATION

Experience with Federal programs is that local and state administration too often results in a grudging and discriminatory distribution of benefits. This was most recently documented by two West Point instructors commissioned by the White House to determine how Federal food distribution systems operate at the state and local level. They told the Senate Select Committee on Nutrition and Human Needs that in many areas racism, prejudice and political discrimination result in the elimination of eligible beneficiaries from the food stamp rolls.

There is not sufficient incentive in H.R. 16311 to induce most states to contract with H.E.W. for Federal administration. Therefore, administration of the Family Assistance Program will be left in the hands of the same state officials who have performed so badly in the past, unless the Act is amended to mandate Federal administration. We strongly urge this to be done.

WORK REQUIREMENT

The legislation should specify adequate job standards and wage rates for "suitable employment". The House Ways and Means Committee's reported bill contained the well-accepted Unemployment Insurance definition of suitable work. This was deleted on the House floor. The Senate should reinstate that language with the additional requirement that the recipient may refuse work where the pay is less than the prevailing or minimum wage, whichever is higher.

Work Requirements for Mothers of School-age Children

The exemption from the work requirement granted to mothers with children under six and to mothers if the fathers are living in the home should be extended to mothers of school-age children. It may be quite feasible for such a mother to work, and many do. But the feasibility depends on factors that she can best judge: her own health; the health (physical and mental) of her children; the presence in the home of adequate mother-substitutes (grandmothers, aunts), and so on. No bureaucracy should want to second-guess a mother in such matters.

Needy Individuals and Couples Without Children

Passage of this legislation will provide benefits for families with children. There will be increased benefits for the aged, disabled, and blind. This is a welcomed step. Our ultimate goal, however, should be a system which provides for uniform adequate assistance for all of our impoverished citizens, including needy individuals and couples without children. Excluding individuals and couples is a cruel and discriminatory practice towards these people in need and not a fitting posture for a nation that is well able to care for all its needy.

Job Creation Program

A program for job creation is necessary so that training opportunities won't be a revolving door into continued unemployment. This need will be even more compelling if unemployment continues to rise. It would be tragic to put welfare recipients into direct competition with laid-off workers when private employment is falling. There is a special works project included in this bill. Chairman Mills has stated that the purpose is to see that those people who do not find jobs in regular employment may have the opportunity to get work in these projects. The Labor Department has not taken full advantage of this provision which existed in the 1967 Act. Funds should be authorized in this Act for these projects in conservation, health, and public safety. The ideal solution, however, is a fully funded public service program; and we are urging Congress to pass such a bill. A beginning has been made in the manpower bill recently reported by the Senate Labor and Public Welfare Committee.

"NOTCHES"

Any program that has dollar limitations will have "notches". Our income tax system is full of "notches" that govern the daily decision-making of all of us. An income maintenance system that has an upper income limit will always have a notch—that point where the earning of an additional dollar ends the payment of benefits. The "notches" that have troubled this committee exist today. They will continue on whether this bill is passed or not. Within the terms of the money allotted in the proposal before you, much progress has been made to smooth the "notches."

The income supplement to families of a working father will alleviate the biggest "notch" of all. These families presently may look next door upon a female-headed family that is helped, while they get nothing. Federal benefit coverage for these families is important progress, though in 45 states that pay more than the Federal benefit, a notch will remain. Only the family headed by a working mother will get the additional state supplement. This problem can be solved with more funds, an estimated billion dollars, to provide an equivalent sum to the father-headed family. The fact that these funds are not now available should not deter us from making this start to rid the system of this outrageous inequity.

A similar inequity exists as between unemployed or part-time working fathers and full-time employed fathers in those 23 states that will pay more than the minimum Federal benefit to the families of unemployed and part-time working fathers. The "notch" is there but the bill still takes a substantial step forward. Every jurisdiction will have a program at least to the extent of the Federal benefits. More funds again would fully dissolve the "notch" by making the working poor eligible for the state supplement. We may have to start modestly but we must start. We cannot retreat as the Administration proposed by cutting back on the unemployed father program.

"SO-CALLED" DISINCENTIVES CAUSED BY OTHER PROGRAMS

The disincentives that may occur when additional earnings result in reduced benefits to the recipient from other programs such as Medicaid, Food Stamps,

public housing, etc. present another notch problem. President Nixon's resubmission to your committee addressed itself to some of these problems. The proposed revision in the food stamp price schedule to make it rise evenly with increases in income should eliminate that disincentive. The check off system for the stamps is a distinct improvement. The plan for health insurance for poor families and the Housing Act proposals to vary public housing rents directly with income will be discussed by this and other appropriate Committees in the near future. We are hopeful that Congressional review will lead to improvements in these important programs.

The need for the Family Assistance Act, however, is immediate and passage should not await Congressional resolution of these complex separate problems.

CONCLUSION

Most of the country is tired of the existing patchwork of ineffective and demeaning welfare programs. They want change. They want a system that will work and give those trapped in poverty a way out. The problem has been studied by eminent groups: The President's Commission on Income Maintenance Programs (Heineman Commission); the National Commission on the Causes and Prevention of Violence (Eisenhower Commission); and the prestigious Committee for Economic Development. All agree that a national system of income maintenance is what is needed; that such a system will help people to help themselves; preserve individual dignity; and aid those left behind by society.

H.R. 16311 makes a start towards such a system. It will give us a unified system of eligibility determinations for those in need. A whole new program with a basic benefit floor, federally financed, will be a beginning toward equitable methods of aiding our poor. The work incentives and broadened coverage including the working poor give the program a positive thrust. They emphasize the importance of jobs and encourage those who are able to work.

Public support is evident everywhere. Within a 48-hour period we were able to gather the support of more than 85 corporate heads who endorse the Family Assistance Act of 1970.

In their statement they said, "The Act contains important new and innovative sections. It could be strengthened further; however, it is an important breakthrough and deserves great support!" I asked the Communications Division of the National Urban Coalition to monitor editorial comments on this issue. They report to me that editorials from the major newspapers throughout the country are running 10 to 1 in favor of welfare reform.

Our 25 million poor are a distinct and outcast group. They are hidden from us. They live on the other side of the tracks, beyond the super highway, or off the main road in rural poverty. They are politically powerless. They suffer apart. They are different. This separation reminds me of a famous literary conversation between F. Scott Fitzgerald and Ernest Hemingway. Fitzgerald said to Hemingway, "The very rich are different from us." Hemingway replied, "Yes, they have more money." The poor *too* are very different; they do not have enough money. At a certain point the quantity of money does indeed change the quality of personality. Assurance of an adequate income will give those now alienated from our society an investment in it and thus an interest in making its institutions work.

Congress must not be timid. Your Committee has the opportunity to make this bill a vehicle and commitment to ending the evils of poverty in America.

Mr. Chairman, that concludes my testimony. I am grateful for this opportunity to express my views.

Senator ANDERSON. We will adjourn until 2 o'clock.

(Whereupon, at 1 p.m., the committee was recessed to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. Dr. Roy S. Nicks, is he here?
Will you proceed, sir.

STATEMENT OF DR. ROY S. NICKS, PRESIDENT, AMERICAN PUBLIC WELFARE ASSOCIATION, ACCOMPANIED BY MR. WILBUR J. SCHMIDT, SECRETARY OF THE WISCONSIN STATE DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Mr. Nicks. Mr. Chairman, and members of the committee, my name is Roy Nicks. I am the Chancellor of the University of Tennessee at Nashville, Tenn. I appear before you today as president of the American Public Welfare Association. I am happy to have with me Wilbur Schmidt, who is the secretary of the Wisconsin State Department of Health and Social Services. Mr. Schmidt is here as the chairman of the National Council of State Public Welfare Administrators, which is a part of our association.

Mr. Chairman, we have prepared a statement which I would like to file with the committee for the record and with your permission—

The CHAIRMAN. We will print the entire statement.¹

Mr. Nicks. Thank you.

With your permission, I would like to give a brief oral summary of the major points in that statement. Our association is fully aware of the urgent need to overcome the serious limitations and inequities in the public welfare system. We have concluded that the proposed family assistance plan would be a significant and constructive step in the direction of welfare reform, and that it would establish a base upon which further improvements could be built. It is therefore our recommendation that this legislation be enacted by Congress this year, with certain modifications which I shall indicate.

Those who speak for public welfare have often pointed out that even though the present system is inadequate, of itself it does not cause the social and economic ills which bring people on the assistance rolls. Limited education, lack of skills and work habits, illness, disability, old age, and lack of job opportunities are not caused by the welfare system. Conversely, it cannot be claimed that a reformed welfare system will overcome these causes of dependency. Progress must be made on all fronts, but an adequate level of living must be assured as the basic element.

We are fully aware of the number of inequities, disincentives, and "notches" that could only be smoothed out by making adjustments in other programs such as food stamps, public housing and medical care. We agree that these steps should be taken as soon as possible. One of the side benefits of the present proposal is that it has served to focus attention on these conflicting effects, some of which have been developing for many years. But the inequity in the present system of denying assistance to a male family head working full time outweighs all of these other irregularities and should not be further perpetuated pending a total solution.

We believe the level of \$1,600 for a family of four is not sufficient to maintain an adequate level of living. We recommend that the program start out at a higher level, and provide for specifically scheduled increases until the national minimum standard is no less than the poverty level.

¹ See p. 1382.

We are pleased to endorse the objective of the FAP legislation to assist and encourage families to become self-supporting as being consistent with our own long-held position. In order to attain this objective, we believe it is necessary not only to reform the basic welfare system, but also to strengthen and augment the parallel structure of services designed to meet the specific needs of persons who require special help to compete in the world of work. The renewed emphasis on job training and placement, the increased number and variety of child-care facilities, and the array of supportive services proposed in this legislation are major steps in that direction.

One of the sources of America's greatness is that we are a work-oriented society. Another is that we are a family centered society. Our association believes that a soundly conceived public welfare system should sustain both of these virtues, which the present proposal is designed to do. However, we have a sense, which is heightened by the supporting rhetoric, that much greater emphasis is placed on the objectives of putting people to work and of reducing the numbers of those receiving assistance. We must confess to some concern that the strengthening of family life might be overlooked and that the merit of the Family Assistance plan would be measured almost exclusively by the success of the work program in reducing the assistance rolls.

We believe that the able-bodied males should be required to work or take job-training as a condition to receiving assistance. We believe that mothers receiving assistance should be given an opportunity, through job training and placement and child-care facilities, to take employment. In this latter regard, however, I must express our concern that the work and training provisions as now drafted might well result in compelling some mothers to work when it would be contrary to the best interests of the children. We believe that many more mothers would work if they had a genuine opportunity. But it is apparent to us that, under the best of circumstances, it will be a long time before the training slots, the child-care facilities, the job opportunities, and the supportive services will be adequate to take care of all the mothers who would take employment or job training voluntarily. It is therefore our recommendation that the compulsory work and training provision for mothers of school-age children be deleted from this legislation.

We recommend a program of public service employment for persons for whom no other jobs are available.

The CHAIRMAN. Would you say that mothers of all school-age children should be expected not to go to work unless they want to go to work?

Mr. NICKS. No, sir; that is not what we intended to say. We are just asking that the mandatory provision be deleted. Certainly our association has been in the position where we would encourage, all people to work when conditions are such that they can. In other words, if there is adequate day care or if children are in school and if there is adequate day care when children are home from school and there is opportunity for employment, certainly she could work.

The CHAIRMAN. Do you subscribe to this idea that the job must be a suitable job, and that kind of thing also?

Mr. NICKS. I would have to have some definition of suitable, I suppose, Senator. I think it should be a job, where the mother or the person or individual could make a satisfactory income to support their family. What is suitable work would be something, of course, that the physical condition of the person is such she would be able to do the job. Other than that, we would have to have some definition of suitability.

The CHAIRMAN. Well, I just had in mind the fact that our friend of the AFL-CIO seems to want to fix it up so the job must pay the prevailing wage and it has to be under pleasant conditions and one thing and another. By the time they get through providing all of that—pleasant surroundings, air-conditioning, and various and sundry other things to go with it—it means no job. Apparently you don't want it to be mandatory. You want to provide the aid to substitute for work, and I am familiar with the case of a good Negro woman trying to start a small business. She and her husband are looking for an employee. If I were out of work, I would take the jobs they are offering. They can't get anybody to work for them. One person called in and said, "No, they will pay me 25 cents an hour more to go to school over here at Federal City College." She thinks she might get somebody else willing to work. And that person called in and said, "I am sorry, my social worker just called and told me I would get more on welfare. What with my payments on food and housing. I would make more money on welfare than I would working, so I am sorry, I can't work."

By the time you put all those conditions in there, it means if a person doesn't feel like working, they can turn their nose up at it and still live pretty well. I just wonder what your reaction to that situation would be. It seems that if you get it down to where the job is the difference between eating a good meal at night and getting by on red beans and rice for every meal that a person would be willing to take some kind of a job and work at it. Whereas if you are going to make it optional for a person who has never worked before, it is a big break with the past to ask them to go to work.

Mr. NICKS. Mr. Chairman, I am certain there are instances of people who will not or do not have any intention to work. On the other hand, I think it is my experience when I served as welfare commissioner of the State of Tennessee for about 3 years, and this is some 4 years back, that a large percentage of people that I talked with personally, and I did make it a point to talk with a lot of welfare recipients in the State of Tennessee, that they certainly wanted to work and desired to work and would work if the opportunities were available.

I think our major consideration here is that we look at the children and what happens to the children first, and if the children can be adequately taken care of, certainly they should be working and should be encouraged to work.

Mr. Schmidt, who is in this business and on the firing line every day now, I am not, might have some comment on this. Wilbur.

Mr. SCHMIDT. Thank you, Roy.

Mr. Chairman, I would like to add a couple of thoughts to it. I think the people in our association are more concerned about the mandatory feature in an arbitrary sense, categorical sense, mothers of children in school although beyond the age of 6 being compelled to work because of the consideration in the family; this is not a desire of most of the administrators with whom I am acquainted to start to

lay down tight conditions about what kinds of job will be satisfactory, but one in the sense that suitable employment used to be thought of, for example, in unemployment compensation.

I think it is more the situation not to tear up the home, not to force children into undesirable temporary situations on account of the work pressure and more than it is this other kind, although I would say that I am quite sure the association membership would be concerned if we were to view these people as ones who could be exploited in their labor and thus not to get a decent minimum wage, and I think it would be our position that at least a minimum wage should be sustained because they ought to be paid according to what they can produce by getting other work, and so the assumption that they cannot be producers, and, therefore, can show you or otherwise be sent to work for less should not be a basic premise.

The CHAIRMAN. We would expect that for a minimum wage a person is supposed to be fairly productive. A great number of these people we would like to work have never done anything. You would take a look at some of them and you wouldn't hire them on any basis whatever. You wouldn't want them around, but if we are trying to help people and take the view that it is better for them to work than not to work, while I am perfectly content to do whatever is necessary to provide day care for the children, once we take care of that for them, it would seem to me, that they ought to be willing to go to work. I don't see how you expect them to start out at the day you hope for them to make until they have worked at it for awhile and acquired some ability to do something. Why would you expect that they should receive a minimum wage when they are already getting food stamps, free houses, various and sundry other things as a condition of going to work?

Mr. SCHMIDT. Well, I would think that during their training period, during training status when they are trying to develop their productivity that some other arrangement is acceptable and one that would not have to meet the full requirements. I am only thinking that once a person is trained and placed in a productive job and becomes therefore an employee and, of course, what we would be expecting at the same time and we hope they should then be regarded as part of the work force and be as independent in that enterprise as anybody else. I think we can see in their training status, a building-up period, and I say this with the exception, of course, of people who fall within the special handicaps and disabilities. I mean when we get over into things like retarded and something else, that is something else, but I am thinking of those where there is the physical health, and the ability to learn can be built upon.

Mr. NICKS. Mr. Chairman, if I might comment on that, I think, Mr. Chairman, your point that a number of these people have never worked and certainly do not have the work habits that you would want, and this is, I think, another reason for the great emphasis on training is to produce the work habits and the work attitude in the training session that they may go through for several months or several weeks prior to being placed on a full-time job and there you would expect productivity as you would expect of any other employee.

Senator BENNETT. May I just have one comment?

I would like to relate an experience I had with a woman who came off of welfare, a woman with children, who said several things that are very significant.

First, it was the most difficult decision she ever made in her life to give up the security of a welfare check for the insecurity of a job. The second was that after a month or so she was very happy to be able to decide what she was going to feed her children and not have the welfare worker tell her that her children could not have any milk on Thursday. They had to wait until Friday.

The third was that she said she sat home one evening and heard her children out in the yard quarreling with the neighbor's children, and the neighbor's children said, "We don't like to come to your house anymore because your mother is strict. Before she went to work we could do anything we pleased in the house. But now she is trying to keep it clean and orderly and she won't let us run over her."

I wonder if there isn't a deadening psychological effect that goes through to the children that the woman has no hope beyond the welfare check, if she has no choice beyond the choice of the welfare worker, and if here children aren't growing up in that kind of an atmosphere.

This woman said, in effect, that it was, as I say, the toughest decision she had ever made but she was as very happy at the change in her children who recognized that she was more, really more, concerned about their attitudes and about the home she was keeping for them than she was before.

I remember her saying before that the only interest she had in life under the other situation was the television which she had and getting down to the tavern in the evening and having a drink of beer but now she was concerned about her children, and I think that is one of the unwritten values, the unrecognized values, when the woman and her children get back into the mainstream of American society and are not living in what must be a kind of a pointless, hopeless situation.

Mr. SCHMIDT. I think, Senator, that is a description of a classical example of a situation and I think that first decision, the one that you called Decision 1, which was the fear of leaving the rolls, the security because that check is always going to be there, taking the chance to go out and not knowing whether the job is going to work, is the big step and there is no doubt that the longer the family remains on the rolls the harder this decision is to make.

There are people there in the mainstream that take just as many chances every day, do not get things done any better than the capabilities of some of these families in the program with the exception they have been out there trying and they are willing to take a chance.

The big thing they lose, of course, when they leave the rolls in most instances is medical assistance, and they are fearful of that. They may go to a company factory job where the employment includes some kind of health insurance but if they do not, they just fear the time when just the first couple of doctor bills are going to push them back and this is one of the—

Senator BENNETT. Presumably this legislation will be supplemented with a health insurance program for these people.

Mr. SCHMIDT. Yes.

Senator BENNETT. But the point that this woman left in my mind is that she had a kind of security on welfare, and it was a deadening kind of security and it took a lot of courage to move off of it. Then she began to see some of the benefits.

I can't resist another story, Mr. Chairman. Talk about suitable employment: I was in Germany 13 years ago and was being shown through the housing that was provided for the refugees from East Germany. The Berlin Wall wasn't up then, and we went into a small apartment occupied by a man and a fairly large family, and I commented that the apartment was not big enough for the family, and the answer was, "This is all he rates so long as he insists on staying in the situation of being a refugee. We have got employment for him, and he refuses to take it because he says it isn't suitable."

And I said, "Well, what was his work in Germany?" They said he was the assistant to a professor in college who taught beekeeping and until we can find another professor who teaches beekeeping, he is going to insist that he hasn't got suitable employment.

I know that sounds ridiculous but I imagine there is a lot of that kind of thinking going on here. I have no further comments.

Mr. NICKS. We would further like to recommend that the authorization for Federal matching at 30 percent for assistance to families of unemployed fathers be retained as passed by the House. We are in agreement with the objective that an employable male who is the head of a family should always be better off the more he works. We also understand the dilemma of the practical alternatives which are either to increase the benefits for a male working full time or to offer no supplementation for a male working less than full-time or not working at all. The decision of the administration to accept the latter alternative because the first is too costly, however, would perpetuate the discredited incentive for family breakup. Whether the label is FAP or AFDC, it comes out the same.

The FAP and all of the related income maintenance programs such as the supplementary payments, general assistance, food stamps, and the determination of eligibility for medicaid, should be administered at the point of delivery by a single agency. Provision should be made for the orderly transfer, with protected pension rights and other accumulated benefits, of personnel from State and local welfare agencies to FAP employment.

Caseloads and expenditures for public assistance continue to rise, and the end is not in sight. The financial burdens upon the States is becoming intolerable, but the States anticipate further increases in expenditures for social services, medicaid, the cost of living, and administration, none of which would be covered by the protection of the "hold harmless" clause. The long-term objective should be for full Federal financing of all income maintenance programs. The new FAP should be designed at the outset so that the costs to the States would never rise above the present level, but instead would progressively decline.

The authorization to use day-care funds for the construction of facilities when necessary is a much-needed improvement in the legislation, which we strongly support. A further needed improvement is for "seed money" to help day-care facilities get started.

We endorse the proposal to establish a national minimum standard of assistance for the adult category. This is a fundamental reform which is long overdue.

We applaud the recognition that the "income strategy" by itself is not enough, and endorse the general purposes of the proposed new title XX for individual and family services. However, we have misgivings about the organizational structure which would be imposed upon the States by the mechanism of the prime local sponsor. We also believe that the role and responsibility of the State government would be weakened with respect to both policy planning and administration, while at the same time it would be necessary for the State to carry the major part of the non-Federal costs.

We recommend that the service authorization under title IV be retained for the time being, to allow more time to draft a bill on social services.

Other features of the service amendment should be enacted now—funds for foster care, the national adoption information exchange system, and the Government assistance program.

In summary, we recommend the passage of this legislation this year with the modifications that we have indicated.

The CHAIRMAN. Thank you very much, sir.

Mr. NICKS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Would you elaborate on what you mean by National Adoption and Information Exchange System?

Mr. SCHMIDT. Yes. This is an agreement to put some more order and a greater access of American families.

Senator CURTIS. Greater what?

Mr. SCHMIDT. Greater access of adoption of foreign children and be sure that these have placements which are done according to standard and therefore the children not be abused or any other way. I haven't any experience with the operation of it but it is an attempt to put some structure into the national enterprise in this area.

Senator CURTIS. What States do they have abuses where adopted children are abused?

Mr. SCHMIDT. I wouldn't have any answer to that, sir.

Mr. NICKS. I am sorry, Senator Curtis, I couldn't give you any specific example of this. The Child Welfare League has had a project along this line. A part of it, of course, is to get children and especially children from minority groups placed with parents and it may be in other States where they can be placed and can cut across State lines this way. This has been one of the primary advantages of the Child Welfare League project as I understand it.

Mr. SCHMIDT. Another thing I overlooked is this is an interstate thing as well.

Senator CURTIS. Interstate adoptions have been taking place for a long time, haven't they?

Mr. SCHMIDT. Yes, they have.

Senator CURTIS. I am wondering, I am not saying there is not a demonstrated need for Federal legislation in this regard, but I think our record is pretty lacking on that up to the present.

Mr. SCHMIDT. Pretty what, sir?

Senator CURTIS. Our record is rather lacking with reference to any particular need for Federal legislation in the field of adoption.

Mr. SCHMIDT. I think that there will be other testimony and we could even supply some additional for you on details of this, if you would wish, and I think—I do not personally happen to have a very close connection with it and I am in charge of a department in Wisconsin which has adoptions to handle but the affairs of the National Adoption and Information Center I am not that familiar with it in my work, so we can add some information for your benefit if you would like.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much.

(Mr. Nicks' prepared statement follows:)

STATEMENT BY DR. ROY S. NICKS, PRESIDENT, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. Chairman and members of the Committee, my name is Roy S. Nicks. I am the Chancellor of the University of Tennessee, in Nashville, Tennessee. I appear before you today in my capacity as President of the American Public Welfare Association. While I have no present program responsibilities in the field of public welfare, I served as the Commissioner of the Tennessee State Department of Public Welfare from 1963 to 1966, and I continue to maintain an active interest in the activities and objectives of this important area of public services.

The membership of the Association consists primarily of state and local department of public welfare and the personnel who work in public welfare programs. Our purpose is to give leadership for the improvement of programs and practices in the field of public welfare throughout the country. To that end our Board of Directors adopts positions on pertinent issues, which will be reflected in my remarks here today.

THE FAMILY ASSISTANCE PLAN

Our Association is fully aware of the urgent need to overcome the serious limitations and inequities in the public welfare system as it exists in this country today. After giving careful consideration to the proposed Family Assistance Plan we have concluded that, in principle, it would be a significant and constructive step in the direction of welfare reform. We also believe that it would establish a base upon which further improvements could be built. It is therefore our recommendation that this legislation be enacted by Congress this year.

Our endorsement of this proposal is measured against the existing deficiencies, and the elements essential for a sound program as set forth in the objectives which this Association has advocated over many years.

In brief, our position is that:

Financial assistance sufficient to maintain a basic level of living should be available for all persons in need.

Training, assistance and opportunity to become self-supporting should be available to everyone who can benefit from such services.

The program should contribute to maintaining and strengthening wholesome family life, especially where children are concerned.

Assistance and services should be readily available to those who need them. Procedures should be uniform and simple.

The federal government should assume the major part of the financial costs, and should move toward the assumption of full responsibility.

The caseloads and expenditures for public assistance, especially in the AFDC category, continue to rise and the end is not in sight. While on the one hand the financial burden upon the states is becoming intolerable, on the other hand many people, whether because of inadequate assistance or low wages, are living in desperate need. Gross disparities prevail in levels of assistance from one state to another. And fantastic administrative complexities have grown up around the accumulated patchwork of amendments and various federal and state requirements.

Those who speak for public welfare have often pointed out that even though the system is inadequate, of itself it does not cause the social and economic ills

which bring people on the assistance rolls. Limited education, lack of skills and work habits, illness disability, old age, and lack of job opportunities are not caused by the welfare system. Conversely, it cannot be claimed that a reformed welfare system will overcome these causes of dependency. Progress must be made on all fronts, but an adequate level of living must be assured as the basic element. Nothing else can succeed without it.

The maintenance of an adequate and workable public welfare system is a national problem that requires a national solution. The federal government can no longer assume that primary responsibility rests with the states and localities.

It must no longer be satisfied to offer financial assistance for certain categories of need and ignore others. The federal government gives shape and substance to state programs as much by staying out as by coming in, and it cannot entirely disclaim responsibility for the prevailing inequities and imbalances from state to state and among programs within states. There are great pressures upon states to allocate their resources to those activities that bring federal matching, regardless of what the other priorities might be, or of how other state priorities might thereby be skewed. The impact of federal matching grants is so overwhelming that the choice of take-it-or-leave-it is practically non-existent. It becomes increasingly so when take-it-or-leave-it becomes all-or-nothing—when the availability of funds for one program is conditioned on the state's participation in another. That would be the effect of the proposal to withhold federal grants for other programs such as Maternal and Child Health and Crippled Childrens Services if a state failed to meet the requirements of the FAP. It is therefore of the utmost importance that there be a national design for public welfare which is comprehensive and balanced.

The first requirement for a comprehensive and balanced public welfare program is that it must provide for a national minimum standard of living for all persons in economic need. In this respect the proposed coverage of working families with both parents in the home—the working poor—is, in our view, the heart of the proposed Family Assistance Plan, and constitutes the primary basis for our endorsement. This would go a long way toward overcoming the most glaring inequity of all in the present system—namely, that in too many instances families with low incomes are better off if they receive assistance and work less than full time or not at all.

We are fully aware of the number of other inequities, disincentives, and "notches" that could only be smoothed out by making adjustments in other programs such as food stamps, public housing and medical care. We agree that these steps should be taken as soon as possible. One of the side benefits of the present proposal is that it has served to focus attention on these conflicting effects, some of which have been developing for many years. We agree that every effort should be made to harmonize these various provisions so that they all pull in the same direction. But the inequity in the present system of denying assistance to a male family head working full time far outweighs all of these other irregularities and should not be further perpetuated pending a total solution.

One source of concern is that the states anticipate continuing increases in expenditures for social services, Medicaid, the cost of living, and administration, none of which would be covered by the protection of the "hold harmless" clause under the FAP proposal. If the long-term objective is for the full federal financing of all income maintenance, which in our view it should be, the new program should be designed at the outset so that the costs to the states would never rise above the present level, but instead would progressively decline.

Level of assistance

It is generally recognized that the proposed minimum of \$1600 for a family of four is not sufficient to maintain an adequate level of living. Yet it would be better than the minimum now provided by the lowest-paying states, and therefore would constitute progress in that respect. Our Association advocates that the national minimum standard should be not lower than the recognized poverty level. While the practical obstacles to the establishment of the minimum standard at the poverty level might be insurmountable at the outset of the FAP, we believe that even as a starting point level than \$1600 should be feasible. The act should then contain a statement of long-term objectives for the improvement of standards; and for the extension of coverage to include all persons in financial need. There should also be some kind of a mechanism and a specific statutory schedule for reaching this objective. A parallel long-term objective should be that the federal government would absorb these additional costs, and ultimately assume full responsibility for financing FAP.

As a start we believe the amendment proposed by Sen. Javits offers a workable course to follow. It provides a series or orderly steps toward the attainment of the goal of setting the poverty level as the minimum standard, although we believe the pace is too slow (50 percent of the poverty level by 1974, and full poverty level by 1979). If the states are to participate in the short run in the costs of raising the benefit levels, the matching formula should be so geared as to give them substantial assistance and encouragement.

With these progressive improvements, we would expect that more members of the next generation would reap the benefits of greater family stability and opportunity resulting from this assured minimum level of living. This is not to say that the "income strategy" by itself can accomplish these results, but without a basic family income these intended objectives are not likely of attainment.

Work and training

We are pleased to endorse the objective of the FAP legislation to assist and encourage families to become self-supporting as being consistent with our own long-held position. In order to attain this objective, we believe it is necessary not only to reform the basic welfare system, but also to strengthen and augment the parallel structure of services designed to meet the specific needs of persons who require special help to compete in the world of work. The renewed emphasis on job training and placement, the increased number and variety of child care facilities, and the array of supportive services proposed in this legislation are major steps in that direction.

We believe that able-bodied males should be required to work or take job training as a condition to receiving assistance. We believe that mothers receiving assistance should be given an opportunity, through job training and placement and child care facilities, to take employment. In this latter regard, however, I must express our concern that the work and training provisions as now drafted might well result in compelling some mothers to work when it would be contrary to the best interests of the children. We believe that many mothers would work if they had a genuine opportunity. But it is apparent to us that, under the best of circumstances, it will be a long time before the training slots, the child care facilities, the job opportunities, and the supportive services will be adequate to take care of all the mothers who would take employment or job training voluntarily. It is therefore our recommendation that the compulsory work and training provision for mothers of school-age children be deleted from this legislation. Until genuine opportunities are made available, such a requirement is a gratuitous and hollow challenge to those who are seeking their own way out of dependency, and whose need is not so much for an incentive as it is for an opportunity.

In this regard we believe the priorities listed by Senator Talmadge in proposed amendment no. 788 would be a sound and practical guide. These priorities among persons registered for employment and training, to be followed by the Secretary of Labor, are as follows:

1. Unemployed fathers;
2. Dependent children and relatives age 16 and over who are not in school, working, or in training
3. Mothers who volunteer for participation;
4. Individuals working full time who wish to participate;
5. All other persons.

One of the sources of America's greatness is that we are a work-oriented society. Another is that we are a family-centered society. Our Association believes that a soundly conceived public welfare system should sustain both of these virtues, which the present proposal is designed to do. However, we have a sense, which is heightened by the supporting rhetoric, that much greater emphasis is placed on the objectives of putting people to work and of reducing the numbers of those receiving assistance. We must confess to some concern that the strengthening of family life might be overlooked and that the merit of the Family Assistance Plan would be measured almost exclusively by the success of the work program in reducing the assistance rolls.

The emphasis on job placement and self-support in AFDC in a sense marks a reversal of long-term policy. At the outset the concept was that the public assistance categories were to cover individuals and families who were outside the labor market—the aged, the blind, and mothers (with absent or disabled husbands) of dependent children. As President Roosevelt said, the federal government should not get involved in "this business of relief," by which he meant what we call general assistance for that group of persons in need who are largely

made up of families headed by an able-bodied male, whether unemployed, under-employed, or fully employed at low wages. Thus, while the addition of the APTD category in 1950 did extend federal matching to a group previously not covered, it was still consistent with the basic concept of not assisting employable persons. There was not a stated purpose of enabling or assisting individuals or families to become self-supporting. There were no authorization for social services, although most public welfare agencies attempted to provide some services by reporting them as administrative costs, which then laid the agencies open to charges of inefficient management.

The first real change came in 1961, when a one-year authorization was enacted for assistance to children of unemployed parents—later extended and changed to dependent children of unemployed fathers. Then in 1962 came the expanded statement of the purpose of AFDC, to include "rehabilitation and other services . . . to help maintain and strengthen family life and to help such parents and relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection . . ." While it has not been widely noted, this in a sense redirected the purpose of the program by the implicit recognition for the first time that recipients of AFDC actually should be considered potential participants in the labor market.

This Association has held that the traditional narrow concept was inadequate from the beginning, and we have steadfastly supported the various steps in the progression I have outlined. We take the position that full employment at adequate wages should be the goal for all persons able to work, and whose services are not required in the home. To the fullest extent possible, jobs should be available through the private enterprise system and normal operations of government as it maintains public services and facilities. There should be a full range of manpower training services to afford the opportunity, as needed, to acquire necessary skills.

Efforts are sometimes made to project the cost of job training and placement services and day care against the benefits of income earned from employment, taxes paid, stimulation of the economy, and so forth. While the methodology for making such measurements is not precise, at least some kind of plausible figures can be derived. The cost-effectiveness of preserving and strengthening the institution of the family is vastly more difficult, if not impossible, to set forth in cost-benefit terms. But the costs will be paid and the results will be forthcoming in one way or another. In short, we believe that opportunity and even encouragement should be given for mothers to be assured of adequate income when the best interest of the children would be served by their day-to-day presence in the home.

While, as I have indicated earlier, we strongly support programs designed to provide training opportunities, job placement, and child care services, we would caution against the reduction of the assistance rolls as the only, or perhaps even the primary test of success. First, the job training and child care facilities must be developed. But beyond that, we have a strong impression that the basic problems are more far-reaching than has been generally recognized, and that the sharp rise in the AFDC rolls in recent years has not yet exhausted the reservoir of families who would be eligible for assistance if they were to apply. Thus, whether the FAP is enacted, or the present AFDC category is retained, we expect the caseloads to go up. In passing it might be observed that the rising AFDC figures may not necessarily mean that the system is a failure. If the system provides assistance to those who are in need, that is what it was set up to do. The hard question, of course, is whether the system perpetuates dependency.

In recognizing the importance of work and training we are nevertheless concerned that the genuine potentialities of the work and training features of FAP may be overshadowed by unrealistic expectations, as has perhaps been the case in the Work Experience and Training Program (title V, Economic Opportunity Act) and the WIN program. It should be noted that the current emphasis on self-support is of fairly recent origin. The first authorization of federal funds for job training through a public assistance title of the Social Security Act was for the WIN program, which has even now been in operation for scarcely two years. Just at the time when the OEO title V program was beginning to find its stride, it was phased out and replaced by the WIN program. WIN, in turn, is now to be replaced by the new Comprehensive Manpower Program. It is our impression that these programs are dismantled just about the time they begin to work. What

is needed more than anything else is some continuity and stability for whatever program is decided upon.

Another source of discouragement with the past and present manpower programs is that too often jobs are not available when training has been completed. This has been true to some extent even during periods of high employment, and it is intensified as jobs become more scarce. Rather than providing continuing assistance to persons who are seeking employment, it would be more constructive, in our view, to maintain a program of public service employment. This need not, and should not, be "leaf raking" or artificially created jobs, since there is a vast backlog of useful and productive work that urgently needs to be done, and which could be done by those who would otherwise be on assistance. Such a program could provide a genuine public service in such fields as education, recreation, anti-pollution, housing, day care, health, conservation, and rural development.

Administration

Obviously, the way the plan is set up in the beginning would become the base for future developments, and is therefore of the highest importance. Thus, while the FAP would be a move in the direction of unification of organization and administration, there would remain a diversity of income maintenance programs with a variety of funding and administrative authorizations which are separate from the basic FAP system. In addition to the consolidated adult category and the supplementation of FAP benefits, there would also be food stamps, general assistance, and the determination of eligibility for Medicaid. Regardless of whether direct administrative responsibility for FAP would be carried by the federal government or by the state, in our view it is essential that, at least at the point of delivery, all of these related income-maintenance programs be handled by a single agency. The basic FAP payment and the state supplementary payment should come in a single check. And application for general assistance and food stamps and Medicaid should also be handled by the same agency. With the present diversity of jurisdictions and sources of funds, this would require a fairly extensive network of agreements among different levels of government, but to leave them apart would be to perpetuate, and even multiply, the present confusion.

We believe that the long-term objective should be the full federalization of all income maintenance programs. This is necessary primarily because the tax resources of the states and localities are no longer equal to the task. But it would also facilitate common standards and procedures and unified and simplified administration. We believe that this should be generally agreed upon so that it can be accomplished in deliberate steps. The combination, at the beginning, of all existing income maintenance programs for administrative purposes would provide a sound basis for an orderly progression toward that objective. At the same time we support the option for the federal government to contract with a state to administer the program, if satisfactory arrangements can be made. Regardless of the shortcomings of the present system, the states, in varying degrees, do have an existing capability which should not be automatically ruled out as an available alternative when conditions are otherwise favorable.

When the FAP is set up in a state as a federally administered program, there will be many new jobs to be filled. We believe that every effort should be made to transfer the personnel of the present state and local public welfare agencies to the new program. This would not only be a matter of simple fairness, but it will be administratively valid, since here is a ready-made corps of personnel, selected through a merit system and qualified by training and experience in the administration of an income maintenance program. We also recommend that provision be made, so far as possible, for protecting pension rights and other benefits which have been accumulated through past state and local employment. We do not know whether this requires specific legislative mention in the present bill, or whether it can be handled in other ways, and we are aware that the Department of HEW is giving this matter careful attention. However, we take this occasion to express support for action along the lines we have suggested.

Unemployed Fathers

One of the revisions in the bill recommended by the Administration is the deletion of the requirement for state supplementation of the FAP benefit for families headed by an unemployed father, and the elimination of federal matching for any such payments which a state might make.

It is our recommendation that federal matching for state supplementary payments to families with unemployed fathers be authorized at 30 percent as passed by the House of Representatives and originally supported before your Committee by the Administration. This matching should be available for every state wishing to participate. We concur in the point made by Secretary Finch before your Committee in April that, in terms of family stability, one of the key advantages of the FAP, as drawn at that time, was that it would treat male- and female-headed families equally.

If the father is unemployed the family needs more assistance than if he is employed. If the family receives FAP benefits, the father would be required to register with the employment service, which would find him a job or place him in a training program. But if neither work nor training is available to him, the program has not helped him to become self-supporting, and no purpose is served by giving him an incentive to leave home. The better course would be to offer him a job in a public service work program, and if he then refused, he could be denied assistance.

We are in agreement with the objective that an employable male who is the head of a family should always be better off the more he works. We also understand the dilemma of the practical alternatives which are either to increase the benefits for a male working full time or to offer no supplementation for a male working less than full time, or not at all. The decision to accept the latter alternative because the first is too costly, however, branches into two other dilemmas which, in our view, are even less acceptable. The first is that it perpetuates the discredited incentive for family breakup. This is one of the defects cited by the President in proclaiming the failure of the present system. We recognize that this negative incentive would be mitigated by the FAP benefit. But the fact remains that if a state were to supplement the FAP benefit for a family headed by the mother, but not for a family headed by an unemployed father, the family would be financially better off if the father left home. Whether the label is FAP or AFDC, it comes out the same.

The other dilemma bears directly on the states which have elected to participate in the Unemployed Father feature of the AFDC category. These states are now extending assistance to this group of families because the families are in financial need. If the federal government under FAP does refuse to participate in the supplementary payments for these families, it is quite probable that these states would find it necessary to continue the supplementation from their own funds. Thus, while the federal government might espouse its policy of sharpening the disadvantages of not working, the effects of the policy would not in fact be felt by these families because the amount of assistance they actually receive would not change. The only difference is that the states would pay the entire supplement with no federal matching. However, the state's previous UF matching share would raise the level of state expenditures at which the "hold harmless" protection would become operative. This would then serve as just one more reminder to the states that those who move first pay the most.

General Comments

We concur in the proposal for a checkoff arrangement for food stamps for FAP beneficiaries. This would be to the advantage of the recipients as well as the administrative agency. We also recommend that the food stamp program be phased out entirely as soon as possible and the equivalent benefits be paid in cash. The purposes of unification and coordination are not well served when committees and departments primarily concerned with other interests, such as agriculture, take responsibility for establishing and administering a welfare program, which the food stamp program has completely become. We note that a bill recently reported would require the beginning of state matching, with progressive annual increases, of the cost of the bonus food stamps. While this measure is not in the jurisdiction of your Committee, it gives us concern as an illustration of the difficulties inherent in resolving the irregularities in the fragmented and uncoordinated income maintenance structure that has grown up over the years.

Provisions in sec. 443 in the FAP bill would require that all unearned income be deducted first from the federal benefit before any reduction in the state supplement could be made. While the "hold harmless" clause would protect the states from the immediate results of this situation, there would be related consequences which would leave the state unprotected from added costs. These would result primarily from the fact that there would be a number of circumstances

in which families would draw state supplementary payments only, and would thus be eligible for Medicaid, and this would also add to the administrative costs of the state. We recommend that unearned income be deducted first from the supplementary payment, and the remainder, if any, from the basic FAP benefit.

A somewhat similar situation would exist with respect to collections made from deserting parents, in which the state might have an investment in the administrative costs involved in making the collection, as well as in supplementary benefits. Yet the federal government would apparently have first claim on all collections. To say the least, the state would not have an incentive to put forth its own time and money to make these collections for the federal government.

The authorization to use day care funds for the construction of facilities when necessary is a much-needed improvement in this legislation, which we strongly support.

THE ADULT CATEGORY

The establishment of a national minimum standard of assistance for recipients under a consolidated "adult" category is a fundamental and long-needed improvement in the public welfare system. Persons in this group, who are essentially outside the labor market, must depend for the most part on the adequacy of the cash assistance payment. At the same time, all assistance and encouragement should be given to those who do have the capacity to contribute to their own care and support. For the purpose of equity and incentives, we recommend that the standard for income "disregards" should be the same for all recipients in the adult category.

One specific inequity which we would call to the Committee's attention is the provision which would permit a state to hold parents financially responsible for the support of children over the age of twenty-one who are blind or severely disabled. We believe that adults who are blind or disabled should be entitled, in their own right, to whatever assistance they require (sec. 1603).

THE SOCIAL SERVICES AMENDMENT

While we agree that income sufficient to maintain an adequate level of living must come first, we are also encouraged by the administration's recognition that the "income strategy" by itself is not enough. We applaud the general purposes of the proposed new title XX, which would provide individual and family services to low-income people to strengthen family life; to help people attain capacity for self-support and self-care; to promote the welfare of children; to protect any adults in danger of neglect; and to combat dependency.

There are several features in the proposed social services legislation which we are pleased to endorse more or less as they stand. Specifically they are the proposals to authorize greater federal participation in foster care, the new National Adoption Information Exchange, and the proposed Government Assistance Program, which would provide aid to governors and the chief executives of general purpose local governments to strengthen the capacity of their offices to plan and evaluate health, education, and welfare programs on an effectively coordinated basis.

We regret to report, however, that we have a number of reservations with respect to some of the core features of the proposed Individual and Family Services. It is our impression that there are significant aspects of this program which have not been thoroughly worked out, either in concept or in specific legislative provisions. Our main concern is with the proposed device which is called the "prime local sponsor" and the consequences which would flow from using this as a basic unit upon which the social services programs in a state would be constructed.

We recognize the desirability of giving local governments genuine responsibility for developing programs of social services designed to their special requirements. At the same time we believe it essential that there be an agency of state government with the responsibility and authority to develop and carry out an overall state policy on public social services. It appears to us that the proposed legislation is deficient in the latter respect.

There is no reason why a single state plan could not be sufficiently flexible to allow for a wide range of local differences. It might be advisable for the federal government to establish certain requirements for local planning and operating responsibilities, and for a minimum range and coverage of services. But we have serious misgivings as to whether it is appropriate or necessary for the internal state structure to be spelled out in as much detail as this bill would do. If for no

other reason, a state could rightfully claim a role commensurate with its financial input, which would of necessity be substantial.

While we believe that the services proposal should be recast in major ways, we also have a few specific comments to apply in case the bill should be enacted along the lines as now drawn. We are in full agreement that there should be a reasonable balance among the services and there should be minimum standards of performance. We also agree that the details of these provisions should be established by regulation rather than by statute, but we would feel more comfortable if we had some indication as to how these terms would be defined by the Secretary.

We are more seriously concerned by the idea of requiring a means test for social services. While this would probably affect only a few of the recipients and not all of the services, some kind of a determination of eligibility would have to be made for everyone receiving the chargeable services. In most instances these services are as beneficial to the community as to the individual and family, and every effort should be made to see that they are readily available to all who need them. A means test is more likely to deter those on the edge of eligibility who may seriously require services, and if not eligible now, may be in the near future. For such services as foster care and homemaker services, where a charge must be paid to a provider, a determination must be made as to the ability of the recipients to pay. But in the general area of such services as those directed to self-support and self-care or for family counseling and family planning, we believe there should be no charge to anyone who requests them. We believe that at least for the time being it would be better to make no charge and see how it works. If experience should prove otherwise then adjustments could be made. But we know from 35 years of experience that the greater problem is how to make services available to and utilized by those who need them. A means test would also perpetuate the assistance-relatedness of the service programs, which is what we have been trying to get away from.

The importance of maintaining effective staff training programs by the states should be emphasized by naming that as a specific function for which the 90 percent federal grants could be used, along with "administrative and other activities."

The HEW statement on services in the green H.R. 16311 "Committee Print" points out that the social service programs which have developed under public assistance have been short on "hard" services having specific objectives and measurable outcome, and that "states have tended to respond to the most favorable matching formula, rather than to the needs of their citizens, and the success of different services in meeting specified goals."

As I have pointed out earlier the state programs are, in very important ways, given shape and substance by the conditions set out by the federal grants-in-aid. It is not a startling revelation that states respond to the most favorable matching formula. What should also be said is that the federal government has not always set up matching formulas that will bring forth balanced programs in the states. It should be noted that the states were spending substantial sums on "services" during the years when the federal financial participation was classified as administrative expenses, which was not only a deterrent, but showed up as an indicator of inefficiency, and that only within the last couple of years could funds be paid directly for such "hard" services as day care and homemaker services.

We are well aware of the pressures to close the end on appropriations for social services. In response we point out that, as experience has shown, it is often difficult to maintain continuing support for social services at an adequate level. The closed-end authorization for Child Welfare Services (formerly title V, now in title IV B, of the Social Security Act) is a good case in point. That program, which has been on the books for 35 years, has from the beginning had the potential for becoming a comprehensive social service program, capable of meeting a wide range of community needs. But it is a closed-end program and as such it has remained small and limited. Authorizations have increased slowly, and even so, for many years past the appropriations have not come up to the full authorization. The present federal authorization is for \$110 million dollars, but the appropriation for the current fiscal year will be \$40 million, and in spite of the rising program costs, the federal appropriation has not gone up a nickel for the past four years.

In the Committee Print on the revised H.R. 16311, HEW says that in 1969 the federal expenditure was only 8 percent of child welfare expenditures nationwide. The proposed new title XX would authorize 75 percent federal matching for social services, but that would only be to the extent that federal funds are

available. We are not highly confident that the federal appropriation would keep pace here any better than it has in the other instances we have cited. In fact we are already getting some disturbing signals as to how this might work. The bill provides that funds would be allocated to states on the basis of the amount of federal funds expended in each state for services in fiscal 1971. But at this very moment the administration is asking Congress to put a ceiling on service funds to states for 1971 at 110 percent of last year's expenditures. Thus, on the one hand states are being urged to improve their service programs, while on the other hand efforts are being made not only to close the end, but to restrict the base upon which funds would be allocated as well.

Whether or not the other features of the service legislation are passed this year, we urge the enactment of the proposed authorization for federal funds for foster care, for the National Adopting Information Exchange System, and for the Government Assistance programs.

We believe funds should also be made available for subsidizing the costs of caring for adopted children, but the present proposal is deficient in that it would authorize payment only for medical and other remedial needs of children who are physically or mentally handicapped and who therefore may be difficult to place for adoption. While assistance for this purpose is needed, there is a greater need for funds to subsidize the continuing maintenance costs after adoption of children who are hard to place because of handicaps, or personality problems, or because they are members of racial minorities. Many more urgently needed adoptive homes would become available for these children if there were sufficient funds to help prospective adoptive parents bear the added costs. This method has been well tested and has demonstrated its merit as an effective way to open up adoptive homes for children who would otherwise be kept in foster homes or institutions.

The greatest financial burden upon the states and localities in the field of child welfare is for foster care. For many years this Association has urged the expansion of the Child Welfare Services grants to states to assist with these costs. The current proposal, with funds specifically appropriated for that purpose, would be equally helpful.

The ARENA (Adoption Resources Exchange of North America) project, maintained under the auspices of the Child Welfare League of America, has amply demonstrated the value of a system to interchange information on children awaiting adoption and on prospective adoptive parents. We endorse the proposal as set forth in the bill.

In some ways the problems of program planning and evaluation and the delivery of services are as difficult to solve as finding the money to operate the programs. With the large sums now being expended for these purposes by governments at all levels it is only prudent to protect the investment by measures to improve their effectiveness. The proposed authorization of grants to assist units of general government in projects for planning, evaluation, training and systems analysis, and for providing technical assistance would, in our view, be a step of major significance in strengthening the capabilities of state and local governments for upgrading their programs in the fields of health, education, and welfare.

In summary, it is our view that the central features of the proposed Individual and Family Services legislation would set up a program structure that has many shortcomings and would result in unnecessary organizational and administrative complications. Basically, the continuing authorization for grants to states for service programs under parts A and B of title IV, as passed by the House, would provide as broad a base for services as the proposed amendments. It is therefore our recommendation that the language of the bill as passed by the House in this respect be retained, with the modification that funding be specifically authorized for foster care in all instances where public funds are required, for subsidizing adoptive homes, for a national adoption information exchange system, and for assistance to general governments for planning, staff training, and technical assistance.

We recognize that this would not be an adequate solution for the long term, but it would be readily workable, and an improvement over what we now have, and it would allow needed time for more careful planning for the future.

The CHAIRMAN. Our next witness will be Horace B. McKenna, S.J., moderator of the parish, St. Vincent de Paul Society Conference of Washington. We are certainly pleased to have you with us.

STATEMENT OF REV. HORACE B. McKENNA, S.J., ASSISTANT PASTOR, ST. ALOYSIUS CHURCH, MODERATOR OF ST. VINCENT DE PAUL CONFERENCE

Father McKENNA. Mr. Chairman, and Senator Curtis, thank you for this opportunity to say a few words briefly about what I think would be the effect of greater emphasis on the human dignity in regard to the welfare provisions.

The National Welfare League in November proposed that people try that provision that President Nixon made of \$1,600 per family, which would be about \$400 per person, and for a family of four and would allow a food allowance of about 42 cents per day. So one of the Senators of the United States tried it with his family, I believe, and I tried it myself and I would like to remark about its effect. I didn't follow their restrictions because I considered them too limited. I checked, for instance, I take a couple of pieces of toast and a couple of cups of coffee and for lunch a couple of pieces of bologna and a piece of bread and a glass of milk which is about 8 for breakfast and 12 for lunch, and a certain amount of meat and vegetables and a dish of fruit which would be about 22 cents, so there was the 42 cents.

The effect was there was a continued weakness, a disability and weariness and it affected the spirit too. If I wanted to do something, you didn't have the energy to do it.

Now, I imagine this thing must affect families. Of course this \$1,600 per family would not count what the States would give, but still the States don't give adequately. Here in Washington, I think we only have 75 to 80 percent of poverty allotment and therefore you have the same restrictions, the same disability, the same weakness, same inability to follow your spirit and what effect that must have on the children and on the parents and on the community and on the neighborhood. I think that is why we have so many broken-down neighborhoods. The neighborhood is afraid, the people are afraid, the cities are afraid, the citizens don't trust their area, their government; and really we haven't got pockets of poverty, we have blankets of poverty, and our cities look like urban broom sage with so many boarded up stores and houses, and we don't have any means of progressive living and it comes from the inability to realize the persons are the ones we are dealing with; they need their strength, their opportunities; they need their ambition; and if we could provide them with adequate support for that, I think a great deal would be effected.

When we try to restrict ourselves, like, I think the Supreme Court a year or two ago threw out the restriction that an absentee father could come home and have his family ge welfare, that was a sample, I think, of how useless restrictions are because you think for every absentee father you had to have a policeman on the street to control his teenage sons and so also these other restrictions are more defeating than they are progressive and helpful.

Protecting a few chisellers, why we restrict the whole multitude. I think the welfare rolls on the country have 12 million, and it costs \$11½ million. It is about a billion for a million and only 4 percent chisellers. Well, I think we all have that amount of chiseling every day of our lives, so when we have it in welfare, it shouldn't be too alarming. It shouldn't allow us to be disgusted with the system.

Now, then, if we took adequate care of the spirit of the people and gave the children, the parents, the mother and father, we gave them adequate provision, I think it would awaken the spirit of the country. America has built a wonderful middle class, the best middle class in the world, but we have not built—instead of building a poor or instead of having a poor, we have a subculture, an anticulture of poverty that isn't able even to reach up to the level of poverty, so we are suffering.

About 4 or 5 years ago, A. Philip Randolph and Baynard Rustin proposed what they called a freedom budget which remarkably seems to keep in touch with the figures that we heard here today. They proposed an \$80 billion budget over 8 years, and about \$10 billion a year and that was really almost the range that it would take to give the present welfare rolls and full amount of their needs, and really it would produce, I think, happy people, children that could learn in school, had the physical means to pay attention in school; it would restore happiness and confidence to the neighborhoods; it would restore vitality to business and growth in the cities. In other words we would have a progressive poor. If we could have a great realization of the personal dignity and the personal potential of the welfare children and their families, their parents, and I think that would produce the vitality that this country needs to overcome its lag, its discouragements, its fear, especially the cities, and give it the spirit that it needs to make progress so that we can always have the American dream that we all cherish in our hearts.

Senator ANDERSON. Thank you very much, Father.
(Father McKenna's prepared statement follows:)

TESTIMONY OF HORACE B. MCKENNA, S.J., ASSISTANT PASTOR, ST. ALOYSIUS CHURCH, MODERATOR, ST. VINCENT DE PAUL CONFERENCE

Last November, living for a week on Welfare Diet was recommended by the National Welfare Rights Organization, and it was practiced even by one Senator and his family. I practiced it myself for one week. The basis was President Nixon's plan of \$1600 per family of four, which would allow about forty-two cents per day for food. (No account was taken of supplementary State and local allowance, because these vary greatly). So the Federal allotment must be considered a basic experience with improvements more or less according to States.

Now the results of an eight-cent breakfast (bread, coffee, one egg), a twelve-cent lunch (bread, bologna, milk), and a twenty-two cent dinner (roughly twice the lunch), the results were strain, weakness, and discouragement. One never felt satisfied, prepared, strong, ready, resolute. There was always the feeling of wishing with powerlessness, wanting with hopelessness, spirit pressing, body dragging.

This feeling of want and weakness and failure in parents, in children, in the family is lifelong, an outlook unbroken by hope of a filling soon, as is the experience in a religious fast. But it produces the dangers of temperamental and psychic breakdowns which are at times observable in religious fasts and call for their cancellation.

In families and in neighborhoods these Welfare Strains produce restlessness, hopelessness, and breed violence and press for a special tantrum, which some call a riot.

This weakness and disappointment are only the dietary effects of Welfare. There are other discouragement arising from miserable housing, confused education, and unfriendly urban relations, last-call employment.

Other more advantaged groups have a critical, unfriendly, feeling toward Welfare receivers. They look upon them as nonproducers, not willing to work, tax-payers' burdens.

The whole welfare system is planned now to give only about eighty percent of poverty living. This induces weakness and discouragement as a way of life,

inherited and perpetual. It can only produce a decline of persons, and a decay of city and country.

We need a new basis of outlook upon the needy, one that will see their membership in the nation, in the human brotherhood. We need to see the human dignity of the poor, their value as persons, their spirit, their desires, their potential. The poor are the greatest undeveloped resource of the country.

The Welfare clients are not various, only twelve million persons in all categories, costing only eleven and a half billion, with less than four percent chiselers.

If Welfare payments and advantages were made equal at least to poverty levels, life could be normal, peaceful, progressive and productive for these four million families. About five years ago Mr. A. Phillip Randolph, the great Negro Patriarch of Labor Rights and Human Relations, proposed his Freedom Budget, to wipe out poverty. It called for spending ten billion dollars yearly for eight years to bring the poor onto the moving belt of American living. His vision produced his plan. We must raise the standard of provision for Welfare so that it will at least equal the Poverty Standard, of which it is now only about eighty percent. This is a necessity. Anything less does not build a family or a neighborhood, or a culture. Sub-human provisions produce not a Sub-culture, but an anti-culture. The cure is not armored police cars that make holes in bodies, but a new vision that sees the depth and value of persons' spirits, where their personality and deepest potential lie.

The true basis for Welfare provision is the human dignity of the person and of the family unit. Here is the meaning of their person, their unlimited potential, their restless desire, their need and want of family love and neighborhood respect, protection and development. Then, based on human dignity and family unity and value our homes will be centers of joy, peace, our neighborhoods will breathe a good will, storing not guns but property and sharing provisions, our cities will not be lanes of closed shops and vacant dwellings like urban broom sage and cactus waste, but communities of thriving, united and peaceful citizens and joyful children. Base our Welfare not on substandards, but on human needs in our industrial and agricultural omnipotence, and God whose Face we should see in every being, will guard our cities and our country and His total world.

The CHAIRMAN. The next witness will be Mr. Edward T. Anderson of the Friends Committee on National Legislation. We are pleased to have you here, Mr. Anderson.

STATEMENT OF EDWARD T. ANDERSON, ASSOCIATE SECRETARY FOR HUMAN RIGHTS, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Mr. ANDERSON. Thank you, Mr. Long.

My name is Edward T. Anderson, associate secretary for human rights with the Friends Committee on National Legislation.

The CHAIRMAN. It is a very fine organization you have and a very thoughtful group. I have on occasion enjoyed participating in some of their discussions.

Mr. ANDERSON. Thank you. I speak today on behalf of the Friends Committee on National Legislation, an organization which seeks to represent the concerns of many Friends in the fields of peace and human rights, but which does not purport to speak for all Friends. The democratic organization of the Religious Society of Friends and Friends' own right to speak for themselves as individuals prevents any one Quaker organization from assuming that mantle.

For a number of years the Friends Committee on National Legislation has viewed with concern the inability of this Nation's welfare system to meet the needs of poor people. A year and a half ago our annual meeting approved a policy statement in which we formulated criteria for the effective program of income maintenance we consid-

ered necessary. These criteria have provided the benchmark against which we examine current proposals for welfare reform:

A federally assured income should be a matter of right for all persons.

It should respect the freedom of persons to manage their own affairs.

Payment should be based primarily on the individual's certification of income rather than upon degrading, cumbersome, and costly investigative procedures.

It should be adequate to maintain health and human decency.

It should reflect changes in the cost of living.

It should provide incentives for recipients to do whatever they can to support themselves.

It should be designed to foster the integrity of the family.

It should be set up for efficient and inexpensive administration.

These criteria make it clear that mere revision of the current hodge-podge of welfare systems is not sufficient. They call for a complete reorientation in the philosophy and practice of public assistance. We have kept them in mind as we have examined the proposed FAP and followed the debate in this committee. We had hoped for reform, but so far we have been disappointed.

PHILOSOPHY OF PUBLIC ASSISTANCE

In the discussion of various methods to reform the welfare system, we have been deeply disturbed by the attitude of many policymakers. By their questions and comments, these men indicate that they perceive the goal of reform as essentially one of reducing the number of people on welfare. Poorly designed and inadequately funded, the welfare system has come to represent to them the ultimate evil. They have been alarmed by the hopelessness of what they call welfare living, but they fail to recognize that what is hopeless and what is alarming is not receiving welfare assistance, but being so poor as to need it in the first place. These policymakers seem to want to do away with the distasteful problem of poverty by limiting or cutting back the number of welfare recipients. This attitude does not show a true recognition of the reality of poverty in this Nation.

A most distressing argument that we sometimes hear is that the welfare system begets "welfare people"—that extending assistance to some people somehow creates more poor people who need assistance. Growth in the numbers of welfare recipients in the last several years is used to support this assertion. Others speculate that the numbers of recipients are growing because young people have become accustomed to seeing their parents live idle lives and have come to accept the same for themselves. I should hope that such myths are now discarded. Reports by the Committee on Hunger and Malnutrition and other groups, added to our knowledge of migrations and economic dislocations in our country, should leave no room for these unfounded and misleading notions.

The growth in the number of public assistance recipients reflects a growing recognition of the existing poor and an increasing—if niggardly—attention to their needs. In the past 2 years much of this growth has reflected the gradual inclusion of persons who had pre-

viously been excluded because of residency requirements and other formal and informal restrictions.

The poor are with us today for much the same reason they were with us a generation ago. Our society generates poverty today as it has in the past—as a sad byproduct of economic transitions and sudden dislocations. Production becomes more mechanized, services are automated and certain industries are either moved geographically or phased out entirely. Thousands of southern blacks who moved to California during the Second World War were left jobless when wartime industry contracted, just as their parents had been as a result of the mechanization of the agricultural economy. Unemployed miners, auto workers, aircraft builders, and railroad employees have suffered such dislocations in their own lifetimes, while unemployed and underemployed residents of our big city ghettos are often the children and grandchildren of such victims. We must recognize that any increasing need for public assistance reflects the failure of our economy to meet the basic needs of more people.

As people are phased out of employment—employment which was often pitifully low paid to start with—and their lives are made irrelevant to the productive activity of the Nation, they and their children are deprived of a stake in the Nation's growth. Their well-being does not come about automatically—as is sometimes assumed—as a result of the natural growth of the economy.

It takes a long time to reorient, retrain, and reemploy a labor force. We have found that, even with the assistance of training programs, such transitions often cannot be completed within the lifetimes of the jobless. The difficulties of reincorporating the poor into the productive economy are compounded by the trend toward more fully automated production which uses little unskilled labor.

We are faced, then, with fellow citizens whose poverty will not be simply wished away. Declarations debating the morality of their existence do not alter the legitimacy and reality of their plight. Branding poor people lazy or irresponsible, or assuming they are immature and incapable of making decisions is grossly unfair. A laissez-faire attitude toward their survival in our economy is equally inappropriate and criminal, as this is a period of great Government involvement in many aspects of our national life. What is called for is honest recognition that poverty is a byproduct of our technological growth. We must see that it is likely that at any given time there will be those who cannot occupy a niche in the productive economy. In choosing the production advantages of a technological economy, we must understand and accept the implications of that choice. As technology wipes out jobs, the people whose displacement has made increased production possible should share in its benefits.

We must unburden ourselves of the notion that there is national disgrace in extending assistance to people. Moreover, we must free our assistance programs from every vestige of the notion that it is shameful to receive assistance. (Such notions permeate FAP—as we will elaborate below—and it is our earnest hope that this committee will redesign the bill in order to purge it of this orientation.)

If there is shame in public assistance, it is not that the jobless should be receiving help, but that they should receive so little assistance. The shame of public assistance is that it is crippled by myth and over-

burdened by paternalism and hypocrisy and fails to deal frankly with the task of sustaining people whom the economy has bypassed.

The welfare system does not beget "welfare people." Poverty results from the vagaries of a highly industrialized economy which benefits only those people it can profitably utilize. Extending assistance to those whom the economy rejects does not keep them poor—it keeps them from starving, going naked and unsheltered. The roadblocks to self-help for the poor are many, but adequate diet and shelter are not among them. Low wages, unsteady employment opportunities in agriculture and industry, discrimination, poor schools—all these help to beget "welfare people." Public assistance programs could provide not only a decent existence today for these people, but the hope and the stake in our country that their children deserve. This is what we look for in a reformed public assistance program.

What we find in FAP is the appearance of reform, but FAP incorporates only a limited application of new principles and falls far short of the needed change. We applaud the establishment of a national minimum income floor and the extension of assistance coverage to the working poor; we regret that FAP is so riddled with exceptions that it fails in its declared objectives. Establishing a uniform national floor under income acknowledges assistance as a national responsibility, and it is a step forward erasing the inequity of payments that vary from State to State by as much as 700 percent for persons of equal need. Supplementing the earnings of persons who work but do not earn a liveable income is a long overdue acknowledgement of simple economic justice. Crippling restrictions on these positive innovations help make FAP an inadequate and unrealistic response to today's needs. FAP fails in two general areas—benefit levels and structure.

INADEQUACY OF PAYMENT LEVELS

The basic payment level of \$1,600 for a family of four is wholly inadequate for subsistence. The U.S. Bureau of Labor Statistics sets \$6,567 as the minimum income required by a nonfarm family of four. When work-related expenses are eliminated, a minimum of \$5,500 is required—and this is the basic income recommended by the White House Conference on Food, Nutrition, and Health in December 1969. Furthermore, the FAP \$1,600 base is less than half the federally established poverty-level income, which is itself inadequate to provide a family's bare necessities, according to the President's Commission on Income Maintenance. The poverty level figure is based in part on the U.S. Department of Agriculture's low-cost food plan, which USDA says provides adequate nutrition for short emergency periods of time and only under very special circumstances.

FAP's own efforts to supplement its meager income floor are half-hearted measures that effectively negate its promise of uniform national standards. For instance, FAP assumes, but does not require, the availability of food stamps—even though nearly half of all eligible counties do not now participate in the food stamp program. FAP provides for federally assisted State supplements to the unemployed—in amounts not to exceed the poverty level. That provision is an incentive for several States to cut benefits back to the poverty level. The enactment of FAP should not mean reduced benefits for anyone.

STRUCTURAL DEFECTS: THE CATEGORICAL APPROACH

At least as serious as the patently inadequate scale of benefits, are the structural weaknesses in FAP, for these indicate how far this proposal is from establishing the principle that need should be the sole criterion for help. The categorical approach of current programs is built into FAP. Single persons and childless couples are excluded from coverage. In minimum income guarantees, FAP continues the present discrimination between recipients of aid to the blind, aged, and disabled (\$1,320 per year) and those whose need arises from involuntary unemployment or inadequate income (\$500 per adult per year). The time has come to stop this cruel game of picking and choosing among the needy to aid only those who fit appealing niches. Our concern must be directed toward meeting human needs, and needs do not always fit neatly into categorical classifications. The completely arbitrary decision to exclude single persons and childless couples betrays a cruel indifference to their plight. We sometimes forget that we are not spending money on categories but on people—individual human beings.

The administration now proposes that federally assisted State supplements to families headed by unemployed males be wiped out with a single stroke of the pen. This is the backdoor method of making sure that unemployed males do not get higher benefits than the working poor, who are excluded from State supplements. This potential work disincentive could better be overcome by supplementing the working poor, but the administration prefers to eliminate a category from coverage. This regressive step perpetuates one of the evils of the current system in that it encourages family breakup. By abandoning his family the unemployed father might help increase its benefits, since families headed by unemployed mothers can receive State supplements. Ironically, the FAP has been touted as eliminating the present system's incentive for family breakup. We recommend that State supplements be extended to both the working poor and the unemployed.

STRUCTURAL DEFECTS: THE WORK REQUIREMENT

Much has been said before this committee on the subject of work requirements. We recognize the social necessity of productive work and—even more important—the sincere desire of the poor to work. However, we find that the so-called work incentives of the FAP are both futile and prone to serious abuse.

First, we must make clear that the income disregard, which is sometimes called a work incentive, is a positive although scarcely original feature of the FAP. This feature, which provides that a family's assistance payment be reduced by an amount equal to only a portion of its earned income, is based on the correct premise that most people will want to take a job, that work is normal, and that an assistance program should not discourage people from trying to support themselves.

Unfortunately, we can only regard as benighted the FAP requirement that recipients accept training or employment, or face a very serious cutback in their assistance. This requirement assumes that people are poor because they refuse to work. It fails to take into account the possibility of any number of contingencies which might lead a mother or father to refuse training or a job at a given time. A mother

may consider the currently available child care facilities inadequate. She may reasonably believe that caring for a number of young school-age children and cooking for a large family already constitutes full employment. No law or public agency should be expected unilaterally to make such personal determinations. The legitimate judges of what is best for the family are the parents themselves.

The work requirement—with its need for costly enforcement procedures—opens the door for abuses from which the registrant will have little or no recourse. Requiring registrants in a given community either to accept the employment they are offered or to face serious deprivation, invites exploitation by marginal businesses using the subsidized poor as labor. These enterprises might pay very low wages for work of uncertain duration, offer no possibilities for advancement and have highly undesirable working conditions, but they could rely on local manpower agencies for a steady supply of labor—slave labor.

FAP work requirements trample needlessly on peoples' right to make personal decisions. The Secretary of Labor recently stated before this committee that "the job an individual should take should not be a matter of choice on the part of the individual, but should be a determination on the part of the manpower agency."¹ This is a frightening indication of how much we have agreed to restrict the freedom and dignity of the poor.

Why should this sort of coercion be deemed necessary? Why don't the poor work for a living? We believe that proponents of these measures do not face squarely some of the realities about the poor and about the jobs that they are to be taking.

Overemphasis on "moving people from welfare rolls to payrolls" ignores basic facts about aid recipients. Of the 10 million currently receiving public assistance, only 90,000 are men who are physically employable and mentally competent. The largest categories by far are children and the aged. Mothers, often supporting several children, make up about 1.5 million. "Work fare"—reliance on the private economy to provide jobs and adequate income—promises little to women. Even the average woman who now works full time receives an income lower than the poverty level for a family of four. Coercion is not going to solve the poverty problem for people who cannot work or who cannot obtain adequately paying jobs.

We must also examine why it is that the economic incentives of the job market are not sufficient to lead to employment of the poor. In our desire to uphold our national ideals of independence and self-sufficiency, we must not be slow to understand that some sorts of work are so underpaid, so unsteady, and often so hazardous that people may have to expect to depend on public assistance during much of the year. We must not be slow to recognize that even when national statistics indicate moderate to low levels of unemployment, areas of great unemployment do exist. We must totally discard our notions that public assistance is a purely temporary necessity, that it runs counter to our national ideals, and that recipients should be ashamed to collect it. We must abolish the notion that it is an undeserved bonanza which warrants the total violation of the recipients' rights to privacy and self-determination.

¹ Statement of James D. Hodgson, Secretary of Labor Before the Senate Finance Committee on the Family Assistance Act, Aug. 4, 1970 (p. 11).

The work requirement of the FAP points up the need for Government to take positive steps in the area of job creation. If the intention of the bill really is to fight poverty by getting people "onto payrolls," we should reasonably expect that legislation will now be enacted to increase the number of jobs available. The public service employment bill, recently approved by the Senate Labor and Public Welfare Committee, deserves serious consideration. If this or similar legislation to create jobs is not enacted, we believe that the work requirement of the FAP will indeed be an exercise in futility—and be all the more oppressive because of its futility.

PROVISIONS FOR CHILD CARE

H.R. 16311 includes provisions for child care—a subject that merits most careful attention, more out of consideration of the needs of the children than the employability of the mothers. The Office of Economic Opportunity report to the House Education and Labor Subcommittee, "Expanding Head Start," estimates that 2.5 million economically disadvantaged children are not now being served by day care or child development programs. In view of this great need, we are distressed by the limited perspective of the provisions of this bill. The child care provisions are designed primarily to enable mothers to accept jobs or training—the developmental needs of the children are of secondary importance.

We have examined the various child care proposals offered in Congress, including the bill introduced by the chairman of this committee, Mr. Long. There is great disparity among these proposals. We urge enactment of a child care program that emphasizes the child's need for developmental care and recognizes that it must be calculated independently from the employability of the mother.

In a report entitled "Optimum Conditions for Minority Involvement in Quality Child Development Programing," the Black Child Development Education Center analyzes the need for child care and suggests approaches. I have requested from the Center a copy of this report, which I would like to submit to the committee for its consideration. I hope to bring the recommendations of this and other organizations to the attention of the individual members of this committee at a later date.

CONCLUSION

Gentlemen, after a thorough study of the proposed bill—and, as is usual in Quaker decisionmaking, much discussion—I am suggesting that FCNL might best go on record as opposing the passage of H.R. 16311.

Our disappointment in the FAP has been great. Instead of the necessary universal income floor, we would continue to have a collection of assistance categories. Instead of uniform national benefits, we would have supplement levels that differ among the various States. Instead of equitable income maintenance for all the working poor, we would deny State supplementary payments to intact families. Instead of uniform Federal administration, we might have State, or joint Federal and State administration.

This bill, even with a number of improving amendments, would be cumbersome, inconsistent, and essentially inadequate. We would find

ourselves embroiled for years in the task of repairing the damage caused by its hasty passage. It may be preferable to remain lean and have dignity and freedom than to be "well fed slaves"—dependent on the determinations of the local welfare director and the benign support of recalcitrant State governments.

Perhaps the committee will regard these hearings as an opportunity to see the dimensions of the problem in a new light, and will return the first of the year to develop a totally new bill. Or, perhaps the committee will decide in mark up session to report a greatly improved bill this year. In either case, we will totally support a bill which:

1. establishes a genuine national income floor that will cover all people noncategorically.

2. provides for uniform Federal administration of income supplements.

3. provides for the creation of socially useful jobs which will pay adequate salaries.

4. recognizes developmental child care as a national right, and provides for parental and community involvement in the operation of the program.

5. provides an income floor equal to no less than the current poverty level.

Thank you.

The CHAIRMAN. Let me get your reaction to one problem that concerns me.

I am aware of a situation where a very good Negro woman and her husband established a small business. They are trying to get someone to work for them. They can pay \$2 an hour. That is about all they can pay if they are going to make a profit in their business. They do most of the work themselves. It is pleasant surroundings, not hard work. Now they have had two or three people they tried to employ, one says the Government will pay her more to go to college, another says she had a call from a social worker saying "Don't take the job, you can get your food stamps and you can get your welfare payments and housing and by the time you are through you will make more not taking the job than you will taking it."

Now, it would seem to me that whatever we can do to help people, and I want to help people, we ought to ask these people to help themselves. What we do for them should be in addition to what they can do to help themselves. Do you think those people ought to be turning down their job at \$2 an hour, in pleasant surroundings, air-conditioned comfort, doing easy work and still draw welfare while they are declining to do anything to help themselves?

Mr. ANDERSON. I think one of the three people you mentioned in this case was going to school, and I think you would agree it would be more profitable in the long run for that individual or her family to continue in school rather than to see a short-term advantage of working at \$2 an hour. I am not denying the value of \$2 an hour. I am saying for that particular case.

The CHAIRMAN. Assuming there will be a job at the end of it, yes. How about the other person who is not going to school?

Mr. ANDERSON. I would like to know what the caseworker's justification was.

The CHAIRMAN. Well, her justification was that this person could get more out of welfare than they can by working at \$2 an hour. My thought about that would be that perhaps we ought to be paying the person something in addition to the \$2 an hour but I think they ought to make the \$2 as a matter of self-help and what the Government should do should be in addition to what they can do to help themselves not as a substitute for going to work.

Mr. ANDERSON. I don't know which local jurisdiction this example comes from, but I can think of a number of jurisdictions where when you go to work those expenses and now here is an advantage of the FAP program, it does take into account the expense of going to and from work, it does take into account the child-care expenses and whatever training you may have to have can be deducted as I understand it from your basic payment.

Under the present system in that area, and I don't know where it is—

The CHAIRMAN. I am talking about Washington, D.C.

Mr. ANDERSON. That person may, the social worker must have put together some combination of facts that says, "You will lose" I don't know what those are. I would like to talk to the caseworker.

The CHAIRMAN. Mr. Anderson.

Mr. Curtis.

Senator CURTIS. I understand you object to the work requirement and also understand that your first criterion is "A federally assured income should be a matter of right for all persons." Would that be a matter of right for an able-bodied adult who chose not to work, is that your recommendation?

Mr. ANDERSON. When we made that statement, "A federally assured income to all persons," we had a long, serious discussion over work and the traditional definition of work and how some people may see themselves working. We left that sort of open because we know work can be flexible. Is the community organizer who tells people what is going on in the neighborhood, keeps them informed of changes, advises them on how to get a street light put in, is that work? And we had a terrible time trying to come down with a concrete definition of work taking into consideration all the new changes coming about, so we recognize we are subsidizing a number of different kinds of activity that may or may not be considered work by all people, so we never said that a person should not totally work but we should leave that definition of work sort of flexible.

Now we did not say we were opposed to all work requirements, but we have wrestled with the language that was in the original bill as passed by the Ways and Means Committee that had the language stricken from it defining a job, the safeguards put in, and we talked to and we have heard Secretary Hodgson testify before this very committee saying that, you know, the poor should not have a right to determine what job they are going to take. The manpower administration or the manpower agency of the local area would be the determiner, and we questioned that.

Senator CURTIS. What do you recommend in reference to the individual, able-bodied adult, who chooses just not to work at all, doesn't offer himself for hire at all? Are you for a program that would give a federally assured income to that person as a matter of right?

Mr. ANDERSON. That is right. As long as he is alive, there are certain basic needs he has that will either be met in the confines of his own home or be met in the confines of another public institution, it is very simple. He still has to eat. He still has to have shelter. He still has to have some semblance of clothes on him and those basic needs must be met one way or another as long as he is alive.

Senator CURTIS. Even without cause, this able-bodied adult chooses not to work.

Mr. ANDERSON. We are going to meet those needs.

Senator CURTIS. Of course, you realize what you are doing. You are requiring neighbors to work for him. Everytime somebody eats or is provided shelter or clothing or medicine, somebody has to work to provide that. For every person who doesn't work, it means that his fellow men would have to work that much harder to do the work for him. I am sure that they are anxious to do that for children, for the disabled, and for the handicapped, but I understand your testimony to be, you say that an individual has a right to a guaranteed income even if he just chooses not to carry his part of the load.

Mr. ANDERSON. Let me respond to that, Senator Curtis—

Senator CURTIS. Yes.

Mr. ANDERSON (continuing). With a personal example. I have an aunt and uncle who have spent all of their working years raising 10 kids and sharecropping. My uncle is now 55-57, his kids are all grown, there is no one at home now but he and his wife. He had an accident in a truck that caused his back to be dislocated in such a way that he is not totally disabled, he is not dismembered. By statistics, that man is, you know, able-bodied and not looking for work. But we know in fact that he cannot work.

Senator CURTIS. Then he is not able-bodied?

Mr. ANDERSON. Well, the statistics say he is, he is not old enough for an old-age pension, he is not disabled enough for disability insurance—

Senator CURTIS. But he is disabled.

Mr. ANDERSON. He is disabled.

Senator CURTIS. Then he is not able-bodied?

Mr. ANDERSON. But I am saying that the statistics say that he is not dismembered or he is not permanently paralyzed.

Senator CURTIS. Not to prolong this, but of course, my question very clearly confined it to the able-bodied.

Mr. ANDERSON. Well, I am saying, my uncle, by some standards would be considered able-bodied and I think it is my duty and it is my responsibility as one member of that, this particular family and a member of the greater American family to assume and acknowledge and not really quibble about the fact we are going to have to carry the loads for some people. I make the analogy to kids in speeches that I would rather, if I had the full Frigidaire and my neighbor had no food, I would rather share my food with my neighbor than have my neighbor take my Frigidaire. There is also a matter of self-interest involved. Even the able-bodied man who has no visible means of income will eat. Now if that is socially acceptable or not, that is something society must grapple with there. But I would hate to see us get to the point where Britain was when they had laws where they cutoff your hand if you stole a loaf of bread.

The CHAIRMAN. That is not Britain, that is the Arab countries, if you steal anything they will chop your hands off. They are very much against thievery over there.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Our next witness, then, will be Mrs. Mary Dublin Keyserling, speaking for the National Council of Jewish Women, the Church Women United, National Council of Catholic Women, National Council of Negro Women and National Consumers League.

STATEMENT OF MRS. MARY DUBLIN KEYSERLING, ON BEHALF OF NATIONAL COUNCIL OF JEWISH WOMEN; NATIONAL COUNCIL OF CATHOLIC WOMEN; NATIONAL COUNCIL OF NEGRO WOMEN; CHURCH WOMEN UNITED, THE NATIONAL BOARD OF MANAGERS; NATIONAL CONSUMERS LEAGUE

Mrs. KEYSERLING. Mr. Chairman and members of the committee, we are very grateful for this opportunity to testify today. My name is Mary Dublin Keyserling. I am a consulting economist. I served from 1964 until 1969 as Director of the Women's Bureau of the U.S. Department of Labor. In my present work, before that in my work with the Women's Bureau, and, in earlier years in other Government economic posts, as associate director of the Conference on Economic Progress, as executive director of the National Consumer's League, and as a teacher of economics, I have been actively concerned with the problems of poverty and its causes, and with welfare programs.

I am a member of the National Council of Jewish Women, established in 1892, and with a membership of over 100,000 in local units throughout the United States. Throughout its existence the council has been concerned with welfare problems. Over the years the delegates to our conventions have made commitments to work for an improved welfare system and at the last biennial convention resolved: "To work for a program of income maintenance which will provide at least a minimum standard of living for all people."

The National Council of Catholic Women, the National Council of Negro Women of which I am a member, Church Women United, and the National Consumers League on whose board I serve, wish to join in this statement and have authorized me to testify also on their behalf.

The organizations for which I speak today, and which have a combined membership of over 25 million, are committed to the lifting of living standards particularly of those now living in poverty. It is unconscionable that our country, so amply able to provide adequately for all its people, should still subject 24 million men, women, and children to the intolerable hardships of poverty. We concur in the view that a sound program of income maintenance, to provide at least a minimum standard of living for all Americans, is feasible and desirable. We believe such a program should maintain work incentives and uphold the rights and dignity of recipients. For these reasons we are grateful for this opportunity to testify today.

We support the excellent basic purposes of H.R. 16311, the Family Assistance Act of 1970—the provision of a minimum income floor for all Americans and the reform of our welfare system. There are, how-

ever, specific aspects of the bill, as passed by the House, and as revised and resubmitted by the administration, which in our judgment should be amended. We offer for the consideration of your committee our views with respect to certain major aspects of this proposed legislation with which we are most concerned:

1. The proposed Federal income floor of \$1,600 a year for a family of four is grossly inadequate.

The definition of poverty, now in common usage, assumes that a family of four was poor, in 1959, if its income was less than about \$2,950. Correcting for subsequent price changes, this poverty level was \$3,720 in 1969 and, as of mid-1970, was about \$3,940. We contend that the poverty level should have been increased not only to correct for only with price changes since 1959 but with subsequent advances in the economy and its increasing capacity to meet the needs of all Americans. A decade is far too long a period for our concept of poverty to remain static. If we update the definition of poverty to keep pace not only with price changes since 1959 but with subsequent advances in average per capita real disposable income, the current definition of poverty for a family of four would now be over \$5,400. The proposed Federal income floor of \$1,600 for a family of four is less than a third of this amount.

We cannot, at this point in our history, set an income floor of only \$1,600 a year for a family of four, or even \$2,464, including the value of the proposed food stamp allotment, and call it "income maintenance."

According to the Department of Agriculture, a family of four must spend \$1,778 a year to meet absolute minimum food needs alone in a financial emergency. Even a skilled dietician would be hard put to make that a nutritionally adequate diet.

The Bureau of Labor Statistics estimates that a family of four needs an income of \$6,567 a year to maintain a low-cost living standard.

The conscience of America has awakened in recent years. We are convinced that a more adequate income floor than that proposed would be supported by a majority of the Nation.

We would suggest that the Federal family assistance benefit for a family of four be at least \$3,000 initially.

We are fully aware that such a change in the bill would raise the cost of welfare reform above the \$4.1 billion estimated Federal cost level of the bill, as revised by the administration. This should be regarded as a necessary investment in people—one that would pay in economic as well as human terms. We are now members of a trillion dollar economy. Were the family assistance level raised as suggested, the added cost would be a small fractional part of 1 percent of our total annual output of goods and services. To take all families with children above the poverty line, as defined in the bill, would cost considerably less than one-half of 1 percent of current output. Our gross national product was \$66 billion higher in 1969 than it was in 1968, and was \$71 billion higher in 1968 than in 1967. We can expect even larger annual increments in the future. The costs involved in more humane welfare standards would represent a relatively small part of the yearly increase in our national wealth. Hence meeting our fundamental human responsibilities to the disadvantaged need not be

thought of as calling for onerous sacrifice on the part of those of us on whom the responsibility would largely fall.

The Tax Reform Act of 1969 provided about \$9 billion in tax relief primarily to those of us who are comfortable and more especially to the affluent. This benefit will be recurrent each year. Relatively speaking, this measure did far too little for people of low income. In addition, the tax cuts of 1962-65 had an annual initial value in excess of \$19 billion and were even more slanted in favor of those above the poverty level. We speak for millions of Americans who would have given a higher priority to meeting the needs of the poor than to lifting the living standards of those already living on easy street. We can afford to meet the urgent needs of our most disadvantaged people. We cannot afford their continued neglect.

2. Not only can we afford a more adequate income base; we can afford to cover those who need coverage.

Family assistance benefits under H.R. 16311 would be available only to families with children. The bill would provide a minimum of \$110 a month to needy individuals who are 65 years of age and over, and to the blind or disabled—an income floor we also regard as too low. But the bill leaves out the men and women not yet 65, with no children in the household, who live in poverty. It also leaves out more than 2 million individuals living in households of their own and in poverty. An income floor is a universal need and should be extended to the poor now excluded in the bill.

3. H.R. 16311 would provide for Federal agreements with the States under which the Federal Government would pay the States 30 percent of their supplementary payments over and above the four-person family \$1,600 family assistance payment, up to the poverty line, presently defined in the bill as \$3,720 for a family of four.

We have earlier recommended that \$3,000 be the accepted initial level for family assistance payments to a family of four. We recommend that the poverty line be set at \$4,800, as coming closer to a more realistic definition of poverty for a family of four, considering the need for adjustment for price rises and the rising living standards of others.

Accepting a principle suggested by Senator Javits in his proposed amendment 801, we would recommend that the Federal eligibility and payment standard be increased by 10 percent a year until the poverty level of \$4,800 is reached. This would enable the Federal Government to take over State welfare costs and administration in full in about 5 years. The bill should call for periodic revision of the poverty definition thereafter in the light of subsequent price rises and general income advances.

The principle of full Federal assumption of welfare costs has been endorsed by the National Governors' Conference and by the committee for economic development composed of 200 leading businessmen, educators, and other distinguished citizen leaders.

In the interim, until full Federal assumption of welfare costs, we would urge the retention of the provisions in the bill which would require the States to continue their payments, so that combined Federal State assistance would not be lower than State benefit levels when the act becomes effective. Upward adjustment in State supplements

for cost of living and general rates of income advance are also recommended during the interim period.

Also in line with the concept suggested by Senator Javits, we would suggest a variable formula for Federal matching of State supplements and that all States be required to attain a specified minimum level of supplementation until Federal assumption of full cost and administration responsibility.

The higher cash benefit levels proposed would obviously reduce the costs of the food stamp program.

H.R. 16311, as passed by the House, provides for three possible administrative arrangements:

(1) Federal administration of both the Federal assistance program and the State supplementary program with the Federal Government paying all administrative costs;

(2) Federal administration of the family assistance program and State administration of the State supplementary program;

(3) State administration of both the Federal assistance and State supplementary program.

In view of our recommendation for the assumption by the Federal Government of full cost and administrative responsibility within 5 years, we recommend that no contract arrangements with the States be authorized for State administration of the two programs. Such an arrangement, in any case, poses serious problems with respect to the enforcement and administration of Federal standards inherent in the program.

4. We would like to comment on eligibility requirements for Federal family assistance as set forth in H.R. 16311.

(a) We concur in the need for efforts to encourage those able to work and not now working or working only part time, to register for training and employment. In our judgment, however, it is neither necessary nor desirable that training and work requirements be mandatory.

H.R. 16311 would exclude from the mandatory registration and employment requirements mothers caring for children under the age of 6, and mothers of older children whose husbands are in the home and are able to work. It would require, however, mothers who head their own households, and whose children are of school age, to register for training and employment. We believe such mothers should be free to decide whether to work or to take care of their own children. We regard this matter of choice as a fundamental right in our society—a right which must be preserved. Apart from the issue of rights, the mandatory work requirement for mothers who head their households is unrealistic. There are eight times as many mothers now in the labor force as there were in 1940. They number over 12 million. Child-care services are in acutely short supply. Good after-school care is virtually nonexistent. The amount of additional child-care services which H.R. 16311 would provide is not enough significantly to relieve existing shortages. Unless much more far-reaching legislation is enacted more adequately to provide facilities, mandatory registration and training of a large number of AFDC mothers who head their households and who have young school-age children would be an exercise in futility. This has been conclusively proved by experience under the WIN program.

A mandatory work requirement is not necessary. There is much evidence that most women welfare recipients would take employment voluntarily rather than stay at home, were jobs available. Let me cite one illustration: A survey in New York City indicated that of the welfare mothers asked, "Would you prefer to work for pay or stay at home?" seven out of 10 replied they would prefer to work.

We believe that a mandatory work requirement is not needed for either men or women and urge its deletion. Both are eager to take jobs when they are available and at a living wage. A recent HEW public assistance census which indicated that fewer than 50,000 employable men were on the Nation's welfare rolls at the time of the census, attests to this.

(b) We note that Federal family assistance benefits would be denied or reduced if a family member refused to work if the wages, hours, or other terms or conditions of work offered are contrary to or less than those prescribed by Federal, State, or local law or are substantially less favorable to the individual than those prevailing for similar work in the locality.

We recommend the revision of this provision. As written it could deny benefits to a man or woman who turned down a 60-cent-an-hour job, for there is still work where starvation wages prevail. About 16.5 million nonsupervisory workers are not covered by the Federal Fair Labor Standards Act. Federal minimum wage rates are considerably above those set by most of the 39 States which have minimum wage laws in effect. Some States set hourly minimums as low as 60-75 cents an hour. All State laws have serious gaps in coverage. Nearly 12 million nonsupervisory workers are not protected by either the Federal or State statutes.

We would, therefore, recommend that hand-in-hand with welfare reform should go the strengthening of the Federal Fair Labor Standards Act to provide a more adequate minimum wage to meet current living costs and the extension of coverage to all workers, including migratory workers and household employees. And we would recommend that H.R. 16311 be revised to require that workers not be referred to jobs paying less than the Federal minimum.

A full-time worker should, we believe, take home enough pay to maintain his family above poverty levels without welfare assistance. Providing this assurance would be the best way we know of to reduce assistance costs.

5. H.R. 16311, as revised and resubmitted by the administration, contains a provision with which we are in strong disagreement, with respect to Federal matching assistance for recipients in the unemployed fathers category.

The bill, as passed by the House, provides that unemployed fathers and those working less than 30 hours a week would be entitled both to family assistance and State supplementary benefits no less in total than what they now receive. The Federal Government would contribute 30 percent of such supplementary funds up to the poverty level. Parents working full time would be entitled to Federal assistance benefits only. No Federal matching funds would be available should the State elect to supplement this benefit. We recognize that this distinction in benefit eligibility between fathers who work full time and those who are unemployed or underemployed, posed a difficult

problem. Some families in which the father works full time might actually receive less income than those families in which the father was unemployed or underemployed. It was understandable that this might be regarded as a work disincentive.

Two alternative courses were open: (1) To deprive all poor families with fathers of income supplementation of the Federal family assistance benefit, or (2) to assure all poor families with fathers of income supplementation including those in which the fathers work full time. We understand that the second alternative—a mandatory extension of State supplementation to the working poor—was rejected because of the cost.

We recognize that H.R. 16311, as revised and resubmitted by the administration, represents some improvement in the present situation in that all needy families with both parents in the home would receive the basic family assistance benefit. But were the first alternative to be elected—no supplementary payments to families with fathers whether they are unemployed, partly employed, or fully employed—we would repeat our earlier error of providing an incentive to family breakup. In our judgment, good social cost accounting would weigh the price we would pay in consequence and the second alternative—supplementation of the income of all poor families with fathers—would be accepted.

6. We are heartened by the recognition given by H.R. 16311 to the need for the expansion of child day care and after school care. As I have earlier indicated, we believe the inadequate supply of child-care facilities is one of the major items of unfinished business on the American agenda.

Today nearly 6 million children under the age of 6 have working mothers. There are presently licensed facilities for the care of only about 600,000 preschool youngsters. While the number of facilities has been increasing in recent years, the rate of expansion has not kept pace with growing need.

If we are to meet existing demands of the highest priority and in addition provide care to help more mothers move from assistance to self-sufficiency, we shall have to set child care sights far higher than those contemplated under H.R. 16311—150,000 day-care places and 300,000 after school places. These targets are entirely too small to be meaningful.

Moreover, we are doubtful that anything like this number of day-care places can be provided for the outlays apparently contemplated. According to administration testimony, it is assumed that the 150,000 full-day, year-round day-care places can be provided at a cost of \$1,600 per child. We strongly query this \$1,600 day-care cost estimate.

The cost of day care in the District of Columbia now averages about \$2,300 a year per child in the 17 day-care centers operated by the National Capital Area Day Care Association and which are caring predominantly for children of mothers in WIN and other work training programs. We understand that average costs of care for children of mothers in the WIN program in August 1969 in Maryland, exceeded \$2,500, at an annual rate.

On a national basis, we understand that the 1967 costs of day-care services toward which the Federal Government contributed 85 to 90 percent, and which met the definition of "adequate," ranged from

\$1,862 to \$2,032 per child. Costs have risen considerably above those levels by now.

This suggests either a cut in quality or quantity in the places to be provided under FAP.

We would rue the day if dangerously low quality is contemplated. We must not think in terms of just custodial care, lacking in the educational, health, nutritional, and related service components necessary to healthy child development.

If day care of at least minimum adequate quality is to be provided—and it must be—at least \$2,200 a year per child must be factored into estimates, and unless the programed outlays are greatly expanded, far fewer than 150,000 preschool children could be cared for during the plan's first year of operation.

We therefore believe that if day-care services are to be expanded sufficiently to be meaningful, a bill with additional outlay target at least as large as those proposed in S. 4101, and introduced by Senator Long, must be supported.

May I add that we were glad to see that H.R. 16311, as it passed the House, improved earlier language by authorizing outlays not only for alteration, remodeling, and renovation of child-care facilities, but for construction as well in the case of grants to and contracts with public and nonprofit private agencies and organizations. However, with the word "construction" added, costly as construction necessarily is, the \$600 million child-care outlay estimate shrinks still further with respect to the number of children who could be cared for.

The bill does not specifically refer to this, but if day care services are to be provided, training of needed personnel at the professional and subprofessional levels is of the essence. Allowance for this purpose shrinks the child care capacity of the outlay estimate still further.

I would like to make one other point in this connection. As we read the bill and the administration testimony, it would seem apparent that contemplated is the use of tax credits and the voucher system for the purchase of day care by some FAP mothers in training or employment. In the light of today's day-care shortage or minimum adequate day-care facilities, this could lead to the use on a larger scale of unqualified babysitters and of other custodial types of care which could be harmful in the extreme.

7. It is our hope that the bill will be amended not only to provide more adequately for child care services but for other child welfare and additional essential services as well, operated under Federal standards. Especially do we urge the adoption of a health insurance program for all families and individuals and not solely for poor families with children, as proposed by the administration.

8. We find heartening the emphasis placed in H.R. 16311 on the further expansion of training opportunities to raise employment potentials. This is good as far as it goes, but it doesn't go far enough. Unless there are job openings which the trained can enter, frustration and bitterness will result. Urgently needed are job-creation programs.

In times such as these, with the total number of unemployed above 4 million, we need public programs to assure employment through the provision of education, health, recreation, and other vital community services. It is for these reasons we regard S. 3867, a bill introduced by

Senator Nelson (and cosponsored by Senators Bayh, Cranston, Hart, Hartke, Hughes, Kennedy, McGovern, Mondale, Randolph, Williams, and Yarborough) "To assure opportunities for employment and training to unemployed and underemployed persons and to assist the States and local communities in providing needed services," as a highly desirable companion bill to H.R. 16311.

Two years ago, when unemployment was 1.3 million lower than it is today, the Kerner Commission called for 1 million new public service jobs. The Nelson bill, providing for an estimated 150,000 to 200,000 new State and local public service jobs, sets a modest target but it would make an important beginning.

9. A vital part of a sound income maintenance program necessary to the minimization of the need for assistance, is the increase of our social security payments, and the unduly delayed improvement of unemployment insurance and the workman's compensation system. We support amendment of the Social Security Act to provide for automatic adjustment in benefits for cost-of-living advances. We believe that the 5-percent increase in benefits proposed in H.R. 17550 is insufficient significantly to improve the plight of the elderly, far too many of whom live on incomes below the established poverty level. We urge a more substantial increase in social security benefits.

In conclusion, may I say we are heartened by the growing public acceptance of our responsibility as a nation for the assurance of minimum adequate living standards especially as reflected by H.R. 16311. Strengthened along the lines we have suggested and buttressed by complementary action designed to strike at the root causes of poverty, the bill can truly spell the beginning of the end of poverty in our land.

We appreciate this opportunity to present our views to the committee.

The CHAIRMAN. Thank you, Mrs. Keyserling. I notice you are an economist. Are you related to Leon Keyserling?

Mrs. KEYSERLING. Yes; by marriage. [Laughter.]

The CHAIRMAN. I have long admired him. I think he is a great economist and I suppose you share some of his views.

Thank you very much, Mrs. Keyserling.

Thank you very much for your statement.

The next witness will be Dr. Amitai Etzioni who is director of the Center for Policy Research of New York City.

STATEMENT OF DR. AMITAI ETZIONI, DIRECTOR OF THE CENTER FOR POLICY RESEARCH, NEW YORK CITY, N.Y., PRESENTED BY MISS ELAINE DUTKA, ASSISTANT TO DIRECTOR

Miss DUTKA. Dr. Etzioni who is head of the center has taken ill and regrets he cannot be here with you. My name is Elaine Dutka and as his assistant I will read his prepared statement. Should you have any questions, I would appreciate you referring them to the center as I have not been directly involved in the research of this particular project and I would not want to misrepresent the findings of the study.

President Nixon's income maintenance plan would add an estimated \$4 billion a year to the welfare bills of the Nation's taxpayers. It would be paid for out of existing taxes and administered by the Government; the private sector would not participate.

However, it is essential to mobilize private industry to help solve domestic social problems. Private industry should not be exempted from social responsibility; for one thing, it has more resources than the public sector; for another, it is more efficient than the Government, in certain areas.

Clearly, some sort of antipoverty plan seems justified in this affluent Nation. Ideally, it should be able to distribute money more efficiently than do current plans, it should cost less, and, at the same time, it should be able to win support from middle-class citizens.

The center offers one possibility—an insurance policy which protects subscribers against poverty—specifically against the risk of their income from all sources falling below a specified minimum. To sustain the desire to work and save, the insurance would make up only half the difference between an agreed upon level of income and the actual income.

Two distinct policies would be issued; “job insurance,” providing benefits only for those temporarily out of work after they have provided proof that they cannot find a job; and “subsistence insurance,” for persons unable to work, such as many aged 65 or over, the permanently disabled, or mothers with two or more children under school age.

The plan would be issued on a national basis, administered by a new insurance corporation created for this purpose by a consortium of existing insurance companies, and run by a board of directors whose members would come from Government and private industry.

The premiums might cost from \$4 to \$9 a month per family subscriber, depending on the level of guaranteed income and the amount of congressional subsidy. Premiums would be higher if the plan were voluntary, lower, if it were mandatory. In a voluntary plan, Congress would have to pay part of the costs in order to keep the premiums from being too high and to cover persons who are already poor.

There is a good reason for insuring those who are not now poor. The popular idea that the number of poor people is gradually declining is far from accurate. Each year, it is estimated, a million people become poor. If they could protect themselves by taking out insurance against such a contingency, the load on all other antipoverty programs would be significantly reduced.

However, the plan could not tolerate continually open subscription rolls. There would be no motivation for the nonpoor to purchase the insurance policy if they could simply wait until the time when, due to some unfortunate circumstance, they became poor. For this reason, the right to apply for insurance at any time would have to be limited; for instance, the rolls might be opened to new subscribers only once every 3 years after the initial enrollment period.

The same insurance plan would also cover those who are already poor. When the plan is started, people with an income below the poverty line would be allowed to subscribe and to draw benefits immediately. This would, of course, significantly increase the cost of the program, and it is the reason why considerable public underwriting seems justified. In effect, for the already poor, the plan would be rather like an efficient, privately administered welfare system.

Since a large part of the costs would be covered by subscribers rather than by taxpayers, this plan would be less costly to the public

than any equivalent antipoverty program, and at the same time, would offer superior coverage and benefits. The size of the saving would depend upon the level at which the premiums are pegged, the number of nonpoor subscribers, and the number of newly impoverished who might be forced to draw benefits in any 1 year. In addition, the administrative costs of the antipoverty insurance program would run to not more than 2 percent due to the simple nature of the operation involved. There would be no need for an army of administrators but only for an adequate computer facility, for clerks, secretaries, and a number of investigating teams to verify claims. For a more detailed discussion of the cost of the program its payment plan and administrative setup, please refer to the written statement with which you have been provided.

Most welfare plans have tended to reinforce the feelings of inferiority inadequacy, and apathy of the poor, and have thereby helped to perpetuate poverty. But antipoverty insurance policies, subscribed to by poor and nonpoor alike, would carry no more stigma than other forms of insurance do now. For, unless the policyholders publicized it themselves, no one in a community would know who has antipoverty or even who is drawing benefits.

Furthermore, present welfare programs, frequently require complicated dehumanizing, and costly investigations by a large staff of social workers who examine the particular needs of each recipient and the way in which he spends his relief checks. The antipoverty insurance plan would merely require those in need to file a claim indicating the size of his family, the age and number of dependents, and the sources of income. Every 3 months, the claim would have to be refiled to continue payments. Instead of receiving specific allotments for the purchase of specific items, claimants would be able to use their payments as they wished.

One of the most vexing features of existing welfare schemes is that they reward those who desert their families or who have children illegitimately while they penalize those who get or stay married. The resulting damage to the family structure of the poor considerably increases the human, social, and economic costs of welfare.

Antipoverty insurance policies, therefore, would be issued in full only to families. When single, divorced, or separated men apply, or women without husbands, the amount available to each would not be larger than the total family allotment.

The previously mentioned alternatives of voluntary and mandatory plans require more discussion. Congress could rule that all citizens must subscribe to antipoverty insurance, as they do with social security. One advantage of this approach is that it would generate considerable income. The main disadvantage in making antipoverty insurance mandatory, however, is that it would be, in effect, a form of taxation. At present, public resistance to rising taxation seems so intense that a voluntary system seems preferable.

But will the nonpoor voluntarily subscribe to a policy that covers both high- and low-risk subscribers, with the nonpoor indirectly subsidizing the poor? Experience in other forms of insurance suggests that the situation is not without precedent—all insurance schemes have high- and low-risk groups, and the subscribers seem either unaware of this fact, or indifferent to it.

Our research indicates that many people would subscribe to anti-poverty insurance voluntarily, especially if the premium remained relatively low. The income of those in this group, although above the poverty level, is unstable and insecure; it varies considerably over time, and the variance is unpredictable. Many of the self-employed members of the so-called "old middle class" fall into this category—they include farmers, craftsmen, the owners of small businesses, and others. These people tend to be individualistic, proud, and very opposed to welfare, such people expressed a preference for buying insurance against poverty.

Among the salaried persons whom we interviewed, there was much less interest in such a policy than among the self-employed. The major exception, however, was among the salaried aged 50 and older. They seemed less sure about their income, especially since social security benefits are not large. People in this age bracket, however constitute almost 19 percent of the total population and a higher percentage of the adult population, the group to which insurance might be sold.

Most existing unemployment insurance plans cease after a specified number of weeks; antipoverty insurance would continue as long as necessary. Certification would be provided as is customary now, by State employment services, but the insurance corporation might want to set up its own placement and investigatory services. Thus, a by-product of antipoverty insurance might be the creation of private competition to the government employment services which are notoriously inefficient.

Any such placement offices set up by the antipoverty insurance company would serve mainly the unskilled, the aged, and members of minority groups, because they are disproportionately overrepresented among the poor and they are least helped by existing private employment services.

This mixing of the public and private sectors appears in several phases of our plan for an antipoverty insurance corporation. The program would be financed in part by consumers, in part by taxpayers. Although insurance policies might be issued by a mixed corporation with private and public representatives on the board, the policies would be administered privately. But in the process, the antipoverty insurance could draw on public labor exchanges for some verification of policyholders statements that employment is not available, and the corporation could turn to the State when there is need to penalize subscribers who make false declarations.

In this this realm of private-public mix, there is the possibility of another kind of public support. Many people have a weak, but not negligible, desire to fight against poverty in a charitable way. In this context, James Farmer, Assistant Secretary of Health, Education, and Welfare has suggested that bonds be issued to finance the development of America. Like defense bonds, development bonds would pay interest and have patriotic appeal. Similarly, the antipoverty insurance corporation should be entitled to float bonds in the hope that they would provide people with a relatively easy way to participate in financing the war against poverty.

The CHAIRMAN. Thank you very much.

Senator BENNETT. It is a very ingenious idea. I enjoyed reading about it.

The CHAIRMAN. Thank you very much.
 Senator HANSEN. I have no questions, Mr. Chairman.
 (Dr. Etzioni's prepared statement and a subsequent letter of Miss Dutka with attachment follow. Hearing continues on page 1430.)

PREPARED STATEMENT OF AMITAI ETZIONI¹

ANTIPOVERTY INSURANCE

President Nixon's income maintenance plan would add an estimated \$4 billion a year to the welfare bills of the nation's taxpayers. The plan is a variation of the negative income tax idea, a proposal until recently considered too radical even by many liberals. It would be paid for out of existing taxes and administered by the government; the private sector would not participate.

As I see it, private industry should be mobilized to help solve domestic social problems. It should not be exempted from social responsibility; for one thing, it has more resources than the public sector; also, it is more efficient than the government in some areas. Too often the discussion of public vs. private solutions to national problems is conducted on abstract ideological grounds. In the following pages I will try to make the "public vs. private" debate more concrete by outlining one particular way the private sector can share in solving one complex problem.

Clearly some sort of anti-poverty plan seems justified in this affluent nation, yet ideally it should be able to distribute money more efficiently than current plans, it should cost less, and at the same time it should be able to win support from middle-class citizens.

I offer here one possibility. It took shape during a study contracted by the Center for Policy Research for the Office of Economic Opportunity. The plan can surely be improved, but even in its present form it illustrates both the promise and the difficulties involved in mobilizing the private sector to fight poverty.

Imagine an insurance policy to protect subscribers against poverty, specifically against the risk of their income from all sources falling below a specified minimum. To sustain the desire to work and save, the insurance would make up only half the difference between an agreed-upon level of income (say \$4,500 a year) and the actual income.

Two distinct policies would be issued: "job insurance," providing benefits only for those temporarily out of work, after they have provided proof that they cannot find a job; and "subsistence insurance," for persons unable to work, such as the disabled. These insurance policies would replace some parts of the existing welfare system (like aid to families with dependent children), and supplement others (like Social Security).

The plan would be issued on a national basis, administered by a new insurance corporation created for this purpose by a consortium of existing insurance companies, and run by a board of directors whose members would come from government and private industry. The premiums might cost from \$4 to \$9 a month per family subscriber, depending upon the level of guaranteed income and the amount of Congressional subsidy. Premiums would be higher if the plan were voluntary, lower if it were mandatory. In a voluntary plan, Congress would have to pay part of the costs in order to keep the premiums from being too high and to cover persons who are already poor.

There is a very good reason for insuring those who are not now poor. The popular idea that there are X million poor people whose number is declining gradually is far from accurate. It is estimated that each year a million people become poor. If they could protect themselves by taking out insurance against such a contingency, the load on all other anti-poverty programs would be significantly reduced.

However, the same insurance plan should also cover those who are already poor. That is, when the plan is started, people with an income below the poverty line would be allowed to subscribe and to draw benefits immediately. This would, of course, significantly increase the cost of the program, and it is the reason why considerable public underwriting seems justified. In effect, for the already poor, the plan would be rather like an efficient, privately administered welfare system.

¹ Amitai Etzioni, professor and chairman of the Sociology department at Columbia University, is Director of the Center for Policy Research and author of *The Active Society*, published by the Free Press in 1968. The detailed documentation for this article can be found in the *Public Administration Review*, November-December, 1969.

Since a large part of the costs would be covered by subscribers rather than by taxpayers, this plan would be less costly to the public than any equivalent anti-poverty program, and at the same time would offer superior coverage and benefits. The size of the saving would depend upon the level at which the premiums are pegged, the number of non-poor subscribers, and the number of newly impoverished who might be forced to draw benefits in any one year.

Most welfare schemes have tended to separate people into two sharply divided camps, those who work and those on relief. Moreover, they have reinforced the feelings of inferiority, inadequacy, and apathy of the poor, and have thereby helped to perpetuate poverty. But anti-poverty insurance policies, subscribed to by poor and non-poor alike, would carry no more of a stigma than other forms of insurance do now. For, unless the policy-holders publicized it themselves, no one in a community would know who has anti-poverty insurance, or even who is drawing benefits.

Many existing welfare programs require complicated, dehumanizing, and costly investigations by a large staff of social workers who examine the particular needs of each recipient and the way he spends his relief checks. The anti-poverty insurance plan would merely require those in need to file a claim much like the one people file after an automobile accident. The claimant would fill out a simple form, indicating on one side the size of his family, including the age and number of dependents, so that the proper income need could be determined. On the other side of the form, all sources of income would be listed. Every three months, the claim would have to be refilled to continue payments. Instead of receiving allotments for the purchase of specific items, claimants would be able to use their payments as they wished.

The administrative costs of the anti-poverty insurance program would run to not more than two per cent, due to the simple nature of the operation involved. There would be no need for an army of administrators, but only for an adequate computer facility, for clerks, secretaries, and number of investigating teams to verify claims. Unlike case workers who seek detailed and intimate information from each client, investigators would check only a sample of the claims filed; they would not attempt to determine how money is spent but only to verify specific claims about loss of income and lack of employment.

There would be some cheating; its level would depend on how vigorously verification is carried out. Initially, fairly thorough checking might be necessary until the public image of the program had been established. Later, not much more checking than that employed on Internal Revenue returns or other insurance claims would be needed. Still, some cheating might go uncaught; but the plan could live with a certain amount, as other systems do, merely by adding its expense to the costs of the program. In any case it would cost too much to eliminate cheating entirely.

The plan could not, however, tolerate continually open subscription rolls. There would be no motivation for the non-poor to purchase the insurance policy if they could simply wait until the time when, due to some unfortunate circumstance, they became poor. For this reason the right to apply for insurance at any time would have to be limited; for instance, the rolls might be opened to new subscribers only once every three years after the initial enrollment period.

One of the most vexing features of existing welfare schemes is that they reward those who desert their families or have children illegitimately, while they penalize those who get, or stay, married. The resulting damage to the family structure of the poor considerably increases the human, social, and economic costs of welfare. It also has caused abuses like the notorious midnight raids in search of "unauthorized" men on the premises of mothers of dependent children.

Anti-poverty insurance policies, therefore, would be issued in full only to families. When single, divorced, or separated men apply, or mothers without husbands, the amount available to each would not be larger than the total family allotment. Thus, if a husband and wife with two children received an annual income of \$3,000 according to the terms of the insurance plan, then individuals would be eligible to receive only part of the \$3,000; for example, a mother might receive \$2,300 and a single man \$700. These amounts are quoted only as examples; the annual income would be increased without violating the principle of fractional payments to single people.

The previously mentioned alternatives of voluntary and mandatory plans require a more detailed discussion. Congress could rule that all citizens must subscribe to anti-poverty insurance, as they do with Social Security. One advantage of this approach is that it would generate considerable income. Even if the pre-

mum were initially as low as \$1 a month, the yield would be \$2.16 billion per year (assuming a 90 per cent compliance rate for the population of 50 million families, projected for 1970). If the premium were higher, let us say \$8 a month, the income would amount to \$4.32 billion.

The main disadvantage in making anti-poverty insurance mandatory, however, is that it would be, in effect, a form of taxation. At present, public resistance to rising taxation seems so intense that a voluntary system seems preferable.

But will the non-poor voluntarily subscribe to a policy that covers both high- and low-risk subscribers, with the nonpoor indirectly subsidizing the poor? Experience in other forms of insurance suggests that the situation is not without precedent. All insurance schemes have high- and low-risk groups, and the subscribers seem either unaware of this fact or indifferent to it. One example should suffice: large groups of middle-class people, especially civil servants and white-collar workers, subscribe to Blue Cross and Blue Shield. Even though the same rates are charged to small and large families, the large families, many of which are poor, utilize many more services; yet few complaints have been raised about this by subscribers with high incomes and small families, even after the recent increase in rates. Although in the case of anti-poverty insurance the high-risk group would be particularly visible—since all of the poor subscribers are expected to draw benefits—it could also be made clear to subscribers that much of the extra expense was being covered by Congressional appropriations.

Our research indicates that many people would subscribe to anti-poverty insurance voluntarily, especially if the premium remained relatively low. The income of those in this group, although above the poverty level, is unstable and insecure; it varies considerably over time and the variance is unpredictable. Many of the self-employed members of the "old middle class" fall into this category; they include farmers, craftsmen, the owners of small businesses, and others. One indication of how unstable income is for many members of this group is that only about half of all new businesses opened in an average year (more than 450,000 in 1968) survived more than 18 months. Casualties resulting from this devastating fatality rate are unlikely to be left either with an income or with a sense of security.

These members of the old middle class tend to be individualistic, proud, and very resistant to welfare plans. After analyzing a Gallup poll released to me for further study, I found that while 57.8 per cent of laborers favored a negative income tax, only 16.7 per cent of farmers, 23 per cent of sales people, and 23.7 per cent of those in business said they could give it their support. Being both economically insecure and opposed to welfare, such people would probably prefer to buy insurance against poverty. In informal interviews conducted with members of this group in three American cities, most stated they would prefer to rely on poverty insurance, rather than on either the state or their children and relatives, in case of need. These people had a certain amount of anxiety about the future, anxiety that might be relieved by the insurance policy proposed here.

The old middle class is fairly sizable now and is expected to grow. In 1960 the United States had 7.1 million managers and proprietors; the projected number for 1975 is 9.6 million. The 1960 census for sales people was 4.4 million (6.1 million by 1975), and the number of craftsmen and foremen in 1960 was 8.6 million (with 11.9 million estimated by 1975). Not all, but certainly many of these have variable incomes. What percentage would be interested in such an insurance plan cannot be predicted without direct market research; but one can state with confidence that they constitute a potentially large market.

Among the salaried persons whom we interviewed, there was much less interest in such a policy than among the self-employed. The major exception, however, was among the salaried aged 50 and older. They seemed less sure about their income, especially since Social Security benefits are not large. About five million people aged 65 and over are living in poverty even by the Social Security Administration's definition; and the aged are a very large and rapidly growing population. It is estimated that the United States now has 39,076,000 people 65 and older, 10,585,000 of them 65 and older. People in these age brackets constitute almost 19 per cent of the total population and a much higher percentage of the adult population, the group to which insurance might be sold.

So far, the plan's payment arrangement has only been alluded to. As mentioned earlier, two kinds of insurance would be issued by the new corporation: "job insurance," for those able to work, and "subsistence insurance," for those

who cannot work. Both would assure the subscriber that his income would not fall under a specified level. To keep persons above this rock-bottom line once their income falls below it, the insurance plan—if it were set at the level of federal government support suggested by President Nixon—would pay a penniless family of four \$1,600 per year. A family whose income is \$3,000 or more would draw no benefits, and families with an income somewhere in between would receive half the difference between their income and \$3,000. Thus, a family whose income is \$1,250 would receive \$875 (half of \$1,750) from the insurance corporation.

These figures—which are lower than those suggested in practically all other anti-poverty schemes—are used deliberately, because they correspond to the income levels proposed by the Nixon plan. Additional amounts for larger families could be built into the insurance plan, and the difference in living costs between residents in urban and rural areas could be taken into account. The same plan could produce higher levels of income, with the poverty line pegged at \$3,000, at \$4,500 (as Leon Keyserling has suggested), or more.

The level of income maintained must not be confused with the cost, per person, of the program. Few people have no income at all and only for them would the cost per person equal 100 per cent of the rock bottom, or 50 per cent of the top, begin to draw, line. For all others, the formula is top line (e.g., \$3,000) minus income from any source, divided by half. Even if the top line were to be set at \$6,000, it would require payment of less than \$3,000 to most poor families, who have some income.

The subsistence insurance would be available to those unable to work—including many aged 65 or older—and to the permanently disabled. I suggest that mothers with two or more children under school age should also qualify for subsistence insurance, and that mothers whose children are younger than nine should be expected to work only half-days.

Able-bodied persons would be able to subscribe only to job insurance, drawing benefits for periods when they are unable to find work. Most existing unemployment insurance plans cease after a specified number of weeks; anti-poverty insurance would continue as long as necessary. Certification would be provided, as is customary now, by state employment services, but the insurance corporation might want to set up its own placement and investigatory services. Thus, a by-product of anti-poverty insurance might be the creation of private competition to the government employment services, which are notoriously inefficient.

Any such placement offices set up by the anti-poverty insurance company would serve mainly the unskilled, the aged, and members of minority groups, because they are disproportionately overrepresented among the poor, and they are helped least by existing private employment services.

The purpose of the "deductible" feature of the insurance—paying half the difference between a person's actual income and a specified poverty level—is to sustain the motivation to work. Many of the jobs available to people just above the poverty line are far from attractive; if a somewhat lower income were available to the unemployed, many workers might trade their jobs for a lower-paying alternative like anti-poverty insurance. Although such persons would have to certify that they could not find work, the strong temptation to "bum it" at \$3,000 instead of working to earn \$3,500 would put too much strain on the certification mechanism. It is unwise to set up a system that rewards cheating. A person anxious not to work could get himself fired from three or four jobs in a row; after that, most labor exchanges would be reluctant to send him elsewhere, and would be inclined to certify his incapacity to find work.

Several social scientists believe that the income assured by some proposed anti-poverty schemes—let us say \$3,000 a year (\$60 a week) for a family of four—is so low, and the pressures of our society to aspire to higher standards of living so great, that most people would not avoid working. The theory is that although there might be some who could earn \$3,500 or \$4,000 but would be tempted to draw insurance, foregoing the additional comforts \$500 or \$1,000 could buy, most people would aspire to goods and services demanding an income much higher than \$3,000, and hence seek work.

Still, the ambition of lower-income groups is not strong, and although they may aspire to a living standard supported by an annual wage of \$6,000 or more, they may despair of their ability to achieve it. Hence, some might choose to live on a low anti-poverty insurance income rather than work for more money. In addition, many just below the poverty line, who earn, say, \$2,500, and who draw welfare or insurance benefits, would be very reluctant to work since any increase in their income would be, in effect, taxed at 100 per cent (their higher income

causing an equivalent reduction in insurance or welfare payments). It is for this reason that several states now allow welfare clients to keep part of any additional income up to a specified level, so that they are gradually, instead of abruptly, phased out of welfare.

The deductible feature of the anti-poverty insurance plan is in line with this conception. Thus, if out-of-work subscribers should find employment, they would get to keep 50 cents on the dollar up to a top income of \$3,000. Above this level they would keep all of their earnings and, of course, would no longer draw insurance.

This 50 per cent figure seems to be the most practical. The lower the fraction of new income a worker is allowed to keep, the less powerful would be his motivation to seek work. Yet if the fraction is too high, it would encourage workers to draw insurance benefits and work part-time indefinitely, making sure that they do not earn more than the top income that would disqualify them from receiving benefits. For example, if the payment figure is set at 80 per cent, a person who earns \$4,000 can deliberately lose his job and receive \$1,500 insurance. If he then works part-time and earns \$1,750, his total annual income would be \$1,500 plus 80 per cent of \$1,750, or a total of \$2,900. That amount would not disqualify him from receiving insurance; yet by working part-time he could earn only \$1,100 less than when working full-time.

Therefore, 50 per cent or so seems to be the acceptable mid-point between these two undesirable extremes. It might be possible, of course, to set up a sliding scale; subscribers would be permitted to keep 75 per cent of the first \$1,000, 50 per cent of the next \$1,000, and 25 per cent of the third \$1,000. But those trying hardest to advance would be the most sharply penalized; in addition, many more verification headaches would be created. Hence the 50 per cent payment seems the most practical.

The cost of an anti-poverty insurance plan may be estimated as follows: to guarantee all families an annual income of \$1,600, the amount called for in the Nixon proposal, would cost \$1.6 billion. To keep an estimated 250,000 non-poor families from falling into poverty each year, supplementing their declining incomes by an average of \$750 per family, would cost an additional \$187.5 million. After adding two per cent for administrative expenses, the total cost of this minimal program would be \$1,822,740,000—less than \$2 billion.

To cover these costs without any Congressional appropriations, in a mandatory insurance plan similar to Social Security, would require a premium of only \$3.30 a month (assuming 50 million families and a 90 per cent compliance rate). If the program were voluntary, and there were 20 million subscribers paying \$6 a month, Congressional appropriations would have to be \$382 million per year.

The guaranteed income in the Nixon proposal is rather low. With a higher guarantee, the costs of the insurance plan would rise sharply. For instance, to bring both poor and non-poor subscribers up to the level of \$3,200 a year immediately would cost an estimated \$11 billion. The reason is that there are many more people who earn \$1,600 a year than there are people who earn \$3,000 a year; the insurance plan would have to make up the difference. The table below estimates some of the costs involved:

Annual family income guaranteed	Total costs* in billions	Monthly premium	Million subscribers	Congressional appropriations in millions
\$1,600.....	\$1,821	\$3.30	45	0
\$1,600.....	1,821	6.00	20	\$382
\$1,600.....	1,958	6.00	15	879
\$1,600.....	1,958	8.00	10	999
\$3,200.....	11,600	8.00	30	\$,660
\$3,200.....	11,600	8.00	20	9,620

*Includes 2 percent administrative costs and, in the bottom four figures, a 5.5 percent profit cost discussed on the following page.

In the preceding projections, we assume that if the benefits were greater, more people would be willing to subscribe and at a higher premium, even if the program were voluntary. Naturally, these are rough estimates, and are hardly the kind of data upon which the insurance industry could make a firm commitment. Still, the figures demonstrate this plan's efficiency in comparison with others.

It was suggested earlier that the anti-poverty insurance plan be administered privately, specifically by insurance corporations. They would offer lower administrative costs and greater efficiency than any branch of federal, state, or city government. This is not to suggest that private corporations would run all domestic social programs more effectively than government agencies; but private industry has demonstrated superiority in the administration of "income transfers." Here we are presented with a comparison between one of the most streamlined industries, the insurance business, and one of the least efficient, most confused, and most highly demoralized of government operations—the welfare system. The superiority of the private sector here seems obvious.

Should the insurance corporation be allowed to make a profit, or should it carry the program at cost, as a public service? Profit, of course, would not only encourage insurance companies to participate in the program; it would also promote efficiency by providing an incentive for keeping down costs. If we allow 7.5 per cent of administrative costs and profits, the lower the cost the higher the profit. On the other hand, if the anti-poverty insurance plan were carried at cost, as a public service, the industry's reputation would be enhanced as having helped solve a major social problem. Secondly, the plan would introduce a very large number of people—several million at least—from lower-income groups to the habit of buying insurance. We do not know exactly what percentage of poor people has never purchased insurance, but the following figures may give some indication. Only 11 per cent of the poor are covered by pension plans (compared to 40 per cent of all families); three fifths of the poor have no hospital insurance; and even Social Security reaches only about half of the nation's poor families.

In theory, any one insurance corporation could issue anti-poverty policies. We suggested instead the formation of a new corporation created specifically for this plan, to be established by a consortium of all the companies that wish to participate. To the extent that the multi-billion dollar plan proved profitable, it would be unfair to allow one company to gain a strong lead in the field, especially since the program would be partially subsidized by public funds; and, to the extent that risks are involved, they would be better shared as broadly as possible.

Membership on the board of the new corporation might be in direct ratio to the financial investments of the various insurance companies; the board should include federal participation in proportion to the share of the costs underwritten by Congress, and it might also include members representing the interests of the plan's subscribers.

The shape of this corporation suggests a mixture of private and public sectors. In areas where the simple profit motive does not operate because the production of a good or service cannot be financed solely by consumers, there have arisen various new corporate entities, mixes of private and public efforts. Comsat, the public utilities, the Federal National Mortgage Association ("Fannie Mae"), and the low-interest, government-guaranteed student loan program are all examples. This is not to suggest that all these mixes have been successful, or that in each case the mix has proved to be more efficient than "purely" private or public operations. But we no longer can disregard programs created out of both public and private elements.

This mixing appears in several phases of our plan for an anti-poverty insurance corporation. The program would be financed in part by consumers, in part by taxpayers. Although insurance policies might be issued by a mixed corporation with private and public representatives on the board, the policies would be administered privately, just as other kinds of insurance policies are. But in the process, the anti-poverty insurance could draw on public labor exchanges for some verification of policyholders' statements that employment is not available, and the corporation could turn to the state when there is need to penalize subscribers who make false declarations.

In this realm of private-public mix, there is the possibility of another kind of public support. Many people have a weak, but not negligible, desire to fight against poverty the charitable way. In this context, James Farmer, Assistant Secretary of Health, Education, and Welfare, has suggested that bonds be issued to finance the "development" of America. Like defense bonds, development bonds would pay interest and have patriotic appeal. Similarly, the anti-poverty insurance corporation should be entitled to float bonds in the hope that they would provide people with a relatively easy way to participate in financing the war against poverty.

CENTER FOR POLICY RESEARCH, INC.,
New York, N.Y., September 2, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I was encouraged by the interest you evidenced in our proposal for an anti-poverty insurance company. As you requested, I am enclosing a more detailed explanation of the plan which I discussed in testimony before the Senate Finance Committee's hearing on welfare reform, Monday, August 24, 1970.

The concept of an insurance policy which would insure recipients against their income falling below a specified level originated from a study which the Center did for the office of Economic Opportunity. It has gained editorial endorsement in over twenty newspapers across the country and was referred to in *The New York Times* (May 18, 1970) as "a viable alternative to President Nixon's Family Assistance Plan."

This article should be supplementary to the copy of the testimony which was distributed at the hearing. If you are not in possession of a copy of the testimony and wish to obtain one, or if you have any further questions, do not hesitate to contact Dr. Amitai Etzioni, Director of the Center for Policy Research and chief investigator in the study, or myself.

It was a pleasure speaking with you and I want to thank you for your interest.

Sincerely yours,

ELAINE DUTKA,
Assistant to the Director.

[Reprint from the *Public Administration Review*]

Antipoverty Insurance: A Mode Of Private Sector Participation

AMITAI ETZIONI, *Columbia University*
with

CAROLYN O. ATKINSON AND SARAJANE HEIDT, *Center for Policy Research*

SURPRISINGLY, GIVEN THE NEW REPUBLICAN ADMINISTRATION'S EMPHASIS on involving the private sector, the proposals it has thus far suggested for dealing with the nonworking poor rely exclusively on the public sector. They include a new federal food stamp plan; a seven per cent increase in social security benefits; the Finch proposal (a modified version of the negative income tax) which would "federalize" the welfare system; and the Burns plan which would rely on the expansion of day-care facilities, job training, and other existing welfare schemes by relying on the federal and state governments.

We suggest a plan which would provide for the involvement of the private sector, specifically the insurance industry, in the struggle against poverty in a way which is described in detail below. There are many reasons to involve the private sector. Those we find the most compelling are: the private sector is affluent while the public sector—especially on the domestic side—is impoverished; the private sector has particular competence and experience in administering insurance programs, attributes which hopefully would make this plan more efficient than the notoriously inefficient existing welfare arrangements; and private sector in-

In working on this study, the authors benefited from a study they are conducting for the U.S. Office of Economic Opportunity and from the comments of Walter Williams, James Lyday, Robert Harris, Denis Johnston, Edward C. Sylvester, Jr., and Irving Kristol.

» This article presents a plan for bringing the income of poor families up to the poverty line. The plan is a kind of antipoverty insurance administered by a consortium of private insurance companies and a public authority; it, thus, has the advantages both of public control and of involvement of the private sector. Two types of insurance are proposed: job insurance for those seeking work or whose present jobs do not earn an income sufficient to bring them out of poverty, and subsistence insurance for people who are unemployable. The features of this plan are discussed here in detail.

volvement would help legitimate an expanded war against poverty. While the support for Negative Income Tax is increasing, it is still favored by only a minority of Americans; the most recent Gallup poll on the subject, published on January 5, 1969, found 32 per cent of a national sample in favor of this plan.¹

The plan proposed here attempts to develop an approach to poverty which is broad in scope, covering all the poor rather than one category or another; it deals with some aspects of the poor's needs, specifically their lack of income, but is not all-encompassing (e.g., it will not provide psychotherapy for some poor children who need it); it entails no measures which stigmatize the poor; and it can be implemented within a *short* period of time—one to two years.

We propose the establishment of an insurance corporation composed of a consortium of

private agencies which would benefit from some federal underwriting. This corporation would issue a policy guaranteeing the policy holder against poverty by assuring him of sufficient income to bring him above the poverty line if he is unemployed or unemployable or if his work provides only poverty wages. Thus, basically, the insurance is not designed to *replace* income from work, but to *supplement* it where this is justified.

Main Features

Specifically, the J&S (Job and Subsistence) Corporation will issue two kinds of policies: job insurance and subsistence insurance.

Job Insurance

This policy is for those who are able to work but unable to find work, or who require training or retraining before a job can be obtained, and has the following provisions: *it will provide income during the period of looking for a job or of training for jobs and while waiting for jobs to be found.* If relocation is necessary to obtain a job, payment of the *costs incurred in moving to the new job will be reimbursed.* If the policy holder is employed but at income below the poverty line, the policy will guarantee *to bring the total income to the poverty line.* Of considerable importance is the fact that male heads of poor households in the normal working ages (22-54) are not simply waiting for the next check to arrive from the government. Over 55 per cent of such persons are working fulltime 40-52 weeks a year, and are poor in spite of it.²

Subsistence Insurance

This policy, for those unable to work, will guarantee a subsistence income. This will be available as an option, along lines and conditions specified below, to the aged, children, permanently disabled, and some categories of mothers. This policy will also make up the difference between a person's income and the poverty line, but no documentation that work is unavailable will be required.

The job and subsistence insurance program will be financed by premiums, federal funds, and antipoverty bonds, as detailed below.

The present approach differs from social security, family allowance, and other systems which seek to aid the poor in that it delivers *all* of its benefits to the poor rather than giving substantial shares also to the nonpoor.³ While our scheme has many similarities to the Negative Income Tax, it differs from it in that it is explicitly tied to a work program,⁴ is to be administered by the private sector, will be financed in part by voluntary payments of the nonpoor, and will provide the *nonpoor* with a psychic "income": a policy which protects them from the fear of poverty. The significance of this last feature should not be underestimated. The reason that antipoverty systems which pay heavily off target are found attractive by political leaders is that systems which pay out only to the poor are politically "unnatural" in that they draw for their support chiefly on altruism, while the preferred schemes mix self-interest with altruism. We also seek such a mix, but our schemes "pay" to the nonpoor in the only other major coin politics has to offer—a psychic relief.

The Two Types of Policies

Subsistence Insurance

Subsistence insurance (*for the nonemployable*) will be available to persons who are 65 years of age or older, children, the permanently disabled, and unemployed mothers of young children.

With regard to the latter, we have taken no definitive position on which age categories children must fall into for mothers to be eligible: should it be children who have not completed their high school education, children under age 16 (the age at which minors may legally hold a part-time job), children under 6 (preschoolers), or some other classification? If the argument is that mothers should be encouraged to work (during the hours when children are in school, or by placing preschoolers in day-care centers where educators can attend to them), then one category of eligibility would follow logically. Another would apply if it is held that mothers ought to be encouraged to be at home until their children are grown so that the emotional stability and character formation of the children will not suffer. Which category

should be chosen can be informed by empirical research yet to be conducted, and will be significantly affected by the availability and quality of day care facilities.

For the time being, we suggest that subsistence insurance would at least cover *mothers who have one or more preschool-aged children* (especially since day care centers are in very short supply) *and mothers of three or more children* whose housework would be more than sufficient to occupy them. Other poor mothers may qualify for job but not subsistence insurance.

Job Insurance

Job insurance (for the unemployed but employable and the employed who earn poverty wages) *will supplement the families' incomes to raise them above the poverty line.*

Nonrecurring allotments for moving expenses will be paid to families moving to locations at which new (or better-paying) jobs are available, if those are farther away than a specified distance (or commuting time). The costs of training and retraining for a new (or better-paying) job will be reimbursed.⁵ Unlike the income paid to an individual while he is looking or waiting for a job, training, retraining, and moving costs will be a loan to be repaid in small installments once the family income has been .50 per cent above the poverty line for a year. Interest will not be charged.

If no jobs are available in the existing economy, new public jobs may be created such as teaching assistants, or museum guards to keep museums open for longer periods. While in general it is considered less expensive to disperse welfare than to create a job which will produce the same income, such is not necessarily the case for public jobs, because little capital investment is needed. Work-study programs provide a precedent and a model. The insurance company may make matching grants to organizations which provide new public jobs (thus helping the public sector which is poor, too).

While the J&S Corporation may initiate and promote the creation of new jobs, the upgrading of jobs, training, etc., such activities would not be its major responsibility, but rather those of other national bodies and local authorities.

The Relationship Between the Two Policies

Which policy—job or subsistence—is appropriate for a given case would be determined by the ability to work of the head of the family *and* of other members. Thus, if a man were permanently disabled but his wife worked, the family would not be able to draw subsistence insurance. But if the income earned from work were not enough to bring the family above the poverty line, job insurance would supplement it. If, however, no family member were able to work, the family would be eligible for subsistence insurance.

Those who are not required to make themselves available for jobs—children, aged, permanently disabled, and some categories of mothers—are entitled to subsistence insurance. If they do work, they can draw job insurance. Thus, these categories of applicants can in effect choose between the two. Those who are required to work cannot, under the conditions specified above, gain subsistence insurance; to draw benefits they must demonstrate that they cannot find employment or that the jobs they have provide only poverty wages.

Discussion

The Insurance Policies

While both kinds of insurance policies are aimed at providing the poor with an income to move or keep them above the poverty line, *one policy is aimed at approximately half of the poor who are employable* (many of these are already employed but at poverty wages), *and the other policy is to benefit the permanently disabled, aged, children, and other nonemployables* (many of whom comprise the less than 25 per cent of the poor who are on relief).

The policies will be issued to heads of households for their families and will be available to single-member families, e.g., an aged widower, as well. The policies will include features which would discourage youngsters from leaving home and families from "dumping" aged relatives: (1) If a family put out an aged relative, the household's income would fall, as it could not draw payments for members not living within the household. (2) If the aged left the home, they would neither lose nor gain in payments as they would draw the same

amounts; the disincentive to move would be generated by the fact that their expenses would rise if they had to establish their own households. (The relatively less stringent bar to leaving home here seems justified by the fact that some aged are abused in their children's homes and should therefore not be penalized for leaving.) (3) If youngsters seek to leave home before they are of age, no policy would be available to them.

Eligibility

Every American citizen or permanent resident will have the right to purchase one of the two policies. There are two primary means by which people who are not poor can be encouraged to subscribe to the insurance. First, this insurance could be made mandatory, as in the present social security system. This would serve to provide the corporation with a substantial income (discussed below).

Second, if the program is voluntary, participation in it could be encouraged by stipulating that persons may receive payments only if they have been subscribers for at least three years (or some other period to be specified), or that it will be possible to subscribe only once every three (or some other number) years, with the first subscription date being the initiation of the program. Policies will cost \$4 a month or \$48 per year per family, regardless of family size.

Poor people will receive the insurance without having to pay a premium *when it is first issued*, and will draw benefits immediately. After the initiation date, the premium will be deducted from their payments, hardly a significant loss. People who fall into poverty after the initiation date and have not insured themselves will not be covered, which ought to encourage purchase of the insurance at its initiation.

The receipt of benefits will require no investigation or examination (i.e., our scheme differs considerably from most welfare systems on this point), *but only a declaration of the size of the family and the level and sources of income.* The statement will be in the form of an affidavit and shall be resubmitted every six months. Such an affidavit would constitute a *much* less detailed document and involve a much smaller invasion of privacy than does the income tax

return which most citizens file. Penalties for violation of regulations would be similar to those for falsification of income tax returns. Random checks of affidavits as well as checks of "abnormal" ones could be made in the same manner as those made of tax returns.

Students, who often are included in poverty figures and benefit from unemployment compensation and work-study programs, would be eligible for job insurance only if they were unable to work (disabled) or so poor that they were willing, under the provisions of job insurance, to combine study with work offered to them. This insurance should not be an indirect means of financing higher education. If aid to higher education is desired, it should be financed through other channels.

What should constitute *income to be declared* poses a few problems. We suggest that it include all income from work, dividends and interest, capital gains, welfare and social security benefits, and a rough estimate of income in kind. People who do not pay rent but own their own homes or are provided free lodgings should be considered to be receiving a specific, fixed monthly income. Hence, the declaration would have to include a simple statement indicating residential arrangement.

People who have assets other than a house, e.g., land, stocks, bonds, in excess of an amount to be specified (let us say, an amount which would produce income above the poverty line if invested at five per cent a year) should not be entitled to draw benefits, but would of course be allowed to purchase the policy against the possibility that their assets might decline. Hence, the declaration should include a statement of the estimated total value of assets at market prices.

Benefit System

Benefits are to be paid on a national basis, both to facilitate administration and to allow for geographical mobility to where the jobs are without affecting the level of payments. Since the levels of benefits will be identical for all regions of the country, there would be little incentive to move because of one area's higher benefits. This might well help to decelerate the movement of poor people into a few large urban centers, which are already overcrowded;

—would, in most cases, probably not be diminished to any significant extent.

Of course, where work pays poorly and is extremely taxing or very tedious, this tendency would be less likely to hold. Here, the J&S insurance program may serve the additional function of exerting some pressure to raise minimum wages and make work less alienating. To the extent that such reforms are not made, the cost of the insurance program will increase. The society would, in effect, have chosen to expend a few percentage points of its annual budget on relief rather than change its work structure.

For all of these reasons, we would rather use a scale which allows people to retain up to two-thirds or three-fourths of their new income from work but which pays nothing to individuals whose steady income is relatively high, than a scale which allows a lower retention rate but spreads the benefits higher into the income structure.

Those who draw payments from their job insurance must be willing to accept work offered by the local employment agencies or public work, the government being the employer of "last resort." Where work is not available, those who draw benefits must make themselves available for training and/or related educational programs. In situations in which setting up the necessary facilities for public work, training, or education is not practical, receivers of benefits may be exempted from this requirement by representatives of the J&S Insurance Corporation. Past experience (e.g., with Title V of the Economic Opportunity Act) suggests the inadvisability of establishing training centers for jobs which are not available or for makework public projects. Work should be related to real community needs, and training to jobs the trainees may eventually hold. Otherwise recipients should be exempted from this stricture.

As stated earlier, J&S insurance is meant to supplement rather than to provide an alternative to or substitute for any existing programs—federal (e.g., social security), state, local, and private. On the contrary, the costs of J&S insurance can be reduced by introducing it, for example, simultaneously with the expansion of social security payments and coverage and the upgrading of minimum wage levels.

While it may seem that once this program is in effect it will tend to drive the others out and, thus, its costs will be inflated, we are confident for several reasons that this will not be the case. First, Congress, which would provide part of the funds for the J&S insurance, is most unlikely to reduce the minimum wage levels it has established by law but for which it does not provide the funds. Second, social security will continue "as usual" (if not at higher rates), since the millions of people who have already paid into this program will hardly tolerate its abolishment or even reduction. Third, the same holds for most existing programs of pensions and workmen's compensation as well as for veterans' benefits.

It is expected that some states and cities—especially in the poorer parts of the country—will reduce their welfare payments and unemployment benefits when the antipoverty insurance is initiated. However, the poor will not suffer since the job and subsistence benefits would substitute for those previously gained from local programs. Further, the poor's dependence on existing public systems, which are often abusive, would be lessened. The plan will, though, in effect provide some "hidden" transfer of payments from the federal government to state and local authorities. Such a transfer, with no strings attached and within the limits involved, may well be desirable in its own right and is a small price to pay for the launching of the program.

While of only peripheral concern for our purposes, we might suggest here that states, cities, and private agencies be encouraged to invest their funds in providing personal services, day-care centers, area development, etc. While lack of money is poverty's most salient characteristic, it is not its only ingredient. Hence, state and local welfare systems should be professionalized in such a manner as to allow them to focus on personal services, e.g., voluntary budget counseling, and on the creation of a "second schooling system" to help the disadvantaged to catch up.

Administrative Considerations

The antipoverty insurance would be administered by a consortium of the larger insurance

companies which obviously have the most experience in such matters. As the difference between the insurance plan's income and its expenditures will be made up by congressional appropriations, the insurance companies should join with the federal government to establish a joint corporation. Votes on the corporation's board should be proportional to investment in the corporation.

It is, of course, necessary that incentives be given to private insurance companies to participate. For that reason, among others, the program is thus far flexible. We are discussing the plan with insurance companies to learn of their ideas with regard to participation. If the program must be made attractive to them to gain their participation, a cost-plus feature could be worked out for private insurers, which would, of course, add to the costs of the program. If one is less concerned with making the program attractive to private insurers, one could appeal to their sense of public duty (and public relations) and point out the fact that large groups which are not now insurance-conscious could be educated to the advantages of insurance by the J&S program at no expense to the private sector.¹

We have already mentioned the revenues accruing to the program from premiums, repaid loans, and congressional appropriations. There remains one major source of revenue to discuss, namely, antipoverty bonds. James Farmer has suggested in another context that government-guaranteed bonds ought to be issued to provide "seed money" for local development corporations. Like Series E Defense Savings Bonds, the bonds would mature in seven years and pay 4.5 per cent interest. He would call them Martin Luther King development bonds. If such bonds, here called "antipoverty bonds," were issued to finance an antipoverty drive, we expect that many people would buy them as their contribution to the effort. The amount of funds which could be raised by issuing antipoverty bonds is difficult to foresee. If it be large, the initial costs of the program would be reduced, although the later expenditures for interest payments would have to be added.

Remaining costs and revenues are still to be computed on the basis of further research

and consultation with economists. We feel, however, that the following points are relevant considerations.

We strongly favor an initially "low" poverty line, such as the one set by the Council of Economic Advisors. Although we believe that this poverty line ought to be upgraded substantially (and will be, as have even lower lines in the past), a modest start is essential to get the program launched. However, so long as the amounts that higher poverty lines would involve are not available, the use of the existing definition assures that we give our attention first to those most in need and only later to the "near poor." (Even more modest beginnings than those suggested here can be conceived within the confines of this approach. If initially we were to issue policies only to families with children, the cost would be about \$1.65 to \$2.5 billion.)

Moreover, the society—increasingly disappointed over the inefficiency of its social programs—needs a "success experience." Were it able to eliminate "deep" poverty, as we know it now, a basis would be provided for model programs for the near poor and so on, toward the systematic elimination of all poverty. The experience of social security indicates that successful programs can quite readily be expanded.

Twelve billion dollars given to the poor would raise them all to the poverty line as presently defined by the Council of Economic Advisors.² Poverty declines in an average year (despite the recent slowdown) by at least one per cent due to an increase in the GNP and related developments.³ Since the \$12 billion figure was for 1964, and assuming implementation of the J&S program in 1969, the figures would be reduced by 5 per cent: \$12 billion minus \$0.6 billion equals \$11.4 billion. Thus the basic cost to bring all poor to the poverty line would be \$11.4 billion. From this figure, one would have to deduct any increments made in minimum wages, social security benefits, and other such programs; payments to students now counted as "poor" (who would be excluded from our program); and income from premiums paid for policies, which would amount to \$480 million for every 10 million subscribers.

AN ESTIMATE OF COSTS OF THE FULL PROGRAM

1. Difference between 1969 income and poverty line	\$11.40 billion
2. Expected income increases due to improved benefits, social security, and minimum wage legislation	-2.00
3. Excluding students	-0.45
4. Income from policies (assuming 30 million subscribers at \$48)	-1.44
5. Reduction in public assistance	+1.50
6. Administrative costs: 5 per cent of 11.4	+0.57
7. Educational and job betterment activities	+0.10
8. Income from bonds minus interest	-0.75
Total estimate	\$8.93 billion

Costs would be increased if and to the extent that state, local, and other programs are cut back as the J&S program is introduced. We found no way to predict realistically the extent to which this would occur other than to suggest, for reasons discussed above, that we expect their reduction to be limited.

To the basic costs, we must add those incurred in the administering of the program, which should represent a lower percentage of the total than do costs for welfare programs. The costs of guaranteeing the loans and of educational and job betterment programs must also be added. The budget for these will be small initially.

Note that the costs are likely to decrease each year because of general improvement in the GNP; the educational and job betterment activities are likely to increase in scope but will reduce the other costs of the program; income from bonds may not increase over the years while costs (due to interest payments) will increase; and all estimates are naturally quite rough.

The cost of the program can be decreased by increasing the premium (even \$72 a year would amount only to \$6 a month) and by requiring coverage by all families. Approximately 50 million families at \$72 per family would yield \$3.6 billion income from premiums. This would reduce the federal outlay to \$6.77 billion. Benefits, of course, cannot be decreased if the goal of the program is to bring all of the poor out of poverty.

If full coverage of all families is not sought, the cost may be reduced any way one chooses. We recommend that in such a case, programs

be introduced for special groups, especially families with children, rather than have benefits lowered across the board. The main point to be stressed, however, is that whatever levels of benefits and categories of beneficiaries are chosen, if it is carried out via the mechanisms of antipoverty *insurance*—it will cost significantly less as well as reap the political benefits of involving the private sector. For instance, the Finch program is reported to entail bringing families of four only to the income level of \$1,500 (one-half the way to a conservative definition of the poverty line). The costs of this plan are reported to be \$1.6 billions.¹⁰ But if this plan were to gain funds only from 10 million subscribers at \$48 a year and \$0.5 billion worth of bonds, and no cost reduction were to result from administering it via the private sector, the costs to the taxpayers would still be reduced from \$1.6 billions to \$0.62 billion a year.

Comparison to Other Approaches

The job and subsistence insurance approach is *comprehensive* in that it covers all poor people. It is *not demeaning* but does provide effective checks against cheating. It *encourages employables to work* but also fully covers the nonemployables without penalty.

The scheme suggested would cost much less than a family allowance which has the same benefit level, and delivers only "on target." But it does provide a "payoff" to the nonpoor in the form of an inexpensive security against poverty, a symbolic source of emotional security. It involves private business. It does

not involve social workers. It has a simple and relatively inexpensive administrative structure.

The program can either be continued until all are brought above the poverty line through other means—e.g., a rise in GNP—or extended at will, as the poverty line is upgraded. The program can be adapted to serve only specific categories of poor, e.g., children; however, we favor its being used to bring all of the poor up to the poverty line in the immediate future.

Notes

1. No direct mention of the negative income tax was made. The question reads: "As you may know, there is talk about guaranteeing every family an income of at least \$3,200 a year, which would be the amount for a family of four. If the family earns less than this, the Government would make up the difference. Would you favor or oppose such a plan?"
2. Statement by Robert A. Levine before the Subcommittee on Fiscal Policy of the Joint Economic Committee, June 10, 1968.
3. Alvin L. Schorr estimated that in one particular year (1962) while \$820 million of federal housing subsidies went to the poor, \$2.9 billion subsidized housing for those with "middle income or more." "National Community and Housing Policy," *The Social Science Review*, Vol. XXXIX (December 1965), p. 434.
4. We have no recent indication of what the public would feel about such a scheme. Asked in 1942 if the government should provide "compensation for everyone unable to work until he can find work," the majority (58 per cent) agreed, while a minority (34 per cent) disagreed. (AIPO, July 1942).
5. We are indebted to Dr. Herbert Stein for the observation that it will be in the self-interest of the J&S Corporation to find work for or train for work those who are unemployed, of course only so long as the costs involved do not exceed the costs of paying them insurance.
6. Walter Williams and James Lyday, "The Case of a Negative Income Tax," in *The American Child*, Vol. 48, No. 3 (Summer 1966).
7. James N. Morgan and his colleagues found in a national study that three-fifths of the poor had no hospital insurance at all. Only 24 per cent of families with a disabled member were covered, compared to 76 per cent of those with no one disabled. A University of Michigan study showed that one-half of the families in poverty did not receive any form of transfer payments, including social security. Pensions help even fewer: only 11 per cent of the poor had private pension help, compared to 40 per cent of all families. Finally,

- only 23 per cent of the poor receive public assistance. These studies are cited by Martin Rein in "The Strange Case of Public Dependency," *Transaction*, March/April 1965. It is not surprising that for those insurance schemes for which we have information, the poor are much less "covered" than the nonpoor.
8. Joseph A. Kershaw, "The Attack on Poverty," in M. S. Gordon (ed.), *Poverty in America*, (San Francisco: Chandler, 1965), p. 56.
9. Herman P. Miller, "Changes in the Number and Composition of the Poor," in Gordon, *op. cit.*, pp. 88-89.
10. *The Wall Street Journal*, May 26, 1969.

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The CHAIRMAN. That concludes today's hearings and then we will meet again tomorrow at 10 a.m. Thank you very much.

(Whereupon, at 3:30 p.m., the hearing was recessed until 10 a.m., Tuesday, August 25, 1970.)

FAMILY ASSISTANCE ACT OF 1970

TUESDAY, AUGUST 25, 1970

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

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

Present: Senators Long, Anderson, McCarthy, Ribicoff, Harris, Byrd of Virginia, Williams of Delaware, Bennett, Jordan of Idaho, and Hansen.

The CHAIRMAN. Good morning.

The committee will come to order.

This morning we are pleased to hear from the Honorable George McGovern, Senator from South Dakota, and chairman of the Select Committee on Nutrition and Human Needs.

Senator McGovern, we are pleased to have you.

STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MCGOVERN. Thank you, Mr. Chairman and members of the committee.

It is a special pleasure for me to appear before this committee to testify on the administration's family assistance plan. The administration's initiative in this area has opened an opportunity for all of us to participate in what can be a truly historic step forward in the fight for an adequate and dignified program of public assistance in America. I know that this is something all of us desire, though we may have some differences over the details. We all want to make sure that family assistance is a really workable reform of the present system, not simply another flop which disappoints Americans who support it through their taxes and Americans who hope to improve their lives through its benefits. There is no question of the good intentions of the administration in proposing this measure. But we all know where good intentions alone may lead. The potential significance of this legislation requires that it be given the most searching inquiry. I know that this committee is doing just that and I hope my remarks here today will be of some help in that regard.

Before discussing the details of the program itself, however, I would like to respond to what I feel have been some unnecessary and unjustified remarks emanating from various quarters of the administration. Since family assistance passed the House of Representatives, administration spokesmen have repeatedly charged that its final pas-

sage by the Congress is being obstructed by liberals. I am frankly mystified by these charges, for, as best as I can tell, it has been the so-called liberals who have been consistently in the forefront of those supporting family assistance. Admittedly, this support has been expressed with reservations but the support has been there nevertheless. In fact, the administration's criticism of those who basically support its effort makes one wonder about its understanding of the legislative process and its seriousness about enacting legislation. Let there be no doubt about this fact. Liberals want a public assistance reform just as badly as its most vigorous proponents downtown. But they want a bill that will really work. And, I for one, have serious doubts that the administration proposal, unless significantly modified, will work. Let me just add, in passing, that this committee is performing an important service to us all in exposing the discrepancies between the realities of family assistance and some of the more extravagant claims that have been made for it. Family assistance is no panacea for the varied ills of our society. It can be one reasonable and practical step forward, however, in the development of a larger national income maintenance strategy.

Mr. Chairman, as you know, I have been personally interested in the poverty-related problem of hunger and malnutrition in this country and have had the privilege of chairing the Senate Select Committee on Nutrition and Human Needs.

One of the major efforts of that committee has been to press for an expanded food stamp program that will reach every hungry family in the United States until their cash resources are adequate.

At this point in time, only some 6 million persons participate in the food stamp program, which is well less than half of the number of hungry people in the country. Least understandable to me is the failure of many recipients of public assistance to participate in our food stamp programs, and we believe that failure is often due to separate administrative structures that make it difficult for potential participants to become involved in the program.

I see the mechanism of family assistance as a means of insuring that food stamps reach every needy family, and to that end I have some time ago offered an amendment to the House bill, H.R. 16311, that I have referred to as the simplified food stamp distribution system. That would combine the administration of family assistance and food stamps in one program.

This amendment, I believe, helps fulfill the President's pledge "to put an end to hunger in America itself for all time. It would insure that every public assistance family at least receives a minimum income of \$2,400, the basic \$1,600 under family assistance and \$800 from the food stamp program.

The administration has already announced its intention of taking a step in the direction of my amendment by permitting family assistance recipients living in food stamp areas to "check off" whether or not they want to buy stamps. But this does not do anything to the assistance recipients now dependent on unsatisfactory surplus commodity distribution programs.

I see no reason why assistance recipients in commodity counties should not also have the right to check off their desire to receive the stamps. Not only would this amendment take us further in assuring

that food assistance reach all in need, it would result in millions of dollars saved through streamlined administration.

In other words, Mr. Chairman, the recipient would receive the family assistance allowance and the food stamps in the same envelope as an automatic provision.

I know that this committee has spent a considerable amount of time discussing problems of work incentives and disincentives, much of the debate centering on the so-called notch problems or loss of benefits that may result from increased income. It has been brought out that the food stamp program, when considered along with family assistance, creates one of these so-called notches. FAP, incidentally, represents an improvement over the present arrangement. It is possible to diminish the size of the notch by technical changes in the food stamp schedule changes that do not damage the integrity of the program. But failing that, I must say in all candor, I prefer the small risk of a notch disincentive to the risk of millions of needy persons being deprived of food assistance.

It is for that reason I am disturbed by the revised food stamp schedules submitted to your committee by the Department of Health, Education, and Welfare. They appear on pages 46 through 58 of the committee's June publication, "The Family Assistance Act as Revised and Resubmitted."

A close look at those tables, Mr. Chairman, reveals that all earned income would now be counted for purposes of calculating a family's food stamp purchase price and bonus stamps. Under the present system for calculating income, a recipient is allowed certain mandatory deductions, and \$360 of exempt income, to arrive at a net income for purposes of food stamps.

Under FAP we were originally told there would be \$60 a month or \$720 a year of exempt income that a family could receive without losing full benefits under the food stamp program. But, as I read these HEW charts, they indicate that any earned income at all would mean an immediate rise in the cost of food stamps to that recipient, and an immediate reduction to him in the value of the bonus stamps.

Mr. Chairman, that would work a particular hardship on those aged, blind and disabled persons who have some small source of income beyond public assistance, and those AFDC mothers who do part-time work.

For example, in New York City alone, I understand the eligibility of 750,000 to perhaps a million persons would be affected. Nationally the figures may run into millions of people who would have their food stamp bonuses reduced under these new schedules that have been submitted by HEW to the committee.

The revised schedule would not apply to all of those persons once FAP goes into effect.

The \$110 assistance benefit for single persons, for instance, puts some of those persons beyond the food stamp program eligibility.

But we have reason to believe, Mr. Chairman, that the administration intends to implement this new food stamp schedule shortly, perhaps in September, although I am not certain of the exact timing on that. Thus those persons now using the program would be penal-

ized for future program accommodation, and it is those who do take the initiative to secure a little earnings who will suffer most.

As I understand it, you could not earn \$1 beyond the welfare payments without losing some of your food stamp benefits under these new guidelines.

Now, if this is the kind of revision the administration actually plans, I would have to serve notice that I would oppose it as vigorously as I could. We worked very hard in the Senate over the last year and a half to secure adequate food stamp coverage. We passed strong legislation in the Senate, and I could not permit any weakening of that food stamp program anything that would set back the day when we put an end to hunger in the United States. That seems to me to be the first order of business.

Family assistance must be used as a means to make sure that people are adequately nourished, not as a means to deprive them of nutrition to satisfy some mathematical formulation.

Let me speak for a moment directly to the issue of the notch problem and work. I do not believe that many Americans want a free ride on the dole. Welfare, with all the stigma attached to it, is not a very attractive alternative to self-support through work. Most people do not choose to be maintained by welfare unless they have no other reasonable choice.

The notch problem is not new. There have always been points at which earned income in some amount would mean the end or sharp reduction in welfare and in-kind benefits. People do not reject earned income and accept public assistance. For most poor people the welfare categories established by law do not permit the able-bodied that choice. For the others, the only work available too often does not provide them with the kind of security they need to keep body and soul together.

I believe that whether people work or do not work is more a function of our manpower and education policies, and the general condition of the economy, than it is a function of some mathematical formula dreamed up by the economists.

I believe the availability of jobs at living wages constitutes a real work incentive, and lack of jobs or jobs only at unfair wages are the real work disincentives, and that ought to be the central reality that we keep focused on, Mr. Chairman.

The question of whether people will quit welfare to take work or quit work to take welfare has always been with us, and I think the answer the poor have always given us is that they will work when work is available, especially when that work offers real security. That is the key; work security is the basic need of every human being. It is most important to people who have spent their lives on the edge of insecurity, on the edge of hunger, of homelessness, and poverty.

I heartily support real work incentives, but I oppose the kind of work incentives that in reality only protect the idea of cheap labor in our country. The real answer to encouraging poor persons in America to work is to build into any work requirement the fundamental protections that our great labor organizations have struggled so hard to win, namely, safe working conditions, living wages, retirement and sickness benefits.

The answer to the question of how to encourage the poor to work does not lie in how we phrase a work requirement that harasses and humiliates the poor. But provide the jobs and the wages and I think the poor will solve the notch problem or at least all but a very small part of it.

Now, other Senators are offering ways to meet that problem. Senator Nelson has proposed a program of public service employment so that decent jobs at livable wages will be available.

Mr. Chairman, if there is any one criticism I have of the way the administration has presented its program, and there is much that is good in this program and that has been said about it, it is the apparent implication that if we just talk enough about work incentives or write in enough restrictions that we are going to force people to take jobs. I do not think that is really the problem.

The problem is to provide the jobs, to see that decent work opportunities are available, and then I think you will find that people will leave these welfare rolls voluntarily and take responsible jobs that are available to them.

Within the family assistance program, Senator Harris and Senator Ribicoff have also proposed that jobs be provided, and I believe their efforts should be supported. Decent work opportunity is one of the really great strides forward that we could take in this country towards assuring the dignity of our citizens.

I myself hope to address this problem of a sense of security, at least in part, with an interim amendment I have offered to enable welfare recipients to move more easily from public assistance to employment and back to public assistance when that is necessary.

As I have followed the proceedings before this committee, I could not help being reminded of the welfare debates that have taken place since I have been in Congress. You will remember them as well. In 1956, we voted for the first Social Service amendments as a solution to the welfare problem. In 1962, we voted again for service amendments. In 1967, I recall very vividly the work requirements tied to the work incentive program and the provisions for finding deserting fathers. Each time the debates have been the same and so have been the results—rising welfare rolls and costs. Each time the hope that we will turn welfare recipients into earners and taxpayers proves hollow. If I am skeptical that the administration's Family Assistance proposal will solve our problems, it is because all the proposals of the last 15 years have made the same claim, and for mechanisms very similar to what we are asked to vote on this year.

There are really three central issues in this year's debate: How we will treat work, how much money we will spend on the program, and who is going to administer whatever program emerges.

Let me make a few more comments about the work question.

As I said, I have no quarrel with work incentives. I believe welfare programs should be designed to encourage people to take jobs. I have no quarrel with providing training and day care for those who are able to work. I do have serious quarrel with the idea of using our public assistance program to institutionalize low wages, to institutionalize unsafe working conditions, to institutionalize bad labor practices. To do that is to freeze the poor into permanent welfare status with no hope of being released from its terrible dependency.

Let me expand on this just a bit.

In 1969 there were nearly 5 million poor families; 3.2 million of those families had one, two, three or even more wage earners, and yet they were poor. Even Secretary Richardson tells us that 39 percent of our poor families were headed by a fully employed worker whose earnings were, nevertheless, less than a poverty wage.

Just last week a small news story held that half a million Federal employees earned wages below the poverty line.

Given these facts, I find it difficult to understand why the Congress should make it legal, and virtually inevitable that millions of American households be supported through a system of welfare payments rather than through a system of adequate wages.

If we had adequate wages and a mechanism to compensate for family size, that is a children's allowance, we would have no working poor.

That brings us to the matter of what is an appropriate referral for work. I believe it is sound to require that job referrals be mandatory only at the higher of either the prevailing wages for such work in an area, or the Federal minimum wage.

Senator Harris has made such a proposal and I intend to support it.

At the same time, if we took the single step of raising the minimum wage to \$2 an hour, a full-time worker would then earn \$4,100 a year. At least one estimate, and I believe it is conservative, indicates that this would result in better than a half-billion dollar saving in payments, welfare payments, to the working poor.

But it is not just the dollar amount that is at stake. Other protections have been built into our labor system to protect workers from exploitation. Specifically, recipients of unemployment insurance have been granted a variety of safeguards which I would find it unacceptable to omit. But at the very least, we must restore that language guaranteeing that referrals would be made only to suitable work or training.

Mr. Chairman, I am at a loss to understand why that was eliminated in the House, that phrase that if we are going to build in work requirements, they be limited to suitable work? Why institutionalize these bad labor practices that we ought to be trying to eliminate from our society?

There are now many individuals who fall between the cracks in our public assistance-labor market system. There are partially disabled adults who do not qualify for public assistance and cannot get or hold jobs. There are men and women in their sixties, not yet old enough to qualify for Social Security or Old Age Assistance, living in areas where the only income available is from stoop labor in the hot sun, work for which they are really not physically able. There are individuals too blind to get jobs and not blind enough for public assistance standards. It is these who will be exploited if we do not write employment protections into the Family Assistance program, and it is their children who will suffer with them.

It is not enough to recognize that there are unpleasant jobs in any society. Of course there are, and somebody has to fill those jobs. But we must also recognize that in some parts of the country public assistance would be denied to mothers who refused to work for 60 hours a week as a domestic help while their children are said to be in adequate day care if an older neighbor child looks after them.

It is likewise true that in some parts of this country men with brown lung, for whom return to the textile mills or coal mines would prove fatal, would be denied assistance if such jobs existed.

There are places in this country where assistance is now, and would in the future, be denied to everyone when a fruit or vegetable crop was due for harvest. There are migrant and mining camps in this country in which conditions are admittedly substandard in such basic areas as housing, sanitation, and water supplies. Those jobs—mining, manufacturing, harvesting—may indeed be required by society. But if that is true, then those jobs should be performed when workers are involved only if their rights are protected, rights to work and live in physical safety with reasonable standards of labor and working conditions provided.

Mr. Chairman, liberals have been charged with wanting to increase the amount of money in family assistance to an unreasonable level. But I do not think that is really the problem here. I fully appreciate the inflationary pressures in our economy and the need to keep a lid on Federal expenditures, and it is the reason I voted against some proposals that we have dealt with in recent months that I think contribute nothing to our national security but do add in a very painful way to inflationary pressures. But what I cannot understand is why the real human needs of our people, the things that ought to come first, health, education, and welfare, why those are sacrificed to inflationary pressures rather than some other less important programs.

Be that as it may, I believe there is some money within the limits of this year's budget which can and should be applied to improving family assistance.

For instance, I understand that HEW now estimates it would not implement family assistance before July of 1972 or even later. Why then could not money earmarked for startup costs in 1971 be used to restore State benefits for intact families with an unemployed parent present, or to create actual jobs, or to expand day care opportunities more rapidly?

Another improvement that will not cost more money this year or next, but which would insure the ultimate success of the system, would be built-in steps to raise the basic payment to the Federal poverty line by 1975 or steps toward higher Federal payments, but reduced State burdens over a period of time. Simply put, this is not a question of how to use available money in the first year of the program, but a commitment to a better program in the future.

Now, the last issue I want to mention is the administration of the program. It often seems to me that we operate our welfare programs on a principle of reverse responsibility. We have given the most significant discretionary controls in welfare to that level of government which contributed the least to its financial support.

Under AFDC, local governments exercised most control and yet paid only about 10 percent of the cost. States controlled the rest and bore about 30 percent of the cost. And Washington picked up the bill, issued regulations and gave advice, but really did very little by way of actual control of the programs.

Now there was once good reason for this, Mr. Chairman. Originally Federal programs were simply adjuncts to State efforts. But with the introduction of the family assistance program and an expressed com-

mitment to a single national uniform program, I believe there is good reason to correct this imbalance. If the Federal Government is paying the bill, then the Federal Government should have the most to say about how the program is run; and we ought to move now to make sure that this is so. If we permit the program to be turned over to the States lock, stock, and barrel from the beginning, it is not going to be easy 3 or 5 years hence to get the program back under Federal direction. For this reason I am offering amendments to eliminate the option for full State operation of the program as well as the third-level option of county-level administration. As long as States continue to share the financial burden of the program then shared Federal and State administration makes some sense. But county control makes no sense at all. Full Federal administration makes the most sense because only through unitary control will State-by-State variations be eliminated. I think Federal administration is necessary from another perspective, as well. There has been much talk in recent weeks of national standards as though standards would of themselves insure national uniformity.

While it is true that national standards are important and necessary, standards alone are not enough. Without Federal administration it will still be possible, within broadly set limits, for States and localities to exercise discretion in the operation of the programs.

Let me say, in conclusion, Mr. Chairman, that the time has come for reform of these welfare programs, of the inadequate, the inefficient, demanding system of public assistance.

The administration has very definitely proposed an improved program, and we have the opportunity here in the Congress to further improve on it.

I hope we will all have an opportunity to vote on a final measure which includes the improvements I have outlined today and that other Senators are vigorously pursuing.

I hope we will not face the choice of voting for a measure that does not include these improvements; that does not truly reform the present program, because I do not believe that kind of measure merits our enthusiasm and support.

Mr. Chairman, I am sorry that statement took as long as it did, but there were points there that I have not had a chance to make before this committee and I did want to get them into the record.

The CHAIRMAN. Senator, I think I agree with your objective. Generally speaking, I think we are trying to do pretty much the same thing, although we might differ on how we are trying to do it.

From your statement, I take it that you would propose that a woman should be permitted to decline to do domestic work and still draw the full amount under these welfare programs.

Senator McGovern. Well, no, I would not go that far, Mr. Chairman. What I said is that if you are going to build in a work requirement it should be at wages that represent either the Federal minimum or at the upper end of the accepted wage scale for that type of work in that area, and that there be protections governing the conditions and hours of employment. In other words, I am trying to suggest to the committee that some kind of language should be worked out, perhaps I have not hit on the right formula, that would build work incentives into the program but not permit local employers to exploit that situation by requiring people to take jobs at an unfair wage level.

There ought to be some provision written into the program that would protect that mother or that person against exploitation at the penalty of losing any of her welfare payment or losing her chance for employment.

The CHAIRMAN. It gives me no problem at all to agree that a person who goes to work doing something ought to be making a lot more, making more than they are going to make if they stay on welfare.

I sponsored that proposal in 1967—and I wish they could have gotten more—which said they could keep the first \$30 they make plus a third thereafter.

Senator McGOVERN. I think the principle is sound.

The CHAIRMAN. I would like to have it more than that, perhaps let them keep the first \$50 plus 70 percent thereafter.

Senator McGOVERN. I agree with that.

The CHAIRMAN. That appeals to me, that in no sense should a person be worse off. If he works, he ought to be better off, I think we can agree on that.

Senator McGOVERN. Yes.

The CHAIRMAN. It does give me a problem when we are looking at the area where an employer expects and receives a lot of good solid work for that minimum wage and, after all, that is about the basis upon which we fix a minimum wage—

Senator McGOVERN. Yes.

The CHAIRMAN. That is expected to be what we are paying for some fellow who is really out there heaving and doing a hard day's work, let's say at a sawmill.

And I have some doubt that we ought to try to guarantee a minimum wage to a person who is not working. Somebody ought to put him to work doing something. I personally have difficulty buying the argument that we ought to guarantee that man a minimum wage when he is actually doing nothing.

Senator McGOVERN. Mr. Chairman, either that or some provision to protect him by reference to hours and to the total condition. I cited the example of a mother of small children who in some areas of the country could be required, if the language stays as it is, to take a job maybe where she would work for 60 hours a week as a domestic, and the only chance she would have of anyone to look after her children might be a neighbor's girl or something, an older child in the neighborhood. I think there ought to be some leeway written into this program to protect people against exploited conditions of that kind.

That is all I am saying, and I am not wedded to the particular language I have suggested here but I like that phrase "suitable work" that was in the original proposal.

I think it is too bad that the House struck that out. I wish this committee would give some thought to putting it back in. I would not be pressing this so hard if we could get that phrase back in: That when you require a person to take an available job at least that it be "suitable" work, in the context of our unemployment insurance history.

The CHAIRMAN. Here is the House language, though. It seeks to describe what the House would regard as suitable. The wages, hours or other terms or conditions of work offered must not be contrary to or less than those prescribed by Federal, State or local law or substan-

tially less favorable to the individual than those prevailing for similar work in the locality. Now that seems fairly reasonable to me.

How does that sound to you?

Senator McGOVERN. Well, Mr. Chairman, what it does, it strikes out accepted practice that has been built into such programs as unemployment insurance. I am not saying everybody has got to have an air-conditioned office to work in but I think that in striking out the protections embodied in the phrase "suitable work," we have opened up this program to the possibility that people could be exploited under the work requirements in accepting work that permits unscrupulous employers to take advantage of that requirement.

The CHAIRMAN. We are faced with this thing, though, that somebody has to do this work. You have referred to stoop labor, a person who has to stoop over to harvest, let's say, tomatoes, cucumbers, things like that.

Senator McGOVERN. Yes.

The CHAIRMAN. Somebody has to do it.

Now, if you are not going to ask a welfare client to do it, you are going to have to ask somebody who is paying taxes to support that welfare client to do it. How would you handle it?

Who is going to do it?

Senator McGOVERN. It is not just the concept of requiring a welfare recipient to do it; it involves both the kind of welfare recipients, and the conditions of employment. If you write in a blanket requirement here without reference to age or health or the condition of the worker you could have a situation where you are requiring people who are handicapped, who are aged, who are not quite old enough to qualify for old age assistance, to do that kind of work or else lose their welfare protection.

They may not be physically qualified to do it.

The CHAIRMAN. I at one time had the experience of a crew in the Navy, Senator McGOVERN, where I got one castoff from everybody else's ship. Everybody, of course, gave me the fellow that he most preferred to get rid of in his crew. I had difficulty getting some of these fellows to do the work so sometimes out of a sense of frustration I would throw on a pair of dungarees and do it myself and have them sit there and watch me do it.

There was another officer, called Cookie Johnson, who couldn't get a cook for his crew, so he was the cook for his crew. Somebody ought to be willing to turn to and do that painting or swab up the place or do what needs to be done before he asks a fellow who is paying for it to do it for him, it would seem to me.

Senator McGOVERN. I agree, Mr. Chairman. But wouldn't you agree with me that there are frequently in these migratory situations, stoop labor situations, shocking conditions of housing, of sanitation, or the lack of it? These are conditions that no person ought to be asked to tolerate. I think we ought to be careful about writing into Federal law a provision that would permit those conditions to go uncorrected because we force people to take that kind of work or else lose protection under the welfare program.

That is all I am saying. Of course somebody has to do that kind of work but let's not use the welfare program to institutionalize unfair, and unsanitary, and unsafe working conditions.

The CHAIRMAN. Well, Senator McGovern, I am in favor of trying to upgrade all this migrant labor that you are talking about, trying to pay those people better, a lot better, and I think this bill should help them. If not, somebody should offer an amendment so that we try to provide that every person working is working under conditions that would be regarded as humane or desirable or at least not undesirable such as you are thinking of.

But having tried to upgrade these low paid jobs to the greatest extent that we can, how can we very well say that we expect somebody who is not being helped by society to work to do that work for the benefit of somebody who is being helped by society?

Senator MCGOVERN. I do not think you do make that requirement. There is no way you can force people to work.

What I am concerned about is that you take the pressure off the employer to improve conditions if you build requirements into the welfare program that strip people off those welfare rolls at the penalty of starvation—unless they take whatever is offered to them in the way of work. I think you release one of the pressure points toward better working conditions if you are not very careful about how you draft this work requirement into our welfare program.

Now, admittedly it is very tough. I see the chairman smiling, and I know it is tough to draft language, but this committee has a lot of wise men on it and I think it is possible to work out language that would accomplish what you want to do in terms of work incentives without taking the pressure off in these areas where work conditions need to be improved. They need to be improved by people who have enough independence, with some protection from the welfare program, so that they are not forced at the penalty of starvation to take whatever is available.

That is all I am saying.

The CHAIRMAN. Well, I am just trying to find the kind of standard that we should be trying to move toward. I have not been in a city yet where I have not seen demonstrated the need for getting a waiter, a dishwasher, someone to work in a restaurant.

There is need for that kind of help all over the whole country. I have done a lot of dishwashing, I still do some dishwashing. I sort of like it, I think it is good for you.

I have mopped a lot of floors and I can still move a broom around. Do you find anything wrong about that kind of work?

Senator MCGOVERN. No, I do not.

The CHAIRMAN. Because it seems to me that we ought to ask people to take those kind of jobs that are available in every community in America before we ask their neighbors to pay taxes to support them without working.

Now if the job does not pay enough, I think we ought to add something to it. But I do think that we ought to ask them to take the job rather than live entirely on the taxpayer.

Senator MCGOVERN. That is correct.

Let me pose a hypothetical situation. I am in favor of dishwashing and floor mopping and all those things.

The CHAIRMAN. You would do it, too, if you cannot get somebody to do it for you.

Senator MCGOVERN. Yes, I have done a little of that.

What I am suggesting to the chairman is that you may have a situation where a restaurant does need a dishwasher and there is a mother with five or six children who is suffering from physical impairment of some kind that makes it difficult for her to do that. Maybe it is hard for her to find someone to look after the children or maybe she has some other handicap. Maybe there are conditions associated with the job that make it hard for her to do that except in jeopardy to herself. I just think you have to be careful how you draft these work requirements so that you take care of situation like that and not force that mother to give up her welfare payments or take a job that in the long run would do more harm than good.

The CHAIRMAN. Let me ask you this: Under your amendment, the food stamps would be added on the full Family Assistance payment without any contribution of the family. If you are going to do this why wouldn't it be just as well to simply increase the amount of cash payment and not bother with the stamp process?

Senator McGOVERN. It would be fine with me, sir. If you could get that payment up equal to that, I think cash is as good or better than food stamps anytime.

The CHAIRMAN. In other words, it would be all right with you just to go ahead and provide the cash instead.

Frankly, I find myself thinking, in trying to provide for the needs of people, that it might be well to add the money we spend on commodities or food stamps would be to the amount available to the program and pass it out simply in cash.

Senator McGOVERN. I have no quarrel with that. Once this cash payment comes up to a level where people can meet the reasonable needs of their families, I would lose any further interest in the food stamp program.

The CHAIRMAN. If they have enough cash most of that, at least a great deal, will be spent on food.

Senator McGOVERN. That is right.

The CHAIRMAN. Presumably if they have enough cash to provide for their food needs they will spend for food what they need on food.

Senator McGOVERN. Yes.

Actually, the poor people do a better job of stretching their dollar than the more comfortable income families do.

They do a much better job. Even in terms of what they buy for food, they will buy dollar for dollar more nutritious foods than a rich person would.

The CHAIRMAN. Thank you, Senator.

Senator Anderson.

Senator Williams.

Senator WILLIAMS. Senator, you have made some interesting suggestions here to the committee, and they will most certainly be considered.

I notice that in presenting these recommendations you also expressed concern over the adverse effect that inflation has had on the working poor and those on poverty and so forth. A suggestion has been made to our committee that in order to offset the inflation, the danger of inflation, we include with this bill revenue producing measures which would finance it.

I notice that your food stamp bill would add a billion and a half estimate to the cost, and we recognize the merit that that has—but if the committee decided to do that, finance some of this, what recommendation would you have for that?

Senator McGOVERN. Actually, Senator, my own estimate of the cost of the food stamp amendment, is that it would not appreciably increase the cost beyond the amounts that the administration now plans on spending for stamps. This is because the minimum income level of most participants would be raised to \$1,600 by Family Assistance.

I would not have any quarrel with financing mechanisms, Senator. If in order to keep our outgo in balance with revenues we need to increase the taxes, I would support that.

I would prefer to see us adopt that principle when we go to war as a means of financing increased wartime costs. I think that in the same sense that we ask young men in time of war to make special sacrifices, if necessary to give their lives, we ought to call on all of our citizens to make some sacrifice in the form of wartime taxes.

The Senator will recall I came before this committee a couple of years ago and urged such a tax, a wartime excess profits tax, thinking that was a more just way to finance these increased budget costs. I think it makes more sense than arguing that when we add a few million dollars to welfare purposes that that is the time to call for special taxes.

But, recognizing this is an imperfect world and we do not always get the kind of tax structure we would like, if it is necessary in order to take care of the welfare and food needs of the American people that we increase taxes, I would support increased taxes for that purpose.

Senator WILLIAMS. Well, I appreciate that suggestion and I am one who agrees with you in times of war the first step we should take would be some method of helping to finance it.

Senator McGOVERN. Yes.

Senator WILLIAMS. And I was rather critical of the failure of the Congress and the administration when the Vietnam war broke out not to do it.

Senator McGOVERN. Well, the Senator was absolutely right on that and I support his position.

Senator WILLIAMS. I pointed out in the Korean war, and World War II those steps were taken and, as you will recall, it was only after the President, President Johnson, was unable to get anyone in his own party to introduce his bill that I introduced the administration's bill to raise taxes for him because I thought we needed to do it in order to control inflation. I was glad to do it even though I finally persuaded one member of his party to join as a cosponsor to help get that through.

Now the war is over and that is behind us.

Senator McGOVERN. I would not say that.

Senator WILLIAMS. We hope it is so.

At least I am not willing to recognize it is going to be continuing, and what form of taxes would you suggest now? It has been suggested that the restoration of the 5-percent surcharge across the board for corporations and individuals would just about meet the cost of this bill, but maybe it would take 6 percent with your amendment. Do we have any other—

Senator McGOVERN. I am not going to let the Senator have it both ways. If the war is over that reduces the budget by \$26 billion and I would see no need for a tax increase if we are going to save \$26 billion next year.

Senator WILLIAMS. I do not, either. And I do not think that either one of us is going to. We may kid some of our constituents but we are not going to kid ourselves individually that we are going to save \$26 billion next year because until you get the men home and discharged you don't stop that payroll.

We had at the close of last year a deficit of \$13 billion and it is estimated that next year it will be about \$20 billion, and I wondered if you had any specific recommendation. We do have to get down to specifics as to how we could finance some of this to avoid the inflationary danger.

I know you have been concerned about this over the years and so have I.

Senator McGOVERN. Yes.

Senator WILLIAMS. It would be easy for me particularly to pass this over because I won't be here next year. But I think we should meet this because our committee or any committee when we find a meritorious proposal that will cost \$1 billion or \$10 billion, whatever it is, if it is really meritorious, I am willing to vote for the taxes to finance it. I know it has been your principle, and I am just asking for guidance if you have any in that direction at this time.

Senator McGOVERN. Well, I would not want to make any specific recommendations on new taxes. I honestly believe that if we could do a better job of selecting our national priorities—I hate to use that overworked phrase but that really is the nub of the problem—if we could follow the suggestion of the distinguished Republican whip, Senator Griffin, the other day and delay the SST, if we could curtail the war costs, cut back on some of these other military operations that I think really contribute very little to our national security but contribute a great deal to inflation, I say to the Senator in all seriousness, I do not think any tax increase would be necessary, and that is why I have not really focused on that part of the problem.

All I am saying to him is if these efforts fail to eliminate some of the costs in our budget, and we continue on a very high level of spending, I would be prepared to support increased taxes rather than to see these deficits continue because I am very disturbed about it.

I suppose just a straight increase in the income tax would be the best way to deal with it.

Senator WILLIAMS. Well, I won't pursue this further. We are confronted with the situation we so often meet in this committee. I notice the recommendations which certainly have a lot of merit for spending are rather affirmative and I could not help notice there are big ifs—if we can avoid taxes, if this happens or that happens. But the fact is that there is only one or two ways to bring our budget in line. One is to reduce spending and the other is to raise taxes.

Senator McGOVERN. Yes.

Senator WILLIAMS. I for one have always felt that if I advocate increased spending in an area, I should be willing to recommend taxes as a method of financing along with it. I think every committee has a responsibility to advocate it, and I think it is a proper question to ask those who are recommending that we increase spending, that they also

recommend revenue for these. And when I go back home and other members go back home we can tell our constituents what we gave them and we can also tell them what it cost them at the same time. I think it is a responsibility in fairness that all members of Congress have to their constituents.

Senator MCGOVERN. Let me just say before the Senator leaves that point that the amendments I have suggested here, for the most part, are designed to improve the administration of the program, with the exception of the food stamp amendment, which would cost some additional money.

The others are largely administrative changes that I do not think would add materially to the cost of the program.

Senator WILLIAMS. I think that is correct, yes.

The food stamp plan, and I was not saying this critically of the food stamp plan—

Senator MCGOVERN. No, I understand.

Senator WILLIAMS. The food stamp plan did have an estimate of a billion and a half, and a billion and a half is money that must come in some form from the taxpayers. Mathematically it figures out about each billion dollars represents about a 1-percent increase in the tax burden, corporate, individual, across the board, each time we add a billion dollars, we are talking of just about a 1-percent increase in taxes. That is what I was trying to bring out.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. Mr. Chairman, I just have two questions. Senator, on page 7 I quote from your statement:

If we took the single step of raising the minimum wage to \$2 per hour, a full time worker would earn \$4,100. At least one estimate, and I believe it is conservative, indicates that this would result in better than a half billion dollar saving in payments to the working poor.

Now, on the face of it that sounds like a good way to reduce the welfare load. Following that line of reasoning, how much savings in payments to the working poor might be realized, say, if we increased the minimum wage to \$3 an hour, and would you recommend it?

Senator MCGOVERN. No, I would not.

I think that that would place too heavy a burden on the employer, and it would also go far above the poverty level which seems to me to be beyond our social responsibility. I think \$2 in the light of the present situation of our economy would not be an unreasonable minimum wage.

I frankly do not know how families get by on much less than that.

Senator JORDAN. On page 8 of your statement you suggest that in the interim before the family assistance plan is fully implemented that the start up fund might be used for several items, including to create actual jobs.

Now, if you had Federal appropriations for that purpose, how would you go about creating the actual jobs with Federal money?

Would you hire two janitors for one who was necessary to do the job? What do you have in mind, Senator?

Senator MCGOVERN. Well, I was really thinking, Senator, about the kinds of proposals that Senator Ribicoff and Senator Harris and I believe Senator Nelson, have made with reference to public

service employment of various kinds. That includes both outdoor work in the parks, and in the cities, in hospitals, in various public service types of programs that I think are urgently needed.

I am not just talking about make-work jobs but really desperately needed public services for which people would apply if the jobs were available.

Senator JORDAN. I am inclined to agree with you that there is a great need for more public service jobs and in improving the environment and doing some of the things that are so desperately needed to be done, and I wanted to draw you out on that because I think you struck a very proper point.

I have no more questions.

The CHAIRMAN. Senator Hansen.

Senator HANSEN. Thank you very much, Mr. Chairman. I regret I was a little late and did not get to hear the full observations made by the distinguished Senator from South Dakota. I would like to ask, taking your testimony, Senator, that only 6 million people presently participate in the food stamp program, and the inference I draw from your statement is that more should be included. How many—if I am right in my assumption—how many would you think ought to be included?

Senator McGOVERN. Well, Senator, as near as we could estimate in the studies our committee conducted, reinforced by a good many investigations in the executive branch, including the Public Health Service, there are probably 14 to 15 million people who ought to be participating in the food stamp program right now. There are probably up to 25 million people who would need some partial help under the food stamp program. But at a very minimum, I would say that this family assistance program, the administration proposal, which I generally favor, would be greatly strengthened if the food stamp provision of it were written in such a way that we could increase the number of participants to 10–15 million. I think that would be a reasonable goal to shoot at. It would not cover everybody, but it would be a long step forward.

Senator HANSEN. To go to 10 million.

Senator McGOVERN. Yes. You would take most of the really acute cases if you got up to 10 or 15 million people.

Senator HANSEN. Have you made any projections on the basis of that figure as to the added cost this overall program would represent?

Senator McGOVERN. We could reach 10 million food stamp recipients for about \$2 billion total on the food stamp program. If we go to 14 million, we will probably be talking closer to \$2½ billion Federal outlays.

Senator HANSEN. May I refer back to page 7 of your testimony and pursue just a little further the questions raised by Senator Jordon of Idaho?

I understand from your testimony that you would look with favor upon raising the minimum wage in this country, the Federal minimum wage, to \$2 per hour but you would not believe that it could be raised to \$3.

Senator McGOVERN. No, I think that is out of any reasonable hope of achievement and I could not recommend that.

Senator HANSEN. Would I be correct if I were to infer that what we are talking about here are ways in which we might augment or add to the wages and salaries that could be earned by people below the poverty level in such a way as not substantially to upset the rest of the economy.

Is that what this statement implies?

Senator McGOVERN. Yes, I think so.

Senator HANSEN. What you are saying then, in other words, is if we would raise the minimum wage to \$3, we would bring about other dislocations which could have effects which could be counter-productive.

Senator McGOVERN. That is correct.

Senator HANSEN. Mr. Moynihan had observed some time ago, as I recall, that the present minimum wage laws were a deterrent to getting presently unemployed people in many instances in jobs. I think his thesis was that those with few talents, with few merchantable skills, were the hardest to employ, they were the least productive of all persons who could be employed, and that any raising of the minimum wage law would hurt in the long run rather than to help those we most desired to see employed.

His feeling, if I could try to paraphrase what I think he was saying, was that the first step that needs to be taken in moving a person from welfare into productive effort is to get him a job and if he can make that first step by getting a job even though it may not be at wages in gross amount enough to satisfy all of his needs, all of his requirements, still it is a very important step. But the only way we can expect an employer to put anyone, unless there are other incentives, other inducements offered by Government through the subsidization of wages, although he did not dwell on that point, but he did say the only way we can expect an employer to seek out a person out of work and to employ him is in the reasonable expectation that that person will be able to contribute a little bit more, certainly not less, than what it costs the employer to hire him. Does that observation on Mr. Moynihan's part hold together for you?

Senator McGOVERN. Let me say to the Senator, I think within certain limits that theory is sound, and that is why I would back away from the \$3 minimum. But the evidence of the last quarter of a century is pretty strong the other way. The Senator will recall that every time we have had an increase in the minimum wage the fear has been expressed that it would actually result in a loss of the total number of jobs in the economy. But it has never worked out that way in practice.

What has happened apparently is that as we have raised the minimum wage it puts more money into circulation and even the employer benefits from that. He benefits from the general rise in the economy. So that while within certain limits what the Senator has said and what Mr. Moynihan has said is true, I think that modest increases in the minimum wage level, particularly with the cost of living increasing, is not only inevitable but desirable.

Senator BENNETT. Will the Senator yield?

Don't you think that over the years that has also contributed to the inflation?

Senator McGOVERN. Yes, I think it probably has. I think that it is one of the factors that is responsible in our economy for the gradually rising level in the cost of living that has been built into the economy over a great many years.

I do not know what can be done about it because unless you were to control all other factors it would certainly be discriminatory to single out wages as the factor that you are going to control. You would have to, it seems to me—

Senator BENNETT. I did not suggest control.

Senator McGOVERN. No, I understand that.

Senator BENNETT. And I do not want that twisted to indicate that I did.

Senator McGOVERN. I was using "you" in a very impersonal sense. But neither the Senator nor I would advocate wage controls unless there were controls on other factors in the economy.

That is all I was saying.

Senator BENNETT. May I continue for just a minute? It seems to me the basic problem here is not wage control but a relation of wages to productivity.

Senator McGOVERN. Yes.

Senator BENNETT. And when you raise minimum wages and that becomes the base for raising all other levels of wages which always respond to the minimum wage base, and you do it without relation to the increase in productivity, then you have an inflationary force that even wage controls or price controls or a combination cannot contain.

Senator McGOVERN. Well, I will say to the Senator, you have the same factors working when industry raises prices without delivering more to the consumer.

Senator BENNETT. I agree with you but—

Senator McGOVERN. So I don't think you can just single out one side of the economy and say we are going to work on that. Unless you can come up with a formula or unless we can come up with a formula that would deal with those built-in inflationary factors all across the board, it would be very unfair to single out the labor market.

Senator BENNETT. Well, since labor is the basic ingredient in all goods and services, I think it must bear its share of the responsibility for inflation.

I am not saying it is the only element. But to talk now about raising the minimum wage from \$1.60 to \$2, that is a continuation of the process which since the 1930's has seen continual rises in the minimum wage, without realizing that it has its affect on inflation, which, in turn, while raising the minimum wage, in my opinion, has not reduced the total number of jobs because we have an expanding economy. I think if you could measure it, you would find that it has reduced the potential number of jobs because we also have an expanding number of people in the economy who are unemployable.

That is the comment that I wanted to make.

Thank you, Senator.

Senator HANSEN. I thank the Senator for making the observation that he did. I was going to make a somewhat similar one to point out that there are many factors at work and normally pouring water on a fire will lower the temperature but if the house is on fire, you may see an escalation of temperatures despite the fact that you dump a bucket of water on it.

Let me say to my good friend that I made the observation and raised the question as I did about Mr. Moynihan in perfect good faith. I happen to have been a Republican Governor who recommended increasing the minimum wage in Wyoming.

I called for it, I fought for it, and I signed the bill into law, so I am openminded about that. But I could not help feeling that there was something to the thesis that Mr. Moynihan put forward, and that it seems to me that one of the real difficulties we have in trying to break out of this welfare syndrome that more and more people are caught in is to help them, if we can, make that first step when they get the first job. That is the extremely difficult one and, as a consequence, I was impressed with what Mr. Moynihan said, and am delighted to have your observations on it.

Senator McGOVERN. Senator, in that connection, I think you have missed the statement I made earlier, that actually increasing the minimum-wage level will help people break out of the welfare syndrome, and would also save the Federal Government considerable money. If these estimates are right—and I believe the source of that estimate is the AFL-CIO which will be better able to comment on it than I—a half billion dollars would be saved in payments to the working poor if you raised the minimum wage to \$2. I think in a sense it would accomplish the very purpose the Senator is concerned about.

Senator HANSEN. May I say to the Senator I am not unaware of some observations made by the AFL-CIO, but I would have to say again, to repeat again, if you can single out in the total economy just one of the facets that you want to look at and assume that you can change what takes place within the context of a very selected sample, and without affecting all the rest of the economy as well, I would agree with you and with our friends in the AFL-CIO that this is true. But I do not think I can agree completely with the conclusions reached by those in labor-management positions to say that you can do it quite that neatly without affecting the rest of the economy.

You spoke earlier about suitable work, and I share your concern. I would be one of the first certainly to rally to the defense of any person who was faced with the impossible situation, the unfair situation, of being asked to do something that he was not physically capable of doing at risk of going hungry.

I do not think that any person in this country deserving of the accolade of citizen could subscribe to such an idea. But in some reports that were made, as I recall, the Department of Labor certified to HEW some 8,100 individuals who were recipients of welfare who had been offered jobs that were fully compatible in every respect with their physical ability, with their age and with their talents, with no reason at all insofar as the Department of Labor could discern, why these persons, these 8,100 cases, should not take the jobs, and they were certified to HEW and said,

We hope you will see that the appropriate applicable Federal laws are enforced so that these people will understand they must either accept these jobs or they will be separated from further, from all of the benefits of further welfare participation.

Only 200 of those 8,100 so certified by Labor were actually removed from the rolls. Does the Senator from South Dakota feel that there

has been less than appropriate Federal application and followthrough of the requirement written by the Congress that persons, when suitable work is found, should take a job or should be denied welfare?

Senator McGOVERN. No; I am not familiar with the situation the Senator has just described, but as he draws it out, I would have to agree with him that in a situation like that those persons that were not removed may very well not have been removed for legitimate reasons. I do not know about that particular situation.

Senator HANSEN. But only 200 were removed.

Senator McGOVERN. Yes.

Senator HANSEN. My point was 7,900 were not removed despite the fact that the basis of full investigation by the Department of Labor they should have been removed.

Senator McGOVERN. I think the Senator would appreciate my reluctance to pass judgment on an individual case like that without knowing all the factors. I am not suggesting that we should completely eliminate the work incentive provisions here.

I just say that I would be hopeful that protections could be written into the law so that people are not exploited because of that requirement. It may be that in this case laws were too lenient.

I am not able to say. I have suggested an amendment here that makes it easier for people to move on and off the welfare rolls without losing their welfare status. This is one of the things that causes some people to back away from a temporary job opportunity. The redtape of getting back on welfare is so enormous that they hesitate to take temporary jobs.

I have proposed here a more simplified way of moving on and off the rolls and I think that will do a lot toward eliminating the reluctance that some welfare recipients have about taking temporary employment.

Senator HANSEN. Mr. Chairman, if I could make just this observation, and I appreciate the fact that the Senator may not be familiar with the specific instance I have called attention to, but rather it was made in the context to call attention to a belief held by him that there is a great reluctance on the part of the Federal Government—and it does not matter which party is running the administration at a particular moment—I think there is a great reluctance, a demonstrated reluctance, on the part of the Government, to move in and to do anything about enforcing the provision that when suitable employment is available and has been offered that it must be accepted, a person must go to work or they will lose their rights. It was in that context that I meant to call attention to this example. I have no further questions.

The CHAIRMAN. Thank you very much, Senator McGovern. I appreciate your testimony.

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

(Senator McGovern's prepared statement follows:)

PREPARED STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

It is a special pleasure for me to appear before this Committee to testify on the Administration's Family Assistance Plan. The Administration's initiative in this area has opened an opportunity for all of us to participate in what can be a truly historic step forward in the fight for an adequate and dignified pro-

gram of public assistance in America. I know that this is something all of us desire, though we may have some differences over the details. We all want to make sure that Family Assistance is a really workable reform of the present system, not simply another flop which disappoints Americans who support it through their taxes and Americans who hope to improve their lives through its benefits. There is no question of the good intentions of the Administration in proposing this measure. But we all know where good intentions alone may lead. The potential significance of this legislation requires that it be given the most searching inquiry. I know that this Committee is doing just that and I hope my remarks here today will be of some help in that regard.

Before discussing the details of the program itself, however, I would like to respond to what I feel have been some unnecessary and unjustified remarks emanating from various quarters of the Administration. Since Family Assistance passed the House of Representatives, Administration spokesmen have repeatedly charged that its final passage by the Congress is being obstructed by liberals. I am frankly mystified by these charges, for, as best as I can tell, it has been the so-called liberals who have been consistently in the forefront of those supporting Family Assistance. Admittedly, this support has been expressed with reservations but the support has been there nevertheless. In fact, the Administration's criticism of those who basically support its effort makes one wonder about its understanding of the legislative process and its seriousness about enacting legislation. Let there be no doubt about this fact. Liberals want a Public Assistance reform just as badly as its most vigorous proponents downtown. But they want a bill that will really work. And, I for one, have serious doubts that the Administration proposal, unless significantly modified, will work. Let me just add, in passing, that this Committee is performing an important service to us all in exposing the discrepancies between the realities of Family Assistance and some of the more extravagant claims that have been made for it. Family Assistance is no panacea for the varied ills of our society. It can be one reasonable and practical step forward, however, in the development of a larger national income maintenance strategy.

As you know, I have been deeply interested in the poverty-related problem of hunger and malnutrition in this country and have had the privilege of chairing the Senate's Select Committee on Nutrition and Human Needs. One of the major efforts of the Committee has been to press for an expanded food stamp program that will reach every hungry family until their cash resources may become adequate. At this point in time, only some six million persons participate in the food stamp program. Least understandable is the failure of many recipients of public assistance to participate. We believe that failure is often due to separate administrative structures. I see the mechanism of Family Assistance as a means of insuring that food stamps reach every needy family. To that end, I have offered an amendment to H.R. 16311—the Simplified Food Stamp Distribution System—to combine the administration of Family Assistance and Food Stamps. This amendment, I believe, helps fulfill President Nixon's pledge "to put an end to hunger in America itself for all time." It would ensure that every public assistance family at least receives a minimum income of \$2,400; the basic \$1,600 under Family Assistance and \$800 from the Food Stamp Program. The Administration has already announced its intention of taking a step in the direction of my amendment by permitting Family Assistance recipients living in Food Stamp areas to "check off" whether or not they want to buy stamps. This does not do anything for the assistance recipients now dependent on unsatisfactory surplus commodity distribution programs. I see no reason why assistance recipients in commodity counties should not also have the right to check if they desire to receive stamps. Not only would this amendment take us farther in assuring that food assistance reaches all in need, it would result in millions of dollars saved through streamlined administration.

I know that this Committee has spent a considerable amount of time discussing problems of work incentives and disincentives, much of the debate centering on so-called notch problems or loss of benefits that may result from increased income. It has been brought out that the Food Stamp Program, when considered along with Family Assistance, creates one of these so-called notches. F.A.P. incidentally, represents an improvement over the present arrangement. It is possible to diminish the size of the notch by technical changes in the food stamp schedule, changes that do not damage the integrity of the program. But, failing that, I must say in all candor that I prefer the small risk of a notch dis-

incentive, to the risk of millions of needy persons being deprived of food assistance. It is for this reason that I am disturbed by the revised food stamp schedules submitted to the Committee by the Department of Health, Education and Welfare. They appear on pages 46-58 of your June publication of "The Family Assistance Act as revised and resubmitted." A close look at those tables reveals that all earned income would be counted for purposes of calculating a family's food stamp purchase price and bonus stamps. Under the present system for calculating income, a recipient is allowed certain mandatory deductions and \$360 in exempt income to arrive at a net income for purposes of food stamps. Under F.A.P. we were told there would be \$60 a month, or \$720 a year of exempt income. But the HEW charts indicate that any earned income would mean an immediate rise in the cost of food stamps, and an immediate reduction in the value of bonus stamps. That would work a particular hardship on those aged, blind and disabled persons who have some small source of income beyond public assistance and those AFDC mothers who do part-time work. The revised schedule would not apply to all of these persons once FAP goes into effect. The \$110 assistance benefit for single persons, for instance, puts some of those persons beyond food stamp program eligibility.

But we have reason to believe that the Administration intends to implement their new food stamp schedule shortly. Thus, those persons now using the program would be penalized for future program accommodation. And it is those who do take the initiative to secure a little in earnings that will suffer most. If this is the kind of revision the Administration actually plans, I will oppose it vigorously. Family Assistance must be used as a means to make sure that people are adequately nourished, not as a means to deprive them of nutrition to satisfy mathematical symmetry.

Let me speak, for a moment, directly to the issue of the notch problem and work. I do not believe that many Americans want a free ride on the dole. Welfare, with all the stigma attached to it, is not an attractive alternative to self-support through work. Most people do not choose to be maintained by welfare unless they have no choice. The notch problem is not new. There have always been points at which earned income in some amount would mean the end or sharp reduction in welfare and in-kind benefits. People do not reject earned income and accept public assistance. For most poor people the welfare categories established by law do not permit the able-bodied that choice. For the others, the only work available too often does not provide them with the kind of security they need to keep body and soul together.

I believe that whether people work or do not work is more a function of our manpower and education policies, and the general condition of the economy, than it is a function of some mathematical formula dreamed up by the economists. I believe the availability of jobs at living wages constitute a *work incentive* and that a lack of jobs, or jobs only at slave wages, are the real *work disincentives*. The question of whether people will quit welfare to take work, or quit work to take welfare, has always been with us. The answer the poor have always given us is that they will work when work is available, especially when that work offers real security. This is the key. Security. It is a basic need of every human being. It is most important to people who have spent their lives on the edge of insecurity, on the edge of hunger, of homelessness, of poverty.

I heartily support real work incentives. I strongly oppose the kind of work incentives that in reality only protect the idea of cheap labor in America. The real answer to encouraging poor persons in America to work is to build into any work requirements the fundamental protections that our great labor organizations have struggled so hard to win: safe working conditions, living wages, retirement and sickness benefits. The answer to the question of how to encourage the poor to work does not lie in how we phrase a work requirement that harrasses and humiliates the poor. Provide the jobs, and the wages, and the poor will solve the notch problem. Other senators are offering ways to meet this problem. Senator Nelson has proposed a program of public service employment so that decent jobs at liveable wages will be available. Within the Family Assistance Program, Senators Harris and Ribicoff have also proposed that jobs be provided. I believe their efforts should be supported. I myself hope to address this problem of a sense of security, at least in part, with an interim amendment I have offered to enable welfare recipients to move more easily from public assistance to employment and back to public assistance when that is necessary.

As I have followed the proceedings before this Committee, I could not help being reminded of the welfare debates that have taken place since I have been in Congress. You will remember them as well. In 1956, we voted for the first Social Service Amendments as a solution to the welfare problem. In 1962, we voted again for service amendments. In 1967, I recall very vividly the work requirements tied to the Work Incentive Program and the provisions for finding deserting fathers. Each time the debates have been the same and so have been the results—rising welfare rolls and costs. Each time the hope that we will turn welfare recipients into earners and taxpayers proves hollow. If I am skeptical that the Administration's Family Assistance proposal will solve our problems, it is because all the proposals of the last 15 years have made the same claim, and for mechanisms very similar to what we are asked to vote on this year.

There are really three central issues in this year's debate: How we will treat work, how much money we will spend, who will administer whatever program emerges.

I want to make a few more comments about work. I have no quarrel with work incentives; I believe welfare programs should not be designed to discourage people from taking jobs. I have no quarrel with providing training and day care for those who are able to work. I do have a serious quarrel with the idea of using our public assistance programs to institutionalize low wages, unsafe working conditions, and poor labor practices. To do that is to freeze the poor into permanent welfare status, with no hope of being released from its terrible dependency.

Let me expand on this a bit. In 1969 there were nearly five million poor families; 3.2 million of those families had one, two, three or even more wage earners. Even Secretary Richardson tells us that 39% of our poor families were headed by a fully-employed worker whose earnings were less than a poverty wage. Just last week a small news story held that 500,000 federal employees earned wages below the poverty line. Given these facts I find it difficult to understand why the Congress of the United States should make it legal and virtually inevitable that millions of American households be supported through a system of welfare payments rather than a system of adequate wages. If we had adequate wages and a mechanism to compensate for family size, we would have no working poor.

That brings us to the matter of what is an appropriate referral for work. I believe it sound to require that job referrals be mandatory only at the higher of either the prevailing wages for such work in an area, or the federal minimum wage. Senator Harris has made such a proposal and I believe it deserves support. At the same time, if we took the single step of raising the minimum wage to \$2.00 per hour, a full time worker would earn \$4,100. At least one estimate, and I believe it conservative, indicates that this would result in better than a half billion dollar saving in payments to the working poor.

But it is not just a dollar amount that is at stake. Other protections have been built into our labor system to protect workers from exploitation. Specifically, recipients of Unemployment Insurance have been granted a variety of safeguards which I would find it unacceptable to omit. At the very least, we must restore that language guaranteeing that referrals would be made only to suitable work or training.

There are now many individuals who fall between the cracks in our public assistance/labor market system. There are partially disabled adults who do not qualify for public assistance and cannot get or hold jobs. There are men and women in their sixties not yet old enough to qualify for Social Security or Old Age Assistance living in areas where the only income available is from stoop labor in the hot sun—work for which they are no longer physically able. There are individuals too blind to get jobs and not blind enough for public assistance standards. It is these who will be exploited if we do not write employment protections into FAP. And it is their children who will suffer with them.

It is not enough to recognize that there are unpleasant jobs in any society. We must also recognize that in some parts of this country public assistance would be denied to mothers who refuse to work for 60 hours in a week as a domestic help, while their children are said to be in adequate day care if an older neighbor child looks after them. It is likewise true that some parts of this country men with "brown lung," for whom a return to the textile mills or coal mines would prove fatal, would be denied assistance if such jobs existed.

[There are places in this country where assistance is now, and would in the future, be denied to everyone when a fruit or vegetable crop was due for harvest. There are migrant and mining camps in this country in which conditions are admittedly substandard in such basic areas as housing, sanitation and water supplies. Those jobs—mining, manufacturing, harvesting—may indeed be required by society.] But if our society requires that those jobs be performed then we must be prepared to pay the workers involved and to protect their rights to work and live in physical safety.

Liberals have also been charged with wanting to increase the amount of money in Family Assistance to an unreasonable level. I do not think this is an accurate charge. I fully appreciate the inflationary pressures in our economy and the need to keep a lid on federal expenditures. I do not understand why the real human needs of our people—health, education and welfare—must always be sacrificed to those pressures rather than some other, less important programs. Be that as it may, I believe there is some money within the limits of this year's budget which can and should be applied to improving Family Assistance. For instance, I understand that the Department of Health, Education and Welfare now estimates it could not implement Family Assistance before July of 1972 or even later. Why then could not money earmarked for start-up costs in 1971 be used to restore state benefits for intact families with an unemployed parent present, or to create actual jobs, or to expand day care opportunities more rapidly. Another improvement that will not cost more money this year or next, but which would ensure the ultimate success of the new system, would be built-in steps to raise the basic payment to the federal poverty line by 1975, or steps toward higher federal payments but reduced state burdens over time. Simply put, this is not a question of how to use available money in the first year of the program, but a commitment to its future. A commitment to make sure that Family Assistance doesn't become a dead-end for America's poor.

The last critical issue I want to discuss is the Administration of the program. It often seems to me that we operate our welfare programs on a principle of reverse responsibility. Unlike other programs, we have given the most significant discretionary controls in welfare to that level of government which contributed the least to its financial support. Under AFDC, local governments exercised most control and paid only about 10% of the cost. States controlled the rest and bore about 30% of the cost. Washington picked up the bill, issued regulations and gave advice, but really did very little by way of controlling the programs.

There was once good reason for this. Originally federal programs were simply adjuncts to state efforts. But with the introduction of Family Assistance and an expressed commitment to a single, nationally uniform program, I believe there is good reason to correct this imbalance. If the federal government is paying the bill, then the federal government should have the most say over how the program is run. We should move, now, from the very outset to make sure that this is so. If we permit the program to be turned over to the state lock, stock and barrel from the beginning of the program, it is not going to be easy three or five years hence to get the program back. For this reason, I am offering amendments to eliminate the option for full state operation of the program, as well as the third level option of county level administration. As long as states continue to share the financial burden of the program, then shared federal and state administration makes some sense. County control makes no sense at all. Full federal administration makes the most sense because only through such unitary control will state by state variations be eliminated.

Federal administration is necessary from another perspective as well. There has been much talk in recent weeks of "national standards," as though standards would, of themselves, ensure national uniformity. While it is true that national standards are important and necessary, standards alone are not enough. Without federal administration, it will still be possible, within broadly set limits, for states and localities to exercise discretion in the operation of the programs. I have been made dramatically aware of this problem in the operation of our federal food programs, where local discretion has been used to keep eligible applicants from receiving assistance. Federal administration is not a cure-all but it would go a long way to make even-handed, uniform administration of our public assistance programs.

So, let me say in conclusion, that the time has come for reform, real reform, of our inadequate, inefficient, demeaning system of public assistance. The Ad-

ministration has proposed a program. And we have the opportunity to improve on it. I hope we will all have an opportunity to vote on a final measure which includes the improvements that I have outlined today and that other senators are vigorously pursuing. I hope we will not have to face the choice of voting for a measure that does not include those improvements, that does not truly reform the present system, because I do not believe that kind of measure merits our support.

The CHAIRMAN. We will hear next from Mr. Joseph C. Wilson, who is chairman, and Mr. C. W. Cook, who is vice chairman, of the Committee for Economic Development, Subcommittee on Poverty and Welfare. Mr. Wilson is chairman of the Xerox Corp. and Mr. Cook is chairman of the board of General Foods.

We are pleased to have you gentlemen here today.

STATEMENT OF JOSEPH C. WILSON, CHAIRMAN, COMMITTEE FOR ECONOMIC DEVELOPMENT, SUBCOMMITTEE ON POVERTY AND WELFARE; ACCOMPANIED BY C. W. COOK, VICE CHAIRMAN, AND VICTOR WEINGARTEN, DIRECTOR, GOVERNOR'S STEERING COMMITTEE

Mr. WILSON. I am Joseph C. Wilson, chairman of Xerox Corp., and with me is Mr. Cook on my right, who is chairman of General Foods. He and I served together on Gov. Nelson Rockefeller's steering committee on welfare and, as you have said, Mr. Chairman, the Committee for Economic Development Subcommittee on Poverty and Public Welfare.

Mr. Victor Weingarten, on my left, is the director of the Governor's steering committee and associate project director of the Committee for Economic Development study.

Mr. Cook and I will be sharing the testimony, we thank you for the opportunity, and we will speak very briefly, both of us.

We support the President's proposed family assistance program in principle, and urge its enactment by the Senate.

We find the present system of public welfare to be demeaning, inefficient, inadequate, and with so many disincentives built into it that it encourages continued dependency. It is hopelessly bad and incapable of reform.

Despite a substantial reduction in the number of poor, there are still 25 million Americans who live in poverty; more than the entire population of Canada. About 60 percent of the poor population is still excluded from public assistance programs, and those who are included receive benefits which are not sufficient to provide a decent living.

The Nation is at a stage in its history where it can afford to give serious consideration to a plan which would raise the income of all Americans above the poverty level. The goal of extending public assistance to all Americans living in want should have high priority among the many goals being sought by this Nation.

As businessmen, we recognize the apparent economic consequences of such a program but we also weigh them against the social and less apparent consequences of inaction.

Insofar as the proposed FAP is concerned, we believe it is an important first step in revising the present welfare system, despite the

weaknesses which the Senate Finance Committee has already pointed out.

Insofar as the specific measure is concerned :

We strongly believe that any income program should contain incentives to work as well as cost-of-living differentials. We support the administration's proposed work incentive, with the exception that mandated training and/or work for mothers of young children should not be required unless adequate care facilities, meeting Federal standards, are available.

In addition, due attention should be paid to the mother's own judgment of where she is most needed.

We believe the provision of approximately \$1,600 per year for child care is not sufficient to provide good-quality care with an enriched educational component, for example, like Headstart.

To institute a truly uniform national system of income maintenance, we recommend that the Federal Government undertake a substantially high proportion of the financing of public assistance with a phased takeover by the Federal Government of State and local public assistance costs over the next 5 years as the goal.

At the present time we support the proposed \$2,400 uniform national level of income maintenance for a family of four. We believe, however, that inasmuch as a minimum income of \$2,400 for a family of four hardly provides a subsistence level of income, a priority claim against future available Federal funds should be invoked to raise total assistance to more acceptable levels.

When the minimum income is raised toward a more realistic level, regional distortions very likely will begin to occur. Therefore, we recommend that as the minimum income level rises, consideration be given to adjustments for cost differentials, where appropriate, between various regions of the country and between urban and rural communities.

While we support the administration's welfare program as a very important first step forward in revising the present welfare system, we differ from the administration's program in several respects.

Our most important difference involves the basic scope of the program. Regrettably, the exclusionary nature of the present welfare system would be perpetuated by the administration proposals. An illustration concerns single persons and childless couples, who would be ineligible for assistance. Yet this group is no less poor or any less in need than any other group now included in existing Federal categories; indeed, the highest unemployment rates, are those for single people.

We therefore recommend, specifically, the inclusion of working single-person families and working childless couples in any new federally aided programs to benefit the poor. About 800,000 persons fit this category.

We also take issue with the administration proposal that female heads of households should also come under the requirement for work or training as a condition for continuance of public assistance. The final determination of whether a mother with young children is needed at home or could more usefully augment the family income through a job should be left to her individual judgment.

In supporting the need for a major day care program, we maintained that establishing a national day care program gives the Nation an opportunity to provide an essential educational experience for disadvantaged preschool children down to the age of two.

The early years are the crucial ones in growth and development, when the greatest opportunity exists to create individual patterns, habits, and attitudes that will prevent a repetition of the cycle of poverty and failure in another generation.

We also strongly urge the development of a Federal program to assist with construction of day care centers. The administration's proposals now provide only for grants to remodel and renovate facilities.

We recognize that the cost of establishing a national program of day care centers will often be substantially higher than the earning capacity of a mother with two or more children requiring such care. Nevertheless, this approach, though costly, offers tremendous potential benefits to society in terms of better educated children and the addition to the labor force of more skilled and trained people. An important side benefit is that welfare mothers themselves become a potential source of staffing for these facilities.

Insofar as the training of work requirement as an integral part of of the income maintenance system is concerned, we believe that those who are able to work should work. But this requirement should be instituted only after a proper manpower program is developed to make such a requirement meaningful and safeguards are built into the organizational and appeals mechanisms to assure individual dignity and rights.

Special attention must be given to the problem of welfare women who head households. These people constitute a major social problem having grave consequences in terms of neglected and deprived children, who are locked into a despairing cycle of dependency and poverty. This cycle can be broken, if mothers receiving welfare are provided with the opportunity to undertake job training and to move into the labor force at decent wages that will augment the family income.

Because the number of children is much higher in poor families than among the affluent, we urge that more money be provided, both to Government and private agencies, so that family planning programs can be expanded in order to ensure that information is easily and readily available to all families.

It is an extravagance for America to have 25 million poor people. Services of many kinds to the poor are more expensive than to others. Police and fire protection, health care, education are all very costly to the poor. The added expenditures of that program will, in our opinion, reduce many other concealed costs of careing for the poverty stricken.

It is, therefore, an enlightened investment, not only socially but economically, that can do more to heal us now when we need it, we think, than perhaps any other action Congress can take.

(Mr. Wilson's prepared statement follows. Mr. Cook's testimony begins on p. 1463.)

TESTIMONY BY JOSEPH C. WILSON, CHAIRMAN OF THE BOARD, XEROX CORP.,
 CHAIRMAN, STEERING COMMITTEE OF THE ARDEN HOUSE CONFERENCE ON
 PUBLIC WELFARE, CHAIRMAN, GOVERNOR ROCKEFELLER'S STEERING COM-
 MITTEE ON SOCIAL PROBLEMS, AND CHAIRMAN, COMMITTEE FOR ECONOMIC
 DEVELOPMENT, SUBCOMMITTEE ON POVERTY AND WELFARE

I am Joseph C. Wilson, Chairman, Xerox Corporation, and I would like to introduce Mr. C. W. Cook, Chairman, General Foods, who served with me as vice-chairman on both the Governor's Steering Committee and also the Committee For Economic Development, Sub-Committee on Poverty and Public Welfare. With us is Victor Weingarten, who is director of the Governor's Steering Committee and associate project director of the Committee for Economic Development Study. Mr. Cook and I will be sharing our testimony.

First, I want to thank the members of the Finance Committee for the opportunity to testify on behalf of the Administration's bill for reform of the public welfare system.

Our interest and concern with this problem stems from the March, 1967, Arden House Conference on Public Welfare. This group comprises 100 of the nation's leaders in industry, labor, news media and philanthropic foundations. It was initially brought together at the invitation of Governor Nelson A. Rockefeller of New York, as part of the observance of the 100th anniversary of the New York State Board of Social Welfare.

At the Governor's invitation, I agreed to be Chairman of this group. In bringing us together the Governor asked us to try to apply the principles of sound business management to the problem of public welfare in the United States and to suggest new approaches to that pressing domestic problem.

Participants from 14 States and 12 cities within New York State, comprising for the most part the chief executive officers of 87 major corporations, accepted the Governor's invitation and challenge which essentially was—If the problem of public welfare was given to you, what would you recommend as sound public policy for the next decade?

It was recognized at the outset that the public welfare laws, and particularly the public assistance portion, were extraordinarily complex and that few of the Conference participants had had any prior knowledge of, involvement with or responsibility for the subject. The hope was that creative minds, unencumbered by past involvement, could take a fresh look at the situation as it existed, analyze the available data, assess its strengths and weaknesses, attribute a variety of values to what it found and, where indicated, recommend some other approaches and possible solutions.

The group assembled by the Governor had made available to it an impressive amount of data relating to the subject, which was studied assiduously for six months before it convened at Arden House in New York on November 2 and 3, 1967. After 24 hours of plenary sessions and workshops, during which discussion was lively, informative and the proposals made impressively varied, the Governor asked 12 of the participants to serve as an Ad Hoc Steering Committee to review the data emanating from the Conference, as well as the information which preceded the meeting, and to make, if possible, some specific recommendations which would reasonably reflect the views of the group as a whole.

I was requested and agreed to remain as Chairman of this group. I shall not take your time to list the members of that group, but would request your permission to leave with you their names, as well as those of all who participated in our Conference.

Our group devoted six additional months to studying this problem and in May, 1968, issued a report which presented our findings and recommendations. In essence, we found:

1. The present system of public assistance does not work well. At the time of our study, it covered only 8-million of 30-million Americans then living in poverty. Today it covers approximately 10-million of 25.4-million living in poverty. We found the entire system to be demeaning, inefficient, inadequate, and with so many disincentives built into it that it encouraged continued dependency.

2. We found that by any standards of sound management practice, the administration of the public welfare program throughout the country was hopelessly inefficient. At the time of our report, approximately 110,000 persons were employed in that program, of whom more than 80,000 were in Federally-aided assistance programs.

The annual staff turnover averaged close to 30%, with some States in excess of 40% and with one or two States approaching 60%. This turnover itself is

evidence of crippling inefficiency. With this condition, there could be little effective casework or continuity of relationship between client and worker. We noted with interest that lack of job satisfaction was given as one of the key reasons for leaving.

We also found that of the 110,000 working in the program, less than 2,000 had a degree in social work or the equivalent, and that this professional group also had a job turnover in excess of 20% a year.

We found that the ratio of professionally trained personnel available for those needing rehabilitative services is so abysmally low as to constitute a pretense of a social service program.

3. We found incredible administrative inefficiency and waste, particularly in portions of the program that called for mandatory verification of eligibility. For example: insofar as three of the four Federally-aided categories are concerned—Old Age Assistance, the Blind and the Disabled—although this group suffers from a condition which is essentially static and not likely to change for the rest of their lives, the Federal Government was spending more than \$250-million a year to administer these programs. A large proportion of this money was used to determine and continually verify eligibility. In New York City, for example, more than 2,300 persons were employed to perform this function at a cost of over \$16-million a year. This was an appalling waste—inasmuch as these people would never be less aged, less blind or less disabled.

I am pleased to note that following the issuance of our report the then Secretary of Health, Education and Welfare, by Administrative Decree, ordered a phased abolition of this wasteful kind of verification for these categories.

4. We found solid research to be virtually unknown in public welfare. Although the nation is currently spending more than \$10-billion for that program, less than 1/10 of 1% of welfare funds are spent for research. Rarely has so costly a program operated with so little knowledge. Basic and fundamental questions cannot be answered with accuracy or reliability because no one really knows. The kind of "flying blind" that permeates the present system is shocking.

5. Our report listed a variety of reforms which we urged be adopted, and I will not now take the Committee's time to dwell upon them because many of them are now incorporated in the Administration's proposal, which we support.

I would like to say, however, that our major finding was that the present system was hopelessly bad, that it was incapable of reform, that we found little in the past record of amendments and so-called legislative reform to justify any high hopes of the promise that the present system could be substantially improved with any further tinkering or tampering. Basically poor programs are not improved with overlays. It is doubtful that more tinkering will evolve a more satisfactory program. As we surveyed the system, it appeared to us that the time had come for the nation to take a fresh look at this program, unencumbered by the past, except to learn from that experience.

We believe the time has come where the public interest would best be served by replacing the present welfare system and substituting in its place a system which would provide some benefits not only to that portion of our population which are currently eligible for public assistance payments, but rather that we provide some benefits to all Americans who live below an acceptable minimum standard of living.

We believe, as a Committee, that the nation is now at a stage in its history where it can afford to give serious consideration to a plan which would raise the income of all Americans above the poverty level.

The President's proposal is a step in this direction and, therefore, we support it, in principle. As a Committee, we would hope that the nation would move as quickly as possible toward raising the proposed level of payments to a point where we can truthfully say that no American family is living below an acceptable minimum standard of living. As businessmen, we recognize the economic consequences of such a program but we also weigh them against the social consequences of inaction or inappropriate response.

It was the Committee's recommendation that any income program contain strong incentives to work and try to contain regional cost of living differentials. The Administration program, with its work incentive, does this—and we support it with one caveat.

We believe that the mandated training and/or work provision as it applies to mothers with children over six should be tempered so that the mandated work-training portion should *not* apply unless adequate day care facilities,

meeting Federal standards, are available to those children, and that due attention be paid to the mother's own judgment of where she is most needed.

While we believe that many mothers with children over six will welcome the opportunity for work or training and will seek employment, we believe the public interest might best be served if that option were left with the mother.

So much for the Arden House and Governor's Steering Committee on Social Problems.

I would now like to address myself to the study and recommendations of the Committee for Economic Development.

I am sure that the work of CED is known to you. The Committee is composed of 200 leading businessmen and educators.

Its basic objectives are:

1. To develop, through objective research and discussion, findings and recommendations for business and public policy which will contribute to the preservation and strengthening of our free society, and to the maintenance of high employment, increasing productivity and living standards, greater economic stability and greater opportunity for all our people.

2. To bring about increasing public understanding of the importance of these objectives and the ways in which they can be achieved.

CED's work is supported largely by voluntary contributions from business and industry, foundations, and individuals. It is nonprofit, nonpartisan, and nonpolitical.

The Trustees, who generally are Presidents or Board Chairmen of corporations and Presidents of universities, are chosen for their individual capacities rather than as representatives of any particular interests. By working with scholars they unite business judgment and experience with scholarship in analyzing the issues and developing recommendations to resolve the economic problems that constantly arise in a dynamic and democratic society.

The CED study on Poverty and Public Welfare was a project undertaken in accordance with that mandate.

Its findings were substantially the same as those I have reported on, although the scope of its study and recommendations were concerned primarily with the improvement of those programs coming under the category of public assistance, which extend direct payments to people on the welfare rolls.

We believe that the improvement and reform of these programs is of the utmost urgency because of the pressing need to alleviate the deprivation of millions of poor Americans in the most direct and efficacious way possible. By itself, however, such a revision obviously cannot eliminate the problem of poverty in this country.

To be truly effective, reform of the welfare system must be accompanied by measures that will provide the poor with the requisite education and training which will open the doors of opportunity to jobs offering adequate compensation. There is little question that the public school system has failed to serve those at the bottom of the economic and social ladder, with the result that the disadvantaged cannot command the modicum of education required in the nation's evolving job market.

We believe, however, that the Administration's proposals represent a very important first step forward in revising the present welfare system. Eliminating all the major defects of the public assistance structure, can be neither a short nor easy task. We are well aware of the Finance Committee's concern that the impact of this proposed legislation be measured in terms of its effect on other legislation which affects the poor. We also are convinced that this proposed bill will require broad public acceptance of totally new concepts, which cut across ingrained views and prejudices at the same time that they increase rather than reduce the number of people receiving public assistance even though employed. Notwithstanding those important considerations, we nevertheless endorse this Administration's bill, in principle, and urge its enactment.

Within this framework, the CED, in its report, urged the following:

1. We recommend a federally supported program to provide a national minimum income with eligibility determined solely on the basis of need, whether need results from inadequate earnings or inability to work. Also, we recommend specifically the inclusion of working single-person families and working childless couples in any new federally-aided programs designed to benefit the poor. This is not now in the proposed legislation.

2. We believe that the assurance of a minimum income must be coupled with arrangements that provide strong incentives to work for all who are capable of work or of being trained for work. We urge that a program of income incentives to work should be made a basic component of any new welfare system,

coupled with positive measures to increase opportunities for private or public employment for those able to work.

The question arises whether, in addition to income incentives, a training or work requirement for those who are able to work is either a desirable or practicable feature of an income maintenance program. As a matter of principle we believe that those who are able to work should work, and that even though such a requirement is difficult to apply, the principle should not be abrogated on that account.

3. We support the incorporation of a requirement for training or work for the able-to-work as an integral element of any income maintenance system provided that a proper manpower program is developed to make such a requirement meaningful and that safeguards are built into the organizational and appeals mechanisms to assure individual dignity and rights.

4. In developing a national manpower and training program, we believe that special attention must be given to the problem of women who head households. This involves a consideration of whether the family's and society's longer-range interests are better served in individual instances by the presence of a mother in the home or by additional family income acquired through outside work. We believe that neither training nor work should be made a condition for continuance of public assistance to women heads of households.

5. However, in order to facilitate jobholding where this is desirable, we recommend the establishment of a federally-supported national program of day-care centers that will enable mothers receiving public assistance to augment their incomes through training and jobs.

6. We also urge the development of a federal program to assist with the construction of day-care centers.

7. Furthermore, we strongly urge that the age of eligibility for inclusion in any such day-care programs be extended down to include two-year-olds, and that the program should be broad in concept so that instead of being merely custodial in nature the centers provide an educational experience and enrichment for young children along the lines of Head Start.

8. Since the evidence indicates that the number of children is much higher in poor families than among affluent families, we are concerned that family planning assistance be made available equally to all regardless of income. We strongly urge that more money be provided, both to government and private agencies, so that family planning programs can be expanded in order to ensure that information is easily and readily available to all families.

9. As we have stated, we believe that a uniform national approach to the problem of welfare is essential to the reform of the system. We view as practical and realistic the proposal that the level of federal income maintenance be set to provide a minimum of \$2,400 for a family of four at the present time. The \$2,400 figure for a family of four could consist of \$1,600 in cash allotments with the remainder being provided through the Food Stamp Program, which we believe offers promise as a practical means for supplementing the nutrition of the poor.

10. We approve the use of the Food Stamp Program as additional to the welfare cash allotment and believe that it should be extended for the immediate future to all who qualify for income supplementation. However, we recommend that it be subject to periodic review and evaluation in order to ascertain whether the efficiency of the program can be improved and also whether cash payments might not better achieve the objectives of the program.

11. Because the addition of the Food Stamp Program to the cash allotment has the effect of reducing the incentive for earnings, some changes would be required to preserve an adequate work incentive. We recommend that in combining welfare cash and food subsidy programs for income maintenance, the incentive element be set so that the recipients retain an adequate percentage of earnings (centering around approximately half of earnings) above a minimum allowance (such as \$720 a year) up to an appropriate cutoff point.

12. Inasmuch as a minimum income of \$2,400 for a family of four hardly provides a subsistence level of living, we believe that a priority claim against future available federal funds should be invoked to raise total assistance to more acceptable levels. Furthermore, as the minimum income is raised toward a more realistic level, regional distortions very likely will begin to occur. Therefore, we recommend that as the minimum income level rises, consideration be given to adjustments for cost differentials where appropriate between various regions of the country and between urban and rural communities.

13. A corollary of a truly uniform national system of public assistance based on income maintenance is that the federal government not only assume an increasing share of the necessarily increasing cost, but that it eventually undertake the entire burden. As an objective to be attained as soon as fiscally feasible, we recommend that the federal government undertake a substantially higher proportion of the financing of public assistance with a phased take-over by the federal government of state and local public assistance costs over the next five years as the goal.

Furthermore, we recommend that as the federal government takes over responsibility for financing public assistance payments, it likewise assume a commensurate responsibility for administering such assistance in order to assure efficiency as well as to provide all recipients equitable, uniform treatment.

14. It should be remembered that for the able-to-work, welfare is available only in the absence of a suitable job or job training. The present procedures for investigating and determining the qualifications of individuals for public assistance programs are not only demeaning but also cumbersome, costly, and time-consuming. The present system should be replaced by a far simpler and more direct method of certification by affidavit, which has now been adequately tested but which should be subject to periodic review. We support the certification method of determining welfare eligibility for both federal and state portions of the system.

15. Present methods of certification and payment are particularly onerous, needless, and wasteful where the aged, blind, and disabled are concerned. We recommend that the administration of the assistance programs for the aged, blind, and disabled be handled within the Department of Health, Education and Welfare by federal payments in a manner similar to that used for Social Security payments.

16. We are most concerned that adequate job and wage standards for determining initial and continuing eligibility of persons for public assistance be included in the training-job component of any proposed welfare system. We recommend that a specific safeguard for the federal level be included to insure the following:

a. Uniform local administration in determining eligibility in conformance with standards set by federal law, particularly those specifying wages and other conditions pertaining to a suitable job.

b. Prevention of punitive actions by local administrators in the termination of eligibility of local recipients.

c. Establishment of machinery for appeal of local administrative decisions concerning eligibility outside the administering local department, with details of these procedures clearly stated to each recipient.

I would now like to address myself very briefly to some other specifics in the legislation being considered by your Committee.

Recognizing all of the demands facing the nation, we believe that none is more pressing than raising our entire population to the poverty line as quickly as possible. The reason for this is that the problems of poverty have a direct bearing upon many of our other social problems. They are interrelated. If we could find a method of calculating all of the other costs that stem from poverty, we would quickly see that we are wasting billions of dollars each year, each decade, and each generation by not adequately addressing ourselves to the basic problems of the poor. To be specific, a recent study by the Department of Health, Education and Welfare of a slum population in Sacramento, California, showed that 20% of the total population accounted for 60% of the community's health services; 76% of its tuberculosis; 41% of its police protection; 36% of its juvenile delinquency; 42% of adult crime; 26% of the fires and yet paid only 12% of the city taxes.

In a second city, it reported that for every tax dollar spent on police, fire and health services in a good area, the costs in the blighted area were \$1.87 for police, \$1.67 for fire services, \$2.25 for health services.

The interrelatedness is also shown by the fact that to be poor is also to be unemployed or underemployed and socially disoriented and chronically sick. Some of the slum neighborhoods in our country have birth rates higher than those of India and Pakistan. As part of this interrelatedness, children born in these neighborhoods are often premature, weak, sickly and die before they are a year old. The poor who survive have four to eight times the incidence of such chronic diseases as arthritis, hypertension and visual impairments. They require more and longer periods of costly hospitalization.

We would recommend to this Committee that it consider authorizing a feasibility study to see whether the entire social problem area would not be amenable to a systems approach. This would be an effort to seek to measure the impact of poverty on employment, education, health, housing, social skills and attitudes, transportation and related factors.

Such measurements would give us a clearer, fuller picture of the problem as a whole. It would help us develop and evaluate alternative approaches consistent with the objectives and provide effective monitors to insure that both successes and failures in accomplishing program goals are reflected directly in changes in the level or design of these programs.

Insofar as the poor are concerned, there are no economies. The best way to save the nation's money is to spend it to raise the level of living of those who now live below the poverty line.

The President's program is a start in this direction. It goes almost half way toward meeting that challenge. We support it, in principle. But we would hope that this Committee, in its wisdom, would see its way clear to recommend to the Congress a higher level than that proposed by the Administration. It is our understanding that every \$100 added to the minimum would mean \$250-million in expenditure. Our Committee believes this is good business for the United States. The savings in human lives, as well as in cost for related services, as I have already stated, could be incalculable.

I would also like to discuss very briefly the fact that the proposed legislation is of great benefit to the poorer States. It is of far less benefit to the Northern States, and particularly to those States which for many years have carried the bulk of the nation's public assistance burden. We believe it would be desirable for the nation to move toward 100% Federal financing of public welfare.

This probably could not be done overnight. We do believe that it can be done over a five-year period, and that the increase in Federal revenue due to anticipated economic growth over that period would be sufficient to finance the extension of the principle of 100% Federal financing to all States. We believe there will still be a State role and responsibility in this area, namely that of providing the range of social and rehabilitative services which will always have to be provided, but should and can be provided more effectively at a local level.

In essence, therefore, speaking on behalf of the various Committees I head, we urge favorable action on the proposed legislation.

I want to express, again, my deep appreciation to you for this opportunity to be heard.

The CHAIRMAN. Mr. Cook.

Mr. Cook. Thank you, Mr. Chairman and members of the Finance Committee.

I am C. W. Cook, chairman of General Foods Corp. with headquarters at White Plains, N.Y.

Whereas Mr. Wilson has addressed himself to certain detailed elements of the proposal, I would like to talk about it in general and in principle. It seems to me there are really two points at issue.

First, is the concept of this legislation sound and, second, are the provisions of the proposed legislation workable?

As for the basic concept, may I say it was not easy for me to come around to what the popular press calls a guaranteed annual income. It happens to be contrary to the fundamental beliefs of the business system in which I have spent 39 years, my entire working life, and of the region of the country in which I was reared, the Southwest, and my ideals with regard to each individual's responsibilities as a citizen.

However, as I have observed the impact over the years of the migration of millions from rural areas to overcrowded cities, the inability of so many transplanted low-skilled people to cope with life in the cities, and the plight of many who choose to remain in the small towns and rural areas, I have been convinced of the need to help these victims of the agricultural revolution and the more complex world that technology has brought.

This is a national problem; and is not the fault of a few States or a few cities. It requires, in my opinion, a nationwide program if we are to cope with it fairly.

It is said that some 10 million Americans are now on welfare in some form and that the yearly cost is \$10 billion and rising.

Even if that is an accurate figure, those are direct costs only. The indirect costs of the evils perpetuated by the current welfare system, the crime, the drugs, the blight of the cities, must be closer to \$75 to \$100 billion or more.

And this does not count the cost of the future generations who will be locked into poverty and dependence on public support if the current situation is not changed, nor the impact on the spirit of the rest of our society, including particularly the young people, of the injustice, suffering, and humiliation created by the current welfare system.

You are familiar with the old political axiom, "you can't beat a horse with no horse." I am not urging today that we replace a bad program with a good program. I am urging that we replace a no program with a program.

I know of no realistic alternative to a program that provides for the minimum necessities of a decent life—and I say "minimum"—while at the same time giving a man or woman both the freedom and the incentive to improve his situation through his own efforts. And I know of no workable means of doing this other than by a minimum-income route.

This brings me to the second point at issue today. Are the specific provisions of the proposed legislation workable?

Obviously we must test them in practice before we will know for sure, and obviously the program will have to be modified in the future as we learn from experience.

But I do believe the overall design of the bill is sound.

First, it is a national system. Thus, it tends toward uniformity of treatment throughout the country.

Second, it is a plan based firmly on providing incentive to work and not merely continuing relief.

I am aware, Mr. Chairman, that the immediate direct cost of the new program will be greater than the direct costs of the existing welfare program. But, as I hope I have made clear, the costs, direct and indirect, of the existing programs are many times that amount.

There are obviously risks in the proposed program. There would be risks in any departure that is bold. But what you have under the program, the present program, is not risk but certainty of failure.

I think it is vital that we make sure we do not in any way impair the positive impact of the program by a too conscientious effort to prevent abuse. There is a point of diminishing returns here.

I believe the key to success lies not in layer upon layer of demeaning, costly, cumbersome, and possibly unworkable safeguards. We have these already, but in providing enough incentive, positive incentive, to move up out of poverty so that the great majority of those able to do it will want to do it and will do it. That to me is the essential spirit of the legislation.

I think we need to bear in mind, too, that about 70 percent of those currently receiving welfare assistance are families with dependent

children. I am told that, in the last decade, the costs of aid to families with dependent children had more than tripled. Also that the proportion of children in the United States who receive assistance has doubled in the past 15 years; now about 60 out of every 1,000.

Obviously, we must make every effort, through day care centers, training programs, and the like, to help these parents help themselves. But even more important is to see that the children are saved; to try to break this cycle of poverty.

I am aware, Mr. Chairman, that the magnitude of the program proposed for the first year is not as great as some would have liked. As far as I am concerned, what counts now is to get started, to set the principle.

Thank you, Mr. Chairman, and the members of the Finance Committee.

The CHAIRMAN. Well, thank you very much, Mr. Wilson and Mr. Cook. We are aware of the very thought-provoking publication from the Committee for Economic Development entitled "Training and Jobs for Urban Poor," which is the handiwork of your group, and we think that, at least I think, it offers some good suggestions.

Some of us on this committee feel that it is better for us to try to subsidize someone at a job rather than simply pay them for not working. I notice that your view with regard to the minimum wage seems to be somewhat in line with mine that we should try to find some way to increase the income of people who have no job at all, but that we really should not seek to guarantee them the Federal minimum wage unless they are able to do the kinds of work that the minimum wage jobs would require.

As the chairman of the board of two major corporations, do you have some thoughts as to ways we could provide more jobs for more of these people in private industry?

Mr. WILSON. Shall I start?

You can supplement whatever you want to say. I am going to speak personally.

I think I was more sympathetic, if I may hark back to the discussion that we had just a few months ago, to the point made by you and Senator Hansen, that there is a gap between the people who are fully working and those who are on welfare that cannot necessarily be handled by the regular wage system without very great penalties. I, therefore, strongly feel that we have to create a new mechanism of some kind—I am not prepared to make a specific suggestion—to take care of some of those situations that Senator McGovern spoke about so articulately.

I think in that book to which you just referred, the CED has gone a long way to indicate very specific suggestions about training all kinds of people, whether they are almost unemployable or fully employable but not educated, things of that sort, and I think a multitude of efforts of this kind must be undertaken by the private sector primarily with the financial help of the government to carry them out, and this we feel is, it is the most important principle of our whole recommendation.

We think the country must face up to this obligation, but in doing so it will only face up to it well if it helps these people to get work.

Mr. COOK. Mr. Chairman, I share that view.

I would like to go a bit further and say that based on our own experience in the food business, I could not agree with Senator McGovern's conclusion that you simply move up the lower level and do not affect the total picture.

For example, on the west coast we have seen an increase in the cost of labor bring about the automation of the harvesting of tomatoes. We have seen a tremendous move within Mexico of the raising of some of these stoop crops.

I admit our own company, the Bird's Eye Division, has done some of this ourselves for a very same reason. We find, too, that when wages, the minimum wage level does move up, it does have an effect on the whole wage structure and it does have an effect on inflation, and it certainly does cause a diminution in the potential of jobs at the lower ends of the totem pole.

Now we sometimes look at the total number of jobs in the country and say no, there has not been a lessening of the number of jobs as the minimum wage has moved up. But the young, the unskilled, sometimes the aged, are getting toward the end of their working days, they just cannot keep up the productivity which is the point that Mr. Wilson referred to, and we are going to have to find some way to close that gap.

The CHAIRMAN. I have seen a lot of information and propaganda, some of it information, some of it propaganda, to the extent that we ought to expand trade in all cases.

Now, usually those statements start out by saying we have a favorable balance of trade. The lead editorial of the New York Times started out that way awhile back, and the unfortunate part of that is, people read that all over the world and think that is the case because in most foreign countries that is the only American newspaper they see.

Now, it is unfortunate that those balance-of-trades figures start out by giving us a very misleading impression. They fail to put the ocean freight into it, and they fail to put in the cost of insurance and then on the export side they take all that grain we are giving away to India and these other gifts to foreign governments under our aid program and put that down as though it is an export for which we are getting paid. We are not getting anything for that.

We would be just as well off if we dumped those commodities in the ocean as far as our balance of trade is concerned because we are not being paid for it and will not be paid.

Now, if you look at what our real balance of trade is, take out the giveaways and add the ocean freight and insurance to the stuff being shipped over here because we are paying it, we are running an unfavorable balance of something in the excess of \$4 billion a year, and that must be corrected because in other aspects of our balance of payments we are in even worse shape.

Now, when you try to correct it, if you are doing it in terms of subsidizing your merchant marine or you are doing it in terms of reducing imports into this country.

If you put people in jobs, even though it is not jobs that the AFL-CIO would like to have for them, it is still better than having them drawing their welfare payment. I would like to meet AFL-CIO standards but I am well aware of the kinds of wage contracts they

have been fighting for, and down my way just the wage increases over a period of 2 or 3 years on these new contracts would exceed what a family has to have to live on welfare.

So I would think that we would do better to subsidize some jobs rather than have them just rely entirely on welfare. I take it that you generally agree with that and your recommendations tend to go along that line.

Mr. WILSON. Yes, we do, Mr. Chairman. I think we recognize the enormous complexity of this issue that you are presenting to us, and do not have any simple answer but, in principle, we think that this is right.

The CHAIRMAN. Well, some senators, such as Senator Ribicoff over here, would say we ought to put a lot of these people to work in public service jobs; that is all right too. I would rather have clean streets than dirty streets while the people sit there idle, but having provided the employment that can be made available usefully in public service activities, I think that one other way would be to reach over and help some of those who are working by subsidizing their employment.

But I do think if we can, we ought to try to work out these notch provisions so that a person by increasing his income by a thousand dollars does not lose \$2,000 in income. That is sort of like taxing a businessman \$2,000 when he makes \$1,000.

Mr. WILSON. It is a 200 percent bracket. It is unfair to anybody.

The CHAIRMAN. When you tax a businessman more than a hundred percent, he concludes you do not want him to earn more and he will stop it.

Mr. COOK. And, Mr. Chairman, it may work out that the incentive provisions in the present bill are not enough. We may have to allow a larger percentage to be retained by the individual.

The CHAIRMAN. Yes.

Senator Anderson?

Senator Bennett?

Senator BENNETT. Thank you, Mr. Chairman.

We have two businessmen before us and, as an exbusinessman, I am going to take advantage of them.

It seems to me we can talk all we like about day care and about training. However, unless there are jobs at the end of the line, we are just going through a futile exercise, and unless you are willing to assume that these people are going to be taken into Government-financed jobs, service jobs at the local level, WPA in perpetuity, and I was around when the WPA was the device to give people something to do, then industry, in which I include the employer and the union, because they control between them in their negotiations the work conditions; then industry in those two components has got to accept the social responsibility of putting X million people to work in jobs and in industry. Not a hope, not a pious dream, but a direct and definite responsibility.

Now a great deal has been said—and I am making a speech for a minute—about how much more social conscience industry has developed and how it gets involved in the Community Chest activities, and how it is involved in this, that, and the other thing.

Maybe we have come to the point in time when its social conscience should persuade it even at the risk of being accused of setting up make-work jobs, industry must absorb these people or we are going to have a continually rising level in this country of people who work for Gov-

ernment. The more people who work for Government the greater pressure there is to have Government take over more activities so that jobs can be provided, and the nearer we move not to this bugaboo we call socialism, but to increasing Federal control of the processes of production and distribution.

You have heard other testimony today, I did not hear all of yours so that I cannot say whether you are there with them, that the Federal Government must take over the whole welfare program. This was the essence of Senator McGovern's testimony, that the Federal Government must take over the welfare program.

This is another step in the federalization of the activities of people.

Now, you represent CED as well as the Governor's Committee and I, too, am impressed with the CED study. But is there leadership in industry looking to this thing, to give you my idea of the scope of the job, looking only at single-headed, adult-headed, families, which this legislation is particularly concerned with—there are three and a half million of them, about half men and half women. Now that is about 5 percent of the present labor force.

Can industry absorb those 5 percent by changing the job patterns, can it negotiate with the unions, certain arrangements which will admit those people to jobs in industry, or are we going to have to take care of them either permanently on welfare or by providing so-called service jobs which, in yesterday's discussion, means providing them with a stick with a point on the end of it and they pick up papers in New York and other places?

Can you give us any comments about the possibility or the responsibility of industry to handle this phase of the problem?

Mr. WILSON. May I make some observations, Senator Bennett?

Senator BENNETT. I would appreciate it if you would.

Mr. WILSON. I am sure Mr. Cook would like to make some of his own.

First, very broadly, I think the responsibility of the whole society, private and public, is to keep the economy thrusting forward, and it is not going to be involved in this legislation alone in order to provide more and more jobs.

I can remember a very few years ago our greatest worry was whether we were going to have enough workers rather than to find false jobs. I happen to feel we are going through what I hope is a transitory period and that this worry will come back.

But, by the same token, the whole system is changing so that the skills of these needed workers is increasing all the time which makes it therefore necessary to emphasize the training and education and to take very special pains with the minority groups and the unemployed, those who have not got the skills and the education.

Now I will become very specific: I do think that the private sector of the economy has a very definite responsibility, which has been broadly recognized during this past year or two, they cannot offset the recession completely. You cannot pay for people when you do not have the work but they have tried and it has been very expensive to put on people and train people who heretofore have been unemployable.

We have tried it as a specific company and it has been, you know, a few hundred people have been affected but we feel we have got to go on and do that indefinitely.

Senator BENNETT. May I stop you there?

Mr. WILSON. Sure.

Senator BENNETT. It seems to me with respect to unemployment we are facing two types: One is the type of person who has the skill and who is laid off because of a change in the level of business, and the other is the person who does not have the skill. Business has been concerned, I think, more with the person who has the skill than it has with these other types. I think you have here a permit problem, a growing problem, which has persisted through good times and bad. Our level of people who might presumably be employable continues to increase regardless of the current economic situation. I think it is a matter of a social attitude.

Mr. WILSON. One more comment from me and then I am going to ask Mr. Cook to respond to that.

I agree with you this is a permanent problem that both of us share, and I think business people must consider that they have forever this responsibility of helping this low end of the totem pole, as Mr. Cook said, be employed and that is why, I think, this legislation, I hope, is the thing which will—the need for which will disappear in a decade or two.

Maybe this is naive. But, after all, the poor people have declined from a third of the population to 13 percent of the population in the last 20 years, and I see no reason to think that that trend won't continue particularly if we cooperate on the problem of training and education from the time people are 2 years old.

Mr. Cook. I would agree with Mr. Wilson that probably as a percentage of the total this should disappear or be reduced over the years. But I agree with you, Senator Bennett, that we have at the lower end of this totem pole a real problem that I think is going to be with us indefinitely for two very good reasons: One is the increasing skill required of workers that some do not have, and will not have and the other is the increasing wage level pushed up by all sorts of forces, simply that leave these people as undesirable from an employer's standpoint.

Now, I think business has done something; not enough. The National Alliance of Business Men certainly tried hard. I would not have taken on the chairmanship of a metro area if I thought it was not worthwhile, and our company as well as others have hired several hundred of these every year.

I think the contracts with the Department of Labor where they encourage you to take on these unskilled people and for a portion of their wages during the first year or during the training period they, in effect, do some subsidizing until you can get these people up to at least a self-sustaining basis, that is helpful. But consider, for example, the housing situation where in this country we need millions of housing units. I am sure if you could look at, and I suppose you have, the minimum wage paid to laborers, unskilled laborers, why the need for these is in the tens of thousands, but people cannot afford to build houses when unskilled labor draws pay like that. So I think they simply have priced themselves out of the market.

Senator BENNETT. I am very well aware of this and that is why I said I think the unions as well as management are involved with this problem, and I think that as time goes on, we are making a basic policy

decision, do we want to maintain forever a group of people who cannot survive in our economic system and keep them outside of it in a state of wardship or do we want to adjust the system to provide a place for them, and business leadership and union leadership, as well as government, has a part of that responsibility. We are here looking at a bill now to provide a process, we think, by which these people who head families full of children who are now being aided by the AFDC program, to get jobs. Where are they going to get them? And it seems to me that we may be wasting our time and our money and our effort if we set up elaborate day care centers, if we set up elaborate training programs, but if at the end of the road there are no jobs. So that is why I raise the question with you because you come out of the part of the society which controls by far the largest percentage of the jobs.

Mr. WILSON. May I comment on this last point, Senator. We are taking care of them now, perhaps not very well, and not moving them constructively forward, so I believe, if you accept the assumption we make that the cost embedded in this group, the indirect costs, are so much greater than the cost of this bill, and even though this bill won't eliminate, you know, drug addiction, urban blight and all the rest, it moves for the first time in the right direction: so I think you can see some hope 10 or 20 years ahead if there is this emphasis on cooperation between public and private groups moving toward jobs, nobody can guarantee there will be jobs for everybody, meaningful jobs at the end of 10 years, but if we have that as a national objective, as this bill, I think, is one facet of such an objective—

Senator BENNETT. But there is, in my opinion, nothing quite so frustrating as to be trained for a job and go through the training process—

Mr. WILSON. Agreed.

Senator BENNETT (continuing). Hopefully that there is a job at the end and then discover there is none.

Mr. WILSON. I cannot argue with that.

Senator BENNETT. And that is an exercise in futility.

Mr. COOK. But certainly the chances of getting a job if one is literate, can deal with figures, there are a great deal more than if one is, let's say, just unskilled in all regards. So that I think maybe we are playing the percentage game but, nonetheless, if there is a motivation built into a youngster through, let's say, the Headstart program, a motivation to do better in school, if there are some skills learned through training programs, I cannot help but believe that we will have more chances to put those people to work than if they absolutely have no training, no skills.

Senator BENNETT. No argument about that. Under our system the individual who takes advantage of those opportunities moves out of poverty and moves into the situation.

Mr. COOK. Yes.

Senator BENNETT. But we are having to look at a mass—three and a half million people, and when you look at that you have to look at the potential of three and a half million jobs or roughly that or you are just simply having a lot of fun in setting up a program which in the end will fail like so many others have.

Mr. WILSON. I think that if, Senator, I may say so, we and you are trying very hard to create opportunities for three and a half million people 5 years hence or 10 years hence, and we may or may not succeed; but if during that period when the economy, we hope, will resume its rate of growth of the past decade, we hope that the people, when that time comes, will be better prepared than they were 5 years ago, when they could not be used at all, many of them.

So I do not think it is futile. I think you are making an investment while simultaneously you have to push through other measures to get the economy going.

Senator BENNETT. I cannot escape the feeling in the next 10 years there is going to be the natural tendency to produce the skilled workers and we start with a hard core of three and a half million people who are outside the system now and we are going to get a natural increase, as we always have had, to take care of this increase in jobs.

I think we have got to face the fact that somehow we have got to expand our pattern to absorb these people who have been left behind, not merely take care of the people who are coming along in natural increase.

Mr. WILSON. I agree.

Mr. COOK. I would agree but I would certainly also agree with you that at the bottom of the totem pole there is always going to be a residual—

Senator BENNETT. That is right; no question about it.

Mr. COOK. A residual of individuals, low in skill, low in motivation, low in physical energy, perhaps that we will always have with us.

If the incentives are provided, if the atmosphere is provided then hopefully more will spring out of that than would otherwise be the case, but I do think we will have this residual with us always.

Senator BENNETT. No question about that. But somewhere the jobs must be provided and I think industry and the unions must be thinking in terms of that rather than in terms of just continuing to raise the minimum wage or making advantageous wage contracts for those who are now employed.

Mr. WILSON. We agree.

Senator BENNETT. I have taken more than my share of the time.

The CHAIRMAN. Senator Ribicoff.

Senator RIBICOFF. The welfare bill at the present time is about \$7 billion. Our gross national products is \$970 billion. So our welfare bill is less than 1 percent of our gross national product today.

Basically what does welfare represent? It represents the overhead that society has paid for its failures, both private and public, and less than 1 percent isn't too high a bill for society paying for its failures.

There have been a lot of generalities today on your side and on this side of the bench. You two gentlemen are the chief executive officers of two of the larger corporations in America in prestige and ability and in earning capacity. What are your companies doing, what can your companies do by themselves, what can your companies do with public support to hire more people specifically, not that there should be another way, there is a better way, and we must find a way. From your experience, what can you and your companies actually do?

Mr. COOK. Let me give you a specific example. For the third straight summer our headquarters in White Plains, N.Y., took on about 60 of

the most disadvantaged high school youngsters from the nearby high schools, and for every—we paid them the minimum wage for the work that was done.

For every dollar they earned there was a dollar put in escrow to be used only for post-high school training to learn to earn. The individual could not get it. It would be paid to either the welding school or the college or the beauty salon that would teach or whatever.

Now these are small examples, but this kind of thing can be done over and over again but it takes an awful lot of that to absorb millions.

Senator RIBICOFF. All right.

Now how many employees does General Foods have in your entire organization?

Mr. Cook. Well, I gave you one location. This is headquarters, where we have about 3,300 people.

Senator RIBICOFF. What is the total number of employees that General Foods has in your whole organization?

Mr. Cook. Within the United States, about 22,000.

Senator RIBICOFF. 22,000?

Mr. Cook. Yes.

Senator RIBICOFF. Now you take 60 at White Plains. How many more did you take in your other branches around the country?

Mr. Cook. I would say each place where we did not have a union, and this would be five or six places, why, we had similar programs, not only for summer disadvantaged youths but also hard core unemployed under the NAB program and we have contracts with the Labor Department.

Where we have unions we ran right into the difficulty that they would not back down from their minimum wages and here we had great, great difficulty.

Senator RIBICOFF. All right.

So there is union responsibility. But the total you have taken then is about 300 throughout the country, if you took about 60 in five or six places you have about 300.

Mr. Cook. At least and probably closer to 500.

Senator RIBICOFF. And for the dollar they earned you set aside a dollar for training.

Mr. Cook. This was summer youths only. The others we paid the regular union wage scale or minimum wage scale, whatever prevailed in the area.

Senator RIBICOFF. Now basically industry is potentially the largest teaching academy in the entire country. Your company—

Mr. Cook. Yes.

Senator RIBICOFF. Whether it is Xerox or whether it is General Foods or General Motors or Du Pont or General Electric, you have more Ph. D.'s and more men with master's degrees than teach at all the universities this country can get. Potentially you are a training ground where you really can teach people if you took time off.

Mr. Cook. And we do.

Senator RIBICOFF. All right. You bring people in from the lowest menial tasks that there are, whether they are sweeping the floor or cleaning latrines or whatever the jobs are.

Mr. Cook. It is not limited to that, Senator.

Senator RIBICOFF. What is that?

Mr. Cook. It is not limited to that.

Senator RIBICOFF. I know, but you can take people in with various degrees of skills and ability, isn't that correct?

Mr. Cook. Yes.

Senator RIBICOFF. What if you had a plan where you brought somebody in and they worked 20 hours a week in a menial task, and the other 20 hours were spent in upgrading their skills somewhere within your organization where at the end of that training period there would be an upgraded job for them?

Mr. Cook. That is precisely what we do under NAB.

Senator RIBICOFF. All right.

You would pay them for 20 hours of work, and suppose the Federal Government paid for 20 hours of training, you would pay them for 20 hours of work, they would be receiving wages for 40 hours, the other 20 hours they would be receiving training and at the end of that training period there would be a job in General Foods or in Xerox and an upgraded job, and at that stage the Federal Government would phase out and you would then pay them their regular wage and the upgraded job of 40 hours a week and when that man or woman graduated to the higher job you would then take more people and start them through that process.

Why can't industry, the giants of industry, men like yourselves who are concerned socially and economically for the future of your country, institute programs like that in cooperation with the Government? Is this an objective that is worthwhile for the Government to undertake with industry?

Mr. Cook. First, you have described the activities of NAB almost precisely.

Senator RIBICOFF. All right. But how much of that is actually being done?

Mr. Cook. Well, throughout the country, I think it is being done on a pretty broad scale. The temporary setback to the economy has affected this significantly, because so many times you find yourselves making work, and I am sure this is contrary to the public good, but the idea that you expressed is being followed regularly under NAB and also outside it.

For example, there seems to be always a shortage of competent secretaries, and we found it necessary to set up our own training classes where we take the young ladies from their secretarial schools, they are not qualified yet to hold jobs but they go through a period of weeks of training at our cost under our supervision to enter the lowest secretarial jobs. So it is not just the one who cleans, let's say the floors, and so on.

Senator RIBICOFF. Well, these young men that you took in White Plains, what was their problem?

Mr. Cook. Basically backgrounds and financial. Many of them were having trouble hanging on. The motivation to even stay in high school was lacking. What we hoped to do was to show them first it was worth finishing high school; secondly, they could earn money and put it in the kitty, so to speak, for training after high school, and to give them the taste of what business is like, to see that there could be advancement, there could be careers for them. We were trying to change attitudes as much as anything else.

Senator RIBICOFF. You do not have the total amount of people going through that NAB program and how much it costs, do you?

Mr. WILSON. I do not have the costs, but I think their goal was to provide 600,000 jobs and they did not quite make it up to now so it was several hundred thousand jobs. But at what costs, I do not know because it was divided between public and private sources.

Senator RIBICOFF. Would you supply the committee with how many people—

Mr. WILSON. Of course.

Senator RIBICOFF (continuing). Had gone through this during the last year, during this program?

Mr. WILSON. Yes.

Senator RIBICOFF. What the costs have been to industry and what the costs have been to Government.

Mr. WILSON. There will be some very wild guesses on some of these factors because we, for example, had a program similar to General Foods as a part of the NAB thing, and we made the best estimates we could about these contracts for training, et cetera, but I know we spent a great deal of indirect cost and the people—caring for the people, it was never broken out. You would just have to guess at it. It took a lot of attention. There was great turnover, foremen spent a great deal of time with them but they did not keep time as to how often it was spent.

Senator RIBICOFF. Do you think it is worth while?

Mr. WILSON. Of course it is worth while. That is the whole point of our testimony, Senator; we think the country must solve this problem.

Senator RIBICOFF. All right. It is not going to solve it in generalities, but in specifics?

Mr. WILSON. Of course.

Senator RIBICOFF. That is what we are looking at.

Let me ask this. You gentlemen are businessmen and you know the costs of production and how you fold in a new process. With a potential of 14 million people added to the welfare rolls in this kind of a program, do you think that the welfare authorities of this country, administratively, bureaucratically within 1 year, can handle it, 14 million more people in a program such as this?

Mr. WILSON. I will have to speak for myself and let Tex speak for himself.

We think, with some of the new principles that are involved, the elimination of the verification and all that redtape, obviously they can handle a great deal more.

On the other hand, when it comes to administering the work requirement aspects, which would be very subtle and very difficult, we think this is too much to digest in such a short time.

Senator RIBICOFF. Too much to digest?

Mr. WILSON. I think that.

Mr. COOK. I agree, to phase into it.

Senator RIBICOFF. Too much to digest. Does this not become a grave responsibility on Government? We have gone through this with medicare and medicaid, where we suddenly placed upon, into the economy, into society a concept, a good concept, I believe, which is full of difficulties and full of problems, and full of errors and great additional costs because we have to work it out.

When you have a new company, a new method, do you go full steam ahead or do you try it in a pilot basis before you put it into production?

Mr. WILSON. The latter for us.

Mr. COOK. In most instances.

Senator RIBICOFF. Do you think it would be the better part of wisdom to have real full pilot programs in various segments of this country before we go into effect with a program that will raise the welfare rolls to a potential of 25 million people?

Mr. COOK. Yes.

Mr. WILSON. Yes, this is precisely what we recommended to the Arden House CED report: that, wherever possible, efforts should be made to use market research or market trials, to use our jargon.

Senator RIBICOFF. You are talking about market trials because no blueprint you can put on paper, no social scientist or Senator or President of the United States or president of a corporation can ever anticipate how people will personally react—

Mr. WILSON. Right.

Senator RIBICOFF (continuing). Under given circumstances with any social program?

Mr. WILSON. Right.

Senator RIBICOFF. How long do you think such a trial run should take or with a program such as this, a year, 2 years, to see how it works, work out the difficulties, to see what the incentives are?

You mentioned the fact that maybe the incentives should be larger, instead of 30 percent it should be 40 percent, maybe 70 percent, we do not know. How long do you think a pilot program like this should go into effect before the entire Nation comes under its aegis.

Mr. COOK. This is purely an opinion, but I would think, to have projectable results, it would take 2 or 3 years to really read it. Now there has been a test, a pilot program, going on in New Jersey.

Victor, are you familiar with the details of that?

Mr. WEINGARTEN. That is the income maintenance demonstration, Senator, OEO.

Senator RIBICOFF. I believe that there is a great deal of doubt whether that proved anything, and that encompassed exactly what we are trying to put into effect.

Now basically, let's not kid the American people or kid ourselves, I happen to be for this program and for this plan. I support it and I will vote for it. I want to improve it, but I think the country must realize that we are basically changing the social philosophy of the United States once we put it into effect. None of us can anticipate the consequences, but we are definitely starting this Nation into a new social program, and I commend President Nixon for having the courage to take that chance.

But having said that, do we not have the responsibility, if we are starting this country down a new road for society as a whole, and it is—you put 25 million people into this type of program and you are changing society—we do not know the impact that it will have on the people benefited and the people outside the program, their concepts, their reactions and what it will lead to. If we are going to spend all this money, and if we are changing our society, should we not give it a real trial run in different sections of the country?

As far as I know, and the South is affected to a great extent with great problems, you have it with the white poor and the black poor. There is no pilot run of this anywhere in any Southern State or any Southern region, there is no trial run; is there a trial run in a small town, in a large metropolis, in a medium sized city scattered throughout the country?

Now is not the better part of wisdom then from your standpoint an enlightened businessmen, successful businessmen, who see the necessity for change and advocate the change, should we not try this out to see if it will actually work before we embark the entire Nation on this program?

Mr. WILSON. I would like to say yes, with this caveat: We rather glibly answered, if I might take the analogy from business before, on any important project we like very much to have time to try it and test it, the scientists would like to test it until it was perfect and it would never come into the world at all, and so I think the problem is one of timing. Of course it should be tried, if possible, for a year or 2, perhaps 3, as Mr. Cook suggests.

But there is a tide running in this country at the moment that may make something bold like this possible that may not be possible 3 or 4 or 5 years hence and we think some risks should be accepted.

Senator RIBICOFF. Well, for one who pushed medicare and medicaid, I must confess today that the country would be better off and the program would have been better off if we had given medicare and medicaid a trial run of a year or 2 before we committed the entire Nation.

Now, if the program is good, if it works out in a substantial trial run of a year or 2 or 3 throughout the country, the American people are smart enough and wise enough to adopt it. If the program proves out to be a failure, then we should have the common sense of forgetting about it. But all of us know that once you start a nation on to a major social program, this social engineering, once you start it you can never get away from it. Then you spend all your time tinkering around with a basically imperfect program, with a lot of defects, with a fantastic cost, with great unhappiness and great frustrations as we find in the social program that fails.

Now wouldn't the better part of wisdom be that this Nation should adopt as a policy that before it commits itself to a multibillion dollar program affecting 210 million people that we should give it a substantial dry run.

If we are talking about a program that is going to go up to the \$20 billion what would be wrong by committing a hundred million for 2 or 3 years to find out if it works, and if it fails we have thrown a hundred million dollars down the drain. It is better than throwing \$20 billion a year down the drain and being stuck with a program that may not work.

We have spent for education, health, welfare, all these social programs, untold billions of dollars and I think even those who are the strongest advocates of these programs have great doubts whether they have been successful.

Now if this country has a shortage of money, and everybody glibly talks about priorities, and I think we should have priorities but let's have priorities on programs that are going to work and not priorities on programs that we do not know whether they will work or not. I would like a comment from you two gentlemen.

Mr. WILSON. I agree that should be done.

Senator RIBICOFF. You think that should be done.

Mr. WILSON. But I would hope simultaneously the commitment to the principle is clear unless the trials fail. I do not know whether that is a practical thing for the Congress to do.

Senator RIBICOFF. Well, I do not object to that.

I do not object to committing ourselves to the principle. This is a very interesting committee. This committee is composed of men whose social and economic viewpoints are very conservative and men whose economic and social viewpoints are very liberal, and the middle of the road. But from my experience with this committee, it is conscientious; it is hard-working; it does not run away. It has never run away from a social or economic challenge, but I do sense on this committee deep concern over this program from liberals and conservatives alike. These are men who want to make this system work; they want to make this country work and are concerned with these problems.

Now, if we have this concern and if you have these concerns as enlightened businessmen, and if we are faced with such a change of direction in American society do we have the right or do we have the obligation to put forward a series of pilot programs, various alternatives, well-funded, in areas not where they could fail but in areas in this country where there is a commitment, where there is ability in welfare and social authority and give it a run. Let's see what happens and let's follow it. We have waited all these years and if we are going to start this, let's try to have something that succeeds for once if we are going to advance billions of dollars in efforts and in energies and our emotions. Because this is a program that takes all of that.

Mr. COOK. Well, Senator, it is very difficult to disagree with the main thesis of what you say.

I wonder if we have the time that it takes to really prove out programs that are so difficult to measure.

If we buy the principle, and I think we are starting on a very low base, most of the criticism that I get is that the figures are so low that they are unrealistic, so I think we are starting at a low base, but we are also starting from a system that I think it is a disaster.

You know New York City as well as I do, and I think that is just absolutely an untenable situation, our welfare program there and, therefore, if the principle seems to be right, and we move into it on a modest basis, with the knowledge that we are going to have to change as time goes on, it seems to me we are following in general the course that you would like short of the dry runs that we wish we had 3 or 4 years to run all over the country.

Senator RIBICOFF. Except this, sir, and this becomes a matter of great importance: I feel you will never solve the problems of the poor and the black until you recognize that the lower middle class has got problems, too, and as long as society just looks at the poor and black, and sets up conflicts between the lower middle class and the poor and the black, not only will you have a schism in American society but you will have the great stresses and strains on the whole body politic which we see in many instances in this Nation at the present time. It becomes very important, this dividing line, the man who is supported by Government earning \$4,000 a year for doing nothing or doing part-time

work, and the man who lives across the street and works in your factory and earns \$4,500 a year and he works 40 hours a week. This is an important factor, to understand what assurances there are, what stresses there will be, in society on that phase, to understand that the person who lives in the slum has got a problem, but the man who earns \$4,500 a year and lives and works in your factory does not have housing that is much better. The person who earns \$4,500 on welfare is hungry but the family who works with two or three children at \$4,200, or \$4,500 a year doesn't have all the food they need and the medical care they need and don't have the education they need either.

Now I have great esteem for the President and Mr. Moynihan and I will go along because the past system has failed, but we have great concern on this side of the bench to work it out, and I can see myself as a liberal Senator, or with conservative Senators in back of this bench, fighting on the floor shoulder to shoulder to try to get a program that will make sense, and if we have to say no to the social scientists or the President of the United States to try something out I think it ought to have been done.

I think if we had done this with the poverty program if we had done this with medicare or medicaid, if we had done this with health care programs and if we had done it with the billions of dollars we have committed to education this country would be a lot better off and those programs would have a lot better chance of succeeding.

Isn't it time for us to stop and listen, not to stop social progress, but to try these schemes out in a diverse country like this to make this work.

I think this is what is bothering a lot of us on this committee.

Mr. WILSON. We agree.

Senator RIBICOFF. I am sorry for having taken all the time.

The CHAIRMAN. Senator Hansen.

Senator HANSEN. Thank you, Mr. Chairman.

Let me say that I genuinely appreciated the very astute observation made by the very distinguished Senator. I would like to associate myself with those comments.

He is well known as one of the most effective and influential Secretaries of HEW that this country has had, and I think that we may all very well heed the cautions he has called to our attention.

I do have two questions.

I would like to ask Mr. Cook when the Secretary, the present Secretary, of HEW was being confirmed, he spoke, too, as you do, of the need for a plan based firmly on providing the incentive to work and not merely continuing relief, and I note that this is one of the significant points to which you call attention.

Secretary Richardson, when he testified at the hearings preceding his confirmation, in response to a question, said that he thought that in order to provide the proper incentive for work a person moving from welfare into the world of work ought to be able to keep half of what he earned.

I would ask you, sir, what would be an arbitrary percentage or figure that you might think would be necessary to be retained by a worker in order to provide the proper incentive to go from welfare?

Mr. Cook. Well, assuming there is a base to start with from which nothing is kept, I would hope that 50 percent would do the trick. I

said earlier that we may find through actual experience causing us to have to move that figure up.

I wish I knew. I would believe that is a reasonable figure to start with.

Senator HANSEN. You would think not less than that, is that what you are saying?

Mr. WILSON. That is right, that is right. Because I can see the people as they do now with the income tax stopping and saying, "There is no point in doing that because all I get to keep is thus and so."

Senator HANSEN. Yes.

My second question is, and I am not sure that I understood you correctly, but I thought you said that your Birds Eye division found it necessary to move at least some part of that operation outside the United States. Did I understand you correctly?

Mr. WILSON. That is true. Some of the stoop crops such as asparagus and that sort of thing, on the west coast there is really a shortage of people who will do this kind of work, regardless of what they are paid.

In Mexico there is no shortage at all, they are dying to do this kind of work. The land is very fertile and it is working out extremely well. I just am sorry to see us in effect export jobs.

Senator HANSEN. Well, I share your concern and your dismay. I would ask you from what I understand that not only are some important U.S. corporations finding it necessary, as you have, in this instance, because of the shortage, in fact, the extreme absence of labor willing to do this sort of work at any price, but for other reasons some of the corporations—I think there are some engaged in the electronic field who have plants in Mexico.

Mr. WILSON. Yes, I happen to be on the board of one which has a plant in Mexico because, competitively, they are simply being beaten to death by the Japanese, to be quite frank with you.

Senator HANSEN. That is my understanding. I am not certain, but I think Motorola may be one of them.

Mr. WILSON. Well, there are many.

Senator HANSEN. I did not mean to identify them exclusively or specifically. There are a number.

I have a feeling that many of the advantages that we once had in this country, which resulted from our high level of education as compared with some other countries, with most other countries, and that with our willingness to adapt our operations to the most modern mechanization and assembly line type of production, we were able nevertheless, I mean despite the fact that foreign wages may have been substantially less than those in this country we were nevertheless able to compete. But I have the feeling, and I hope I am wrong, that that advantage is fast disappearing, while these foreign countries in many instances, I think it is true with Japan, their steel-making operations over there are pretty modern.

I was in Japan in 1965 and I was quite surprised to learn that some of the visitors at that particular plant where I was privileged to observe were from the city of Pittsburg, seeing how the Japanese made steel. So I would ask you, do you think that our ability to compete with completely unrestricted free trade may not be as strong as was the case two or three decades ago?

Mr. Cook. Well. I am sure we each have an opinion here.

My own feeling is that our ability to compete is eroding rapidly, that our productivity, I will say, per dollar, certainly has not been maintained and whatever gap there was is largely closed. We operate in Japan and Germany, and, for example, when I go to German plants and Japanese plants, I am amazed at the sheer productivity of the people, the can-do, and will-do, attitude that seems to be now, for some reason, disappearing or reeling badly in this country, it is very very disturbing.

Senator HANSEN. I would invite Mr. Wilson's opinion.

Mr. WILSON. I would have to agree very reluctantly, but I would like to suggest that creating trade barriers may not necessarily be our answer. In the long run, I think this is self-defeating, but that is based upon a very fundamental assumption that the American people may come back on to the will-do attitude and that we can compete. But it has got to be done within ourselves.

Senator HANSEN. Thank you.

Mr. Chairman. I want to express my appreciation to these distinguished gentlemen for appearing this morning.

Mr. WILSON. Thank you.

Senator BENNETT. May I have just one final question?

The CED in its book suggests the organization of a separate corporation to manage this program rather than to have it managed as it is now, fragmented between the Department of HEW and the Department of Labor.

Do you support that approach?

Mr. WILSON. This particular report to which you are referring about the jobs, et cetera, was done by a different group of people than Mr. Cook and me.

Senator BENNETT. I see.

Mr. WILSON. And I really do not know the reasoning by which they came to that particular conclusion.

Senator BENNETT. Well, I had assumed you had been a part of this enterprise.

Mr. WILSON. No, there had been two separate groups. We are departmentalized too.

Mr. Cook. By project, yes.

Senator BENNETT. Do you have any comment on that, Mr. Cook?

Mr. Cook. I am aware of it.

Senator BENNETT. Are you aware of the proposal?

Mr. Cook. I would dislike to see us create any more departments or agencies or whatever than are necessary, and I would like to believe that this could be worked out with existing Government departments and mechanisms.

Senator BENNETT. Well, part of our problem in the committee is to realize that there is no agreement among the existing departments and agencies and sometimes you are better off to have one organization do the job, even if you have to set up a new one.

Do you find that in your business, you very frequently have to reorganize?

Mr. Cook. We have a little more authority in our business, I would say.

Senator BENNETT. I am not sure we want to let that stand on the record.

No further questions, Mr. Chairman.

The CHAIRMAN. Thank you very much, gentlemen.

Senator Ribicoff has requested that I call Mr. Daniel Kops, vice president of United Way of America.

Mr. Kops, will you proceed, sir?

May I say that after Mr. Kops concludes his statement, we will stand in recess until 2 o'clock, and when we come back at 2 o'clock we will hear Mr. Stanley Miller.

Is Mr. Miller here? We will hear you at 2 o'clock, Mr. Miller, if you will be available to us, then, sir.

STATEMENT OF DANIEL W. KOPS, VICE PRESIDENT OF UNITED WAY OF AMERICA, AND PRESIDENT, KOPS-MONAHAN COMMUNICATIONS, INC.; ACCOMPANIED BY LOWELL WRIGHT, STAFF ASSOCIATE, PLANNING DIVISION, UNITED WAY OF AMERICA

Mr. Kops. Mr. Chairman, I am Daniel W. Kops of Hamden, Conn., a volunteer, vice president and board member of the United Way of America, and I am president of Kops-Monahan Communications, headquartered in New Haven.

Seated with me is Lowell Wright, staff associate of the Planning Division of the United Way of America.

Mr. Chairman, in view of the many statements that you expect to hear, my statement will be brief. But to our movement it is of major consequence.

I know that this committee has already given a great deal of thoughtful consideration to this proposed legislation for a family assistance plan, and I would like you to know that the proposals contemplated in this legislation are of extreme importance to us in the volunteer sector. I am certain that you recognize that the health and welfare system throughout these United States can and does function only because of the close collaboration between public agencies and tax dollars and the volunteers who raise money and coordinate planning through the complex of 36,000 local and national organizations.

We are interdependent, Mr. Chairman. Therefore, reform of the welfare system as proposed promises great benefits not only through operation of public agencies on all levels of Government, but also holds out the opportunity for gains in the effectiveness of the volunteer movement. This potential for improving the effectiveness of voluntary and public functions is too great for us to be complacent about loss of time in their adoption.

The 18 million volunteers who raised over \$800 million last year and are reaching out for a billion dollars are motivated solely by the American ethic of service to assure a fair share of America for all.

But as a businessman, I must express the deep concern, which is shared by many other businessmen, working people and housewives, who make up the 35 million contributors through united funds and community chests and it is that far too many of our health and welfare dollars, both public and voluntary, are of necessity eaten up just alleviating the symptoms of social and medical ills of families in need.

We have high hopes that the wisdom of the committee and the Senate as a whole will make it possible to free families from the grip of the welfare cycle extending from family to family. We see at hand the opportunity to use volunteer and tax dollars much more efficiently in treating and eliminating the basic ills.

We see it possible to have the money that is needed for prevention, character building, and essential services.

I would like to give you an example of this that can be duplicated in every field of health and welfare service. It has to do with services for the retarded.

Currently untold millions are being spent in this field initially by United Way support for associations for retarded children, developing demonstration projects and counseling parents and, secondly, in the public sector using city, State, and Federal funds for special educational programs and an operation of residential and day care centers, and after all that we still have children who play less than a full role in our society.

However, the doctors tell us that a high percentage of retardation can be avoided just through proper nutrition for mothers-to-be and children. Further, we know that defects in environments, life and deprivation, are contributing factors in causing retardation.

I could duplicate this example in mental health, care of the aging and, as I said, every other field.

Adoption of the proposals that you have under consideration can free up many of the hard-pressed public and United Way dollars that go to alleviate symptoms so that they can be funneled into services for children who enjoy a full life and contribute a full share, children who cannot now because a youngster can hardly participate with enthusiasm in a boy's club or Boy Scout program on an empty stomach.

I submit, Mr. Chairman, that in the the long run this bill will mean much more efficient use of and less strain on our resources. Currently, the public and voluntary systems are strained to a danger point.

Your committee holds the key to enable these systems to function efficiently in the community, the States and nationally, and that is why the United Way board of directors has gone on record affirming its continuing concern for the reform of the public welfare system and declared its endorsement for the principle of a national system of minimum financial support based on standards adequate to preserve human dignity, with the Federal Government bearing full responsibility for the financing and administration.

We are aware of the concerns already expressed by others of the inadequacy of some of the proposals and we share some of these concerns. We are aware also of the concerns of others about the massive adjustments involved. However, we believe the gains anticipated through passage of the Family Assistance Plan promise much too much to forego this opportunity.

Thank you, Mr. Chairman, for this opportunity to be heard.

The CHAIRMAN. Thank you, Mr. Kops. These 18 million volunteers who have worked in your United Funds efforts might be able to help us in some of the counseling that is needed with regard to these welfare cases. Someone needs to look at every one of these welfare clients, to advise and suggest how those people might be put to more

constructive use, and what we might do to help them. In other words, find jobs for them; subsidized jobs if need be, and to do whatever is necessary to help these people be productive and make their own way. Someone needs to look at these situations and think about these people's problems.

Do you have any suggestions along that line?

Mr. Kops. I would like, if I may, to make several comments on your remarks, Mr. Chairman.

The 18 million volunteers, incidentally, are not essentially ladies. We are proud of the number of ladies who do work on a volunteer basis, but in even greater number the majority are made up of business leadership, union leadership, and professional people.

Second, the United Way nationally and through its member organizations and through its community councils which coordinate planning the resources of the different social agencies, both public and volunteer in some 500 communities, do stand ready to work in the administration of this program and to work toward its success.

Many of our people are volunteers on the boards which will be providing, which now provide, and which through some of the proposals in the bill would be providing, direct services to the beneficiaries of the plan.

The CHAIRMAN. Well, it is easier for me, as one person, to look at an individual problem involving one citizen and come up with an answer to that one citizen than it is to try to provide an answer to the overall problem. I can look at one person not now on welfare, but who would be eligible for it in this family assistance plan and suggest a better way for him than this bill would suggest.

Now when we try to expand this and try to make that apply to a million people, it might not work very well at all. But it has been suggested to me we ought to have a lot more flexibility in this program than we have under this bill to try to administer a program to help these people in a way that is most effective for them, and the more flexibility you have, the more people you need looking at the problems of individual citizens and particularly those that you want to help. I simply find myself asking to what extent can we expect citizens to volunteer to help find answers to these problems, and I just wanted to ask you whether you thought that there would be many of these 18 million volunteers who would be willing to help with that kind of problem.

Mr. Kops. Help with the——

The CHAIRMAN. To look at the problem of an individual welfare client and advise what should be done about that, to advise that one person and also advise the agency, how can we best help this person.

Mr. Kops. Yes. I certainly can remark on that.

Through our family service agencies, which are headed by volunteer boards, which have volunteer members and paid staff, we are currently and certainly on an extended basis would continue to give services to these very people that you are talking about.

The CHAIRMAN. Thank you.

Senator RIBICOFF. I have no questions, except, Mr. Chairman, Mr. Kops is an old and respected friend of mine. He is the operator and owner of one of the outstanding radio stations in New Haven, Conn. In addition to this he has always been a public spirited citizen who

has done more than his share on all good causes for the Connecticut community and I am delighted to see Mr. Kops here today testifying for United Funds.

Mr. Kops. Thank you, Senator Ribicoff.

The CHAIRMAN. Thank you, Mr. Kops. We are pleased to have you here.

(Mr. Kops' prepared statement follows:)

STATEMENT OF DANIEL W. KOPS, VICE PRESIDENT, UNITED WAY OF AMERICA (FORMERLY UNITED COMMUNITY FUNDS AND COUNCILS OF AMERICA, INC.), AND PRESIDENT, KOPS-MONAHAN COMMUNICATIONS INC.

United Way of America represents 18 million volunteers; 2,260 United Funds and Community Chests through which \$817 million dollars were donated by 35 million contributors last year, in support of 36 thousand local, state and national agencies, which provided service to 31 million, 898 thousand families last year.

Because a high proportion of these families are also aided by governmental agencies, and assisting them effectively requires close collaboration between the voluntary investment and the tax investment in services, United Way of America has a vital and enduring interest in public policy and in tax appropriations for the human services.

In our campaigns we state that our goal is a "fair share in America for all." We recognize that meeting this goal requires resources beyond the capacity of the voluntary sector; our interest in welfare reform stems directly from this realization. We have therefore followed the proposals for welfare reform with keen interest.

1. We believe that one of the objectives of welfare reform should be to render individuals and families free from dependence on public assistance.

2. It is our conviction that if families can be encouraged to break loose from the welfare level of subsistence, the services provided by both government and voluntary agencies can be far more effective in eliminating the ills these families are subject to, rather than alleviating the symptoms.

3. Thus passage of an effective Family Assistance plan may result in more efficient use of the dollars citizens contribute through taxes and voluntary contributions.

4. On April 3, 1970, the United Way of America's Board of Directors adopted the following resolution: "Resolved that this Board affirm its endorsement for the principle of a national system of minimum financial support, based on standards adequate to preserve human dignity, with the Federal Government bearing full responsibility for the financing and administration."

5. We are deeply aware of the concerns expressed by some national and local leaders, over the inadequacy of the Administration proposals to meet fully the goals of welfare reform and we join in their concern.

6. However, we believe that the positive gains to be anticipated if the family assistance program is passed are far too significant to allow such criticisms to negate our support: (a) the establishment of Federal minimum guarantees; (b) the strengthening of work incentives; (c) the opportunity to break the poverty cycle for second or third-generation welfare recipients; (d) the added coverage for working families; (e) the freeing of state resources for other high priority use; (f) and the strengthening of child care programs are all basic improvements which have long been needed.

7. (a) The separation of money payments from the program of social services; (b) the emphasis upon the utilization of voluntary agencies for various social services by contract between HEW or state welfare agencies and such agencies; (c) the provisions for evaluative research and for demonstration projects . . . all these components of the bill merit United Way support.

8. The provision that states may receive Federal funds to develop multi-disciplined service centers, including public welfare, health, mental health, vocational rehabilitation, and other related social and health programs, appeals to the United Way with its long-standing commitment to a "whole man, whole community" network of services. We would expect local United Funds and Community Health and Welfare Councils to join in the design and operation of such centers, with voluntary agency collaboration.

9. The Bill establishes a model upon which incremental changes may be rationally built.

10. We join the Committee for Economic Development in believing that "The Administration's proposals represent a very important first step in revising the present welfare system. We join the Urban Coalition Action Council in its belief that "This may be our best chance to establish a minimum standard of decency, beneath which no American shall live."

11. We are proud of the fact that the United States has already produced a higher standard of living, and distributed income more widely, than any nation in history.

We believe the time is now ripe for the wider sharing of the benefits of our highly productive economy, with those who, for reasons beyond their control, have been unable to participate in these benefits.

We believe, further, that the distribution of income proposed under the Administration bill will serve to strengthen our total economy, through consumer purchasing power and employment incentives which will benefit every employed American.

12. We pledge our continued efforts at the national, state and local level, in concert with governmental and other resources to work for a higher quality of human services to strengthen individual, family and community life.

The CHAIRMAN. We will now stand in recess until 2 o'clock at which time we will expect to hear Mr. Stanley Miller.

(Whereupon, at 12:45 p.m., the committee was recessed to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

Senator BYRD. The committee will call Hon. Stanley A. Miller, Secretary, Pennsylvania Department of Public Welfare.

STATEMENT OF HON. STANLEY A. MILLER, SECRETARY, PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE; ACCOMPANIED BY ROBERT HAIGH, ADMINISTRATIVE ASSISTANT; AND RICHARD FARROW, HEAD OF FAMILY SERVICES FOR THE STATE OF PENNSYLVANIA

Senator BYRD. Glad to have you, Mr. Miller.

Mr. MILLER. It is a pleasure, Senator.

Senator BYRD. Would you identify your associates for the record?

Mr. MILLER. I would be happy to. On my left is my administrative assistant, Mr. Robert Haigh. On my right is Mr. Richard Farrow, who is head of our family services in Pennsylvania.

Senator BYRD. Thank you.

Mr. MILLER. Mr. Chairman, gentlemen, it is my privilege to testify before this committee on behalf of Raymond P. Shafer, Governor of the Commonwealth of Pennsylvania. The Governor shares with all people of good will a grave concern about the plight of needy persons—children, the aged, the infirm, and the handicapped—in Pennsylvania and across the Nation. The problems of financing the programs necessary to relieve suffering, to prevent permanent social, psychological and physical damage to people, and to provide opportunity for individual growth and development, have received the closest attention during his administration.

I am proud to report that Pennsylvania's program of public assistance has always been one of the most comprehensive in the Nation in relation to its coverage of needy persons.

From its inception in the thirties until the present time the level of support has continued to grow. During the 31½ years of the Shafer

administration, it has risen from 70 percent of a minimum standard of health and decency to 100 percent of the standard, which is priced each spring. A few selected statistics will serve to show the magnitude of public assistance programs in Pennsylvania and the way it has grown.

Currently, Pennsylvania serves 670,148 persons, an increase of 139,457 in the past year. Of this number, 601,606 are in the federally aided categories of assistance, while 68,543 are provided for out of State funds alone, under our program of general assistance. Our total expenditure for fiscal 1969-70 was \$474,799,231. We anticipate a higher monthly average caseload for 1970-71, of 707,900 people, with an estimated cost of \$603 million.

For a family of four, our maximum grant level, which is now among the highest in the Nation, averages \$3,433.20 on a State-wide basis. In addition to improvements in the realm of support we have taken several major steps to improve the quality of our service to the largest possible number of people. Pennsylvania was one of the earlier States to commit itself to separate the program of income maintenance from the provision of social services. To accomplish this we are developing modern systems approaches to support the two components. As of the present this separation has been accomplished in 42 of our 67 counties. I present this background of Pennsylvania so you can better understand our intense interest in any change in so basic a system as welfare.

Governor Shafer, writing to Senator Long about H.R. 16311 on August 3, 1970, said:

The discussion, refinement, and final support given to the proposal in the House of Representatives is indicative of broad-based support and is demonstrative of the overwhelming need to extricate the Nation from the morass of the current welfare system and to develop a more rational and systematic approach.

The concept embodied in the family assistance plan is indeed revolutionary. Not since the great social welfare reforms of the thirties has such a sweeping revision been seriously proposed—and might I add, just in time. For on all sides we see that our present system of public assistance is just not working.

As administrator of one of the largest departments of public welfare in the Nation I am daily reminded of the deficiencies in our system; and in spite of the best intentions, the full support of the Governor and the cooperation of the State legislature, we are not able to make many improvements in our delivery of services.

Hence, it goes without saying that the Governor and I heartily endorse the principles included in the family assistance plan. The concept of a national level of guaranteed income has our full support. Federal administration of the income maintenance provisions of the program would assure a nationwide minimum level and likewise it would assure Federal responsibility for both continuing the level and providing for the cost of administration of income maintenance. Unfortunately, from the point of view of Pennsylvania, the minimum level is far below the real cost of family support and is below our current level of payment.

Of concern to many professionals in the field is the proposed splitting of administrative responsibility for provision of income maintenance and social services between the State and Federal Govern-

ments. Such a division could easily produce a more complex system to which individual consumers must relate.

That is why we propose a contractual arrangement between the Federal and State Governments under which, with Federal funds, the States would continue to provide administrative management of the program. It is reassuring to Pennsylvania and I am sure to other States that the proposed legislation provides that States will not have to spend more in future years than is spent in fiscal year 1970-71 for all Federal categories except for cost of living increases, which the States may find necessary to approve. Undoubtedly this protection to the States is an important feature of the bill and one which we support with enthusiasm.

We are less enthusiastic about the proposal to withdraw Federal support for employed fathers of families, even while the family itself could receive Federal funds. This is contrary to the position Pennsylvania and other States have taken to reestablish firm family relationships wherever possible. In our opinion, this is discriminatory and is not justified by the realities that many families face in our complex civilization. It seems to us to be an anachronism to provide a better fiscal position to families headed by a female than to those headed by a male. It seems likely that this may discourage males from assuming their responsibility as members of a family group. The important issue in our judgment, is that we treat all persons as nearly with equality as we possibly can. The basis for granting of assistance must be one of need, not one of sex, age, or marital status. We are as deeply concerned about the general assistance recipients who do not have children as we are for those persons for whom we receive Federal reimbursement. We disagree with the position that some people merit Federal assistance, while others in similar need do not.

Based on the relatively lengthy experience of Pennsylvania in work training projects we have some reaction to the requirement that all able-bodied persons, including mothers with school age children, register for employment. There is a definite need for flexibility in this area.

One of the common complaints about the welfare system is that recipients often are offered employment at wages below the amount they would receive on public assistance. It is often difficult, if not impossible, to motivate a person to work for less than he might receive for not working. The costs of employment are high in our society in terms of wage taxes, social security costs, transportation, clothing and other work-related expenses. The real solution to our problem of employment for everyone lies either in a fully operating economy which provides work at adequate wages for all eligible persons, including the handicapped, or quite possibly in a backup employment system operated under public auspices. Such a system must provide meaningful work in the areas of human services, recreation, conservation, and environmental development, and should be in cooperation with industry wherever possible. Our best experience has come from programs where we place people on actual payrolls for a period of training with assurance that employment will follow with wages at comparable levels to those working in the system.

The area of child development and day care has received considerable attention recently in Pennsylvania. Under the provisions of pres-

ent legislation which provides 75 percent Federal funds for day care for needy children, we have participated in a great expansion in day care services. It is reassuring to know that H.R. 16311 proposes day care in support of the working parents and proposes capital funds in addition. We strongly recommend that the position be taken that day is a legislated right and that at least the Federal support for day care for all needy children be assured, not only to enable parents to seek employment but to guarantee that children receive the best possible aid in fostering their physical, emotional, and educational development.

Title 20 makes significant changes in the current cost of services of the Social Security Act. Most significantly, social services would no longer be mandated for the States. We consider this a most serious defect which should be remedied. In our judgment, social services should be required for all States, preferably to be administered by a single State agency adequately staffed and supported and with provision of a strong application of statewide effort to reach all persons in need and to provide a full array of services. While we say administer, we favor a network of services public and voluntary, tied together by contractual agreement. One aspect of Title 20 which I support is a proposal to extend social services to all people on a payment basis. The proposal for a closed end appropriation on social services will seriously limit the development in States of the comprehensive programs which should be in effect.

Human service needs do not have a closed end. They are subject to many of the same variables as the income maintenance program and the service program should be just as capable of responsiveness to suffering.

The provisions that municipalities with populations of over 250,000 may designate their own local prime sponsor raises serious question with us. It does not seem consistent with other provisions that support strengthened State management, the consolidation or synchronization of programs, and clear accountability. I suggest that meeting the objectives of this legislation will be difficult enough without promoting intra-State warfare. This is a clear erosion of the present powers of the Governors and I recommend it be deleted. However, I certainly recognize and support the need to be creative in contracting with any agency or local government if it can best provide the services. We are concerned that the social service amendments be clearly thought out and their implications for future programs be studied. Thus, it might be possible to consider them jointly with the administration's medical assistance proposals due before you in February 1971.

While it is not directly a part of H.R. 16311, I would like to comment on one proposed amendment to the current HEW appropriation. That is the limit on Federal funding of 110 percent of the 1969-70 expenditures for administration, training, and services. It would not only reduce our present expenditure level because of normal growth in cost factors but would cost Pennsylvania an estimated \$14 million on top of an already critically strained State budget. I urge you to delete such provisions at the present time.

In closing, let me quote from Governor Shafer's August 3d letter to Senator Long:

However, it is clear that discussion for its own sake can go on interminably and that it is no substitute for action. No one has yet been able to define or design a "perfect" bill. To continue the pursuit for this elusive perfection, as some would have you do, at the expense of positive, affirmative action could be as great a mistake as introducing a bill with no study or analysis at all. It is my belief that the monumental study and analysis of the Family Assistance Plan at all levels of Government has shown that the time for action is long overdue.

The CHAIRMAN. Thank you very much.

Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Mr. Miller, you favor a guaranteed income?

Mr. MILLER. Yes, sir.

Senator BYRD. At what level do you think it would be appropriate?

Mr. MILLER. A level commensurate with need. We find that in our State the minimum is in the \$3,400 and that possibly is below what we need. But at least, commensurate with the need of people.

Senator BYRD. In enacting a Federal bill, Federal legislation, what figure would you recommend the Congress select?

Mr. MILLER. I would support our position of the \$3,400 approximately. I realize this might be too much in one step also, sir. It should be Federally financed.

Senator BYRD. But you feel the \$1,600 is too low.

Mr. MILLER. Yes, sir.

Senator BYRD. The National Welfare Rights Organization has recommended a \$5,500 minimum. What is your feeling in that regard?

Mr. MILLER. I feel that some figure short of this—I am coming back to the Pennsylvania minimum and saying that while it may not be everything it should be, it is in line, I believe, with minimal needs. I use the word minimal.

Senator BYRD. Did I understand you correctly that in 1971 you expect to have 707,000 on welfare?

Mr. MILLER. Yes, sir.

Senator BYRD. And it will cost \$600 million?

Mr. MILLER. That is correct. \$603 million. That would be Federal and State moneys together.

Senator BYRD. How would that break down between Federal and State?

Mr. MILLER. On this year's breakdown it is—the breakdown is approximately 54 percent Federal, in the Federal categories, and 46 percent on State but because of our general assistance, our breakdown this year is \$208,944,511 of Federal moneys, \$265,854,680, so it would be proportionally the same in ratio.

Senator BYRD. Now, if this legislation is enacted, how many do you estimate will be on public assistance in the State of Pennsylvania?

Mr. MILLER. The estimate based on the legislation as now proposed. I do not believe it would increase our rolls since our levels are higher to start with than the Federal proposal of \$1,600. It would not increase our levels per se. It would give some relief to the State costs. At the present level it would not increase. No one else would be more eligible because of the level.

Senator BYRD. You are speaking now of cost.

Mr. MILLER. My people tell me except for the elimination of the lien and relative support which is included in the law, but I am talking on a dollar basis.

Senator BYRD. You have 707,000 you estimate, during 1971 under your present program, individuals.

Mr. MILLER. Yes, sir.

Senator BYRD. How many do you estimate you would have if this legislation is enacted?

Mr. MILLER. I say with the exception of the lien, and we have no estimate on that, and relative support—Mr. Farrow says it might add another 100,000 but based on dollars without that provision it would still be the 707,000.

Senator BYRD. In other words, you do not figure that this would increase the cost of the total program?

Mr. MILLER. Not at \$1,600 since we are \$3,400. It would relieve the State of some of the financial pressures. It would relieve the State of some—in other words, to the degree of the first \$1,600 it would relieve us to that amount.

Senator BYRD. So, it would be financially beneficial to the State.

Mr. MILLER. It would be frankly very good, yes, sir.

Senator BYRD. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. No.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Just a couple of questions. Of the 707,000 people now on welfare, how many do you believe are employable? Or could be employed with reasonably limited amount of training?

Mr. MILLER. The latest figure that we have as totally employable, and it was not based on the 707,000, sir, I apologize but it was based on the 670,000, was approximately 25,000 who are fully employable and we are working to get those off of our rolls as rapidly as we can.

Senator BENNETT. Those are people who presently need no training and are ready to go right into work?

Mr. MILLER. No, I will not say no training. They need some training, as anyone does that is hired in a job. My basic background is I am a businessman and anyone I hire needs some training, but this 25,000 could go to work with very minimum training or normal training in a normal procedure.

Senator BENNETT. Then, on the basis of those figures, we are really wasting our time thinking about moving people off of welfare into jobs if out of 670,000 there are only 25,000 that are employable.

Mr. MILLER. I cannot agree with that, sir, because I honestly believe that we could have other programs—I said fully employable, totally employable under today's structure.

Senator BENNETT. That was not my question.

Mr. MILLER. I am sorry.

Senator BENNETT. I will try to make it more clear. If this bill is enacted and the program operates successfully, how many of those 700,000 do you think could be moved into—

Mr. MILLER. With proper training and the various things necessary, I would say—would you say up to 100,000?

Mr. FARROW. I think much of that is dependent, Senator, on whether all the supporting services are made available—day care for the children. Of course, the big category is the aid to dependent children.

Senator BENNETT. This is the category in which we are—with which we are—

Mr. FARROW. Right. The blind, the handicapped will not go off.

Senator BENNETT. How many of these 707,000 are in the category of aid to dependent children?

Mr. FARROW. 450,000.

Senator BENNETT. 450,000. And, of course perhaps, what, 100,000 are adults?

Mr. FARROW. Yes. I would say—

Mr. MILLER. One-quarter.

Mr. FARROW. 112,000, something like that.

Senator BENNETT. 112,000 are adults. You also say or at least I infer from the summary that we have before us at the beginning of your testimony that you believe that most of these people should be channeled into a public employment program.

Mr. MILLER. When I use the word "public," I am using public and public in cooperation with industry. And I am talking about public, a backup public program, yes, but also I am talking about possibly more support to industry through Federal backups to perform certain functions that are awfully expensive for industry but which are awfully necessary.

We have a whole problem, environmental health and environmental control. I think a lot of people might be trained to help industry and with some Government support, help industry overcome some of these problems.

Senator BENNETT. How many of these people would wind up on the payroll of the State of Pennsylvania or a particular county or a particular city? Is that where you are aiming?

Mr. MILLER. No. I am aiming at a combination of work supports there plus work supports given to industry so that people can wind up in industry, back in the mainstream.

Senator BENNETT. So, when you talk about supports given to industry, do you mean subsidized positions only?

Mr. MILLER. At least—subsidized in its inception and possibly through its training period, yes, similar to what the testimony this morning was.

Senator BENNETT. So, you do not see industry on its own taking any substantial number of these people and keeping them there as productive, self-justifying employees?

Mr. MILLER. I see them taking some. I do not see them taking all or anywhere near what is the total across the country that we need to take care of.

Senator BENNETT. No further questions, Mr. Chairman.

The CHAIRMAN. Senator Harris?

Senator HARRIS. May I say, Secretary Miller, I appreciate very much your testimony before this committee and I particularly appreciate your expression of concern about withdrawal of Federal support from the unemployed fathers program and the effect that might have on further deterioration of welfare families, which ought to be of concern to all of us. And also I appreciate your comments in

regard to the need for some kind of employment program. While your rolls have been going up, last year unemployment in this country also has gone up a great deal. I suspect that Pennsylvania has been no exception to that national picture. Would that be true?

Mr. MILLER. We have had some increase in unemployment, obviously.

Senator HARRIS. I am always interested in some background material. Maybe you will not know the answers to these offhand, and perhaps the figures are not available to you right now.

How long has the average person who applies for welfare in Pennsylvania lived in the State? Do you have any way of knowing?

Mr. MILLER. At this point, no. At one time we had minimum residency. As you know, the Supreme Court has ruled out any minimum residency and a person can move into our State, your State, any State today and apply for assistance. So, I no longer have figures on it whatsoever.

Senator HARRIS. Do you have any reason to believe that there has been an upsurge in applications as a result of the abolition of residency requirements?

Mr. MILLER. Yes, sir.

Senator HARRIS. What causes you to believe that?

Mr. MILLER. Because our standards are higher than are many of the States and, therefore, there is a movement to the higher—

Senator HARRIS. How do you know there is a movement? That is my question.

Mr. MILLER. We see our rolls growing.

Senator HARRIS. But if you do not know how long the average applicant today has lived in Pennsylvania, how do you know whether or not it has gone up for that reason? I do not argue about whether it is caused by that or not, but I am just interested to know the actual situation.

Mr. MILLER. I say that is one factor. We have other things, too, and I think that—I said in my statement—

Senator HARRIS. Is it one factor?

Mr. MILLER. It is.

Senator HARRIS. Are you really prepared to say it is, and, if so, why?

Mr. MILLER. I am prepared to say I feel it is. I have no figures to back it up.

Senator HARRIS. You have no figures. What percentage of new applicants in your State now for welfare have lived 1 year or less in Pennsylvania? Do you know?

Mr. MILLER. I will look to my people in statistics.

Mr. FARROW. I cannot give you the answer on that. We have increased our eligibility by raising the grant in the past 2 years and that accounts for a good bit of our total increase.

Senator HARRIS. We would not know about whether or not people changed residence because of welfare unless we knew, first, how long the average applicant has lived in Pennsylvania and what percentage have lived in Pennsylvania less than a year.

Mr. MILLER. I do not have the statistics.

Senator HARRIS. What is the average length of time on welfare in Pennsylvania of an AFDC applicant?

Mr. FARROW. I think it is about 2 years, the average.

Senator HARRIS. Now, that really does not fit the stereotype of a people who receive welfare and continue to do so for the rest of their lives, does it? Why do you suppose they leave welfare if the average stay is 2 years?

Mr. FARROW. Well—

Senator HARRIS. I mean, if welfare in Pennsylvania—

Mr. FARROW. The conditions of living are better off assistance.

Senator HARRIS. If welfare in Pennsylvania is such a good deal, why do people not stay longer than 2 years?

Mr. FARROW. Some people do but I think our figures on the average show it is not a long-term thing for most people. There are some families, yes, that do. Mothers may be on for a short time during the infancy of a child and then find some provision to take care of the child and go off or partially off. Many of our recipients are partially employed.

Senator HARRIS. Maybe their salary goes up or they get a better job or they get a job—

Mr. MILLER. Move back into the mainstream.

Senator HARRIS. Obviously, they have found a source of income that is better than welfare.

Mr. MILLER. And more rewarding.

Senator HARRIS. More rewarding, and I think that is an important answer, too, because, by and large, I believe most people would far rather work, if they are not psychologically or physically handicapped, than receive welfare. These are interesting kinds of questions because, as you know, there are a lot of wild statements made about welfare which people really have not thought out. Some people make them that ought to know better or really ought to think them out a little better before they make them—or a least question them.

I do not know what all the answers are, but I do know we will be ill-advised to make sweeping changes in the law or to enact new systems when we do not really address ourselves to the basic questions. I think these are the kinds of questions that we need to be asking.

We have talked about the effect of residence requirements. You do not have the facts on that, here. We have talked about the fact that unemployment has gone up in Pennsylvania, as it has nationally last year. Are there other reasons why the numbers receiving aid to families with dependent children would have gone up in Pennsylvania?

Mr. MILLER. In January of 1967 when Governor Shafer took office, people were at 70 percent of the 1957 standard. First, a year ago last January, following a commitment he made in the 1966 campaign, the standard was raised to 90 percent of this level. And on January 1 of this year he succeeded in keeping his commitment on his platform of going to 100 percent of the standard.

Now, at each level and each time it went up, more people became eligible, obviously, for at least some assistance. So, it was really his commitment that he made to the people that created part of this as well as the unemployment, as well as residency and a multiplicity of different factors.

Senator HARRIS. Eligibility requirements allowed more numbers?

Mr. MILLER. That is right.

Senator HARRIS. That is an important point, I think.

Mr. MILLER. It is a very important point in Pennsylvania.

Senator HARRIS. Now, nationally, we have heard testimony from the Secretary of HEW that, rather than have additional babies in order to receive more welfare assistance, the evidence would tend to be to the contrary. As a matter of fact, the average number of children per AFDC mother last year, according to HEW, has gone down, not up. Do you have any idea whether that was true in Pennsylvania or not?

Mr. FARROW. We have never felt that that was the reason that most mothers have babies.

Senator HARRIS. It does not make economic sense, does it?

Mr. FARROW. We have never claimed that.

Senator HARRIS. Why do you think that Pennsylvania ought to have a welfare system at all?

Mr. MILLER. Why should Pennsylvania have one? I think—

Senator HARRIS. Or any State?

Mr. MILLER. I feel we have a responsibility. I feel this both as a businessman and as a person in Government. We have a responsibility to those people who are not able to find themselves in our system. I do believe that there cannot be separate systems. It has got to be functioning within the free enterprise system. It is not a substitute. It is not something entirely different, but it is an assist to the free enterprise system.

Senator HARRIS. So, to some degree it is a matter of charity that those of us who are—

Mr. MILLER. No. It is a matter of, I think, social conscience that we do have a responsibility.

Senator HARRIS. Those of us more fortunate ought to help others, and, rather than just do it in our own church or community, we do it on a national or statewide basis. We have some responsibility to others.

Do you think there is also an enlightened self-interest on the part of each of us involved? I mean, in addition to doing good for others, do you think it is also in our interests to see people have a chance to live at some decent level?

Mr. MILLER. Yes.

Senator HARRIS. Why would you say that?

Mr. MILLER. Because as we raise the level, I honestly believe as we raise the level of the lower economic strata in society, as we raise their levels, we also, I believe, raise levels of our total society.

Senator HARRIS. As a matter of fact, these hidden costs in not helping people have some decent standard of living are there not? You and I are likely to pay one way or another, are we not?

Mr. MILLER. That is correct.

Senator HARRIS. And, by and large, we can prove that we probably come out better—aside from our moral obligation—if people have a decent standard of living. Is that true?

Mr. MILLER. I agree with you.

Senator HARRIS. What about the rights of those who receive assistance. Do they have a right to such assistance? Would you care to comment on that?

Mr. MILLER. I do not—I believe it is a legislative right. I have taken this position. I do not believe that it is a constitutionally guaranteed right. I do believe it is a moral right for us who can to support those who cannot.

Senator HARRIS. Thank you very much. These are not questions of sophistry, but they are very basic to what we are trying to do here, and I thank you for your answers.

Senator BENNETT. May I have one more question, Mr. Chairman? I am interested in your report that the average length of stay on welfare of the aid to dependent children participants is 2 years. And you now have 450,000 in that category. So, in 10 years you have 4,500,000 people who pass in and out of that category.

Mr. FARROW. Sir, I said that kind of off the top of my head. I would like to research that a little more.

Senator BENNETT. I think you had better.

Mr. FARROW. Remembering something else.

Senator BENNETT. Because the inference is left that people move off and become self-supporting after 2 years.

Mr. FARROW. It is not as long as is commonly claimed. I would like to hedge a bit on that 2-year statement that I tossed off, in thinking it over.

Senator BENNETT. In 20 years you would have nine million on the basis—

Mr. FARROW. Lots go on and off.

Senator BENNETT. In other words, it is the same people who come and go.

Mr. FARROW. Yes, come and go.

Senator BENNETT. That is the point I want to make. They may get off for a month and statistically you are through with them but they are right back on again and in terms of the spread over time, you have really taken care of them for the most of the time.

Mr. MILLER. It may be the same person in and out several times.

Mr. FARROW. This is true for a number of the marginally employed who work for a while and then are on and off.

Senator BENNETT. I wanted to correct the record that it is a few people who stay on a short period of time.

Senator HARRIS. I made no inference. I was just asking questions. I will ask one more question to be sure we do not now draw the wrong kind of inferences.

Do you know what percentage of those who apply are repeaters?

Mr. FARROW. I think we do but I cannot give you an answer.

Senator BENNETT. It might be interesting if you can find it readily without to much effort to suggest it for our record.

Mr. MILLER. May we send it to the committee?

The CHAIRMAN. Well, could you just seek to give us the best information you can so as to analyze that caseload as to who it is and how long they are on? I would be the first to agree that we ought to know what we are trying to do business with here, and if you are talking about people being on for an average of 2 years but if that average is achieved by one-third of those people going off and on three times in a single year, then it would be well for us to know just how many families we are talking about and how long the average family actually is on over a 5-year period, for example, so we could come to grips with the problem that we are trying to legislate on.

Mr. MILLER. We will send a complete report to the chairman. The CHAIRMAN. The best analysis you could give. However logic best helps us to understand it, we would like to have it.

Mr. MILLER. It will be in your hands in a matter of days.

The CHAIRMAN. Thank you very much. Thanks to you and your assistants. Please convey my respects to the Governor of Pennsylvania. I wish him all the luck in the world.

(A letter from Mr. Miller directed at points raised above and his prepared statement follow:)

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF PUBLIC WELFARE,
Harrisburg, September 1, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: When I testified on H.R. 16311 before your Committee on Tuesday, August 25, 1970, it was requested that I submit answers to the following questions:

What is the average length of dependency for recipients of AFDC?

How many AFDC applicants have previously been recipients?

Is there evidence that applicants come to Pennsylvania because of the relatively high level of assistance grants?

After checking with our Office of Planning and Research, I wish to submit the following data:

1. Our Study of Characteristics of AFDC Families—May 1969, reveals the following:

53% of the caseload had been on AFDC rolls less than two years.

Of the remaining 47%, 12% had been on the rolls for 10 years and over; 17% had been on more than two years but less than 5 years; and 18% between 5 and 10 years.

The median number of years for recipients was 1 year, 11 months. You may recall that in response to a question, we said the average was somewhere around two years.

2. According to our figures for the same period of time (May 1969), 51.8% of the applicants had not received assistance prior to this case opening. Of the remaining 48.2%, the breakdown is as follows:

	Percent
Less than 12 months.....	15.6
1 year, less than 2.....	5.4
2 years, less than 5.....	10.3
5 years, less than 10.....	7.8
10 years or more.....	4.5
Length of time unknown.....	2.9
Unknown.....	1.7

I feel these figures are most significant and indicate the emergency nature of the public assistance program for many of the recipients, who use it in times of seasonal or temporary unemployment, or because of personal illnesses or other developments in family life.

3. Concerning the influx of applicants from other states, when residency requirement was removed on January 12, 1969, our records indicate that in the first three months 780 cases were accepted which previously would not have been eligible. We estimate that for the entire year there were about 2,250 such cases. Forty per cent of the first 780 came from the six states bordering Pennsylvania; 17 per cent from California and Florida; and the remainder from other states, six foreign countries and Puerto Rico.

Our own statistics have been substantiated by a study made by the firm of Peat, Marwick & Mitchell, and there appears to be no strong support for the commonly held belief that people ordinarily flow to areas where public support is highest. Rather, it would appear that people move for reasons of family relationships and the belief that better opportunity may be available for them in the new location.

You will recall that in my testimony, I quoted from Governor Shafer's letter of August 3, 1970, to you, supporting the Family Assistance Plan. In the belief that the Governor's letter in its full text may be of interest to all of the members of your Committee, I am sending a copy of it, along with a copy of this letter, directly to each member.

May I express my deep appreciation to you again for the privilege of testifying before the Committee and for being given the opportunity to submit this additional information.

Very truly yours,

STANLEY A. MILLER, *Secretary.*

PREPARED STATEMENT OF STANLEY A. MILLER, SECRETARY, PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE

It is my privilege to testify before this Committee on behalf of Raymond P. Shafer, Governor of the Commonwealth of Pennsylvania. The Governor shares with all people of good will a grave concern about the plight of needy persons—children, the aged, the infirm and the handicapped—in Pennsylvania and the nation. The problems of financing the programs necessary to relieve suffering, to prevent permanent social, psychological and physical damage to people, and to provide opportunity for individual growth and development, have received the closest attention during his administration.

I am proud to report that Pennsylvania's program of public assistance has always been one of the most comprehensive in the nation in relation to its coverage of needy persons. In 1937, the program was established to provide equivalency in benefits and eligibility requirements between the federally supported categories and the State funded General Assistance program. As the level of support has increased that equivalency has been maintained. In January 1970 we achieved a level of 100% payment of our established standard for a minimum level of health and decency. This was achieved despite a severe fiscal dilemma in two steps from the 70% level when the Governor was inaugurated three years earlier. I am proud that Pennsylvania took this forward step.

Currently, Pennsylvania serves 670,148 persons, an increase of 139,457 in the past year. Of this number, 601,605 are in the Federally-aided categories of assistance, while 68,543 are provided for out of State funds alone, under our program of General Assistance. Our total expenditure for fiscal 1969-70 was \$174,799,231 (Federal \$208,944,551—State \$265,854,680). We anticipate a higher monthly average case load for 1970-71, of 707,900, with an estimated cost of \$603,000,000.

For a family of four, our maximum grant level, which is now among the highest in the nation, averages \$3,433.20 on a state-wide basis.

Pennsylvania has taken the option to provide support for unemployed fathers and also has accepted the responsibility to provide social services to former and potential, as well as actual, recipients of cash assistance. While we do not accept that our present level of income maintenance (\$3,433.20 annual average) adequately meets minimum family living requirements for a large industrial state, we feel we have made a commendable effort for the past 33 years.

Indeed we have pioneered in trying to improve our system and became one of the earlier states to commit itself to separate the program of income maintenance from the provision of social services. To accomplish this we are developing modern systems approaches to support the two components. As of the present this separation has been accomplished in 42 of our 67 countries and we hope to extend the process further once the methodology is clearly developed.

I present this background information about Pennsylvania so that you can better understand our intense interest in any changes in so basic a system as welfare. Governor Shafer, writing to Senator Long about H.R. 16311 on August 3, 1970, said: "The discussion, refinement, and final support given to the proposal in the House of Representatives is indicative of broad-based support and is demonstrative of the overwhelming need to extricate the nation from the morass of the current welfare system and to develop a more rational and systematic approach."

The concept embodied in the Family Assistance Plan is indeed revolutionary. Not since the great social welfare reforms of the 30's has such a sweeping revision been seriously proposed—and might I add, just in time. For on all sides we see that our present system of public assistance is just not working.

As administrator of one of the largest Departments of Public Welfare in the nation I am daily reminded of the deficiencies in our system; and in spite of the

best intentions, the full support of the Governor and the cooperation of the state legislature, we are not able to make many improvements in our delivery of services.

Hence it goes without saying that the Governor and I heartily endorse the principles included in the Family Assistance Plan. The concept of a national level of guaranteed income has our full support. Federal administration of the income maintenance provisions of the program assures a nation wide minimum level and Federal responsibility for both continuing the level and providing for the cost of administration of income maintenance. Unfortunately, from the point of view of Pennsylvania, the minimum level is far below the real cost of family support and is below our current level of payment.

When the full impact of this program is felt there certainly will be significant advances made in some states—in others however there will be little or no advantage to the consumers, even though there undoubtedly would be a fiscal advantage to the state through surrendering certain costs including administration.

The dollar value of this advantage may be difficult to pinpoint since states will have to continue to maintain agencies to provide social services including emergency aid.

Of concern to many professionals in the field is the proposed splitting of administrative responsibility for provision of income maintenance and social services between the state and Federal governments. Such a division could easily produce a more complex system to which individual consumers must relate.

That is why we propose a contractual arrangement between the Federal and State governments in which, with Federal funds, the states would continue to provide administrative management of the program. In order to make government operate at its highest level of efficiency I feel we must depress levels of responsibility as far as possible. At the same time it is imperative that full Federal support be available to fund maximum program development.

I speak to this point solely from the view that we must consider the problems of the consumer in relating to several agencies as against one agency in a community. Repeatedly this has been pointed up as one of the serious flaws in our system of welfare and health services, and I think it is incumbent upon us to plan a system that most adequately meets all of the needs of consumers, both in relation to time and physical accessibility of needed services. The virtue of this part of the proposed legislation to our way of thinking lies in the assurance of Federal funding for the program rather than in the necessity for Federal administration.

It is reassuring to Pennsylvania, and I am sure to other states, that the proposed legislation provides that states will not have to spend more in future years than is spent in fiscal year 1970-71 for all Federal categories, except for cost of living increases which the states may find necessary to approve. Undoubtedly this protection to the states is an important feature of the bill and one which we support with enthusiasm.

We are less enthusiastic about the proposal to withdraw Federal support for employed fathers of families, even while the family itself could receive Federal funds. This is contrary to the position Pennsylvania and other states have taken to re-establish firm family relationships where ever possible. In our opinion this is discriminatory and is not justified by the realities that many families face in our complex civilization. It seems to us to be an anachronism to provide a better fiscal position to families headed by a female than to those headed by a male. It seems likely that this may provide a negative incentive to males to assume their responsibility as members of a family group. The important issue in our judgement is that we treat all persons as nearly with equality as we possibly can and that the basis for granting of assistance be one of need, not one of sex, age or marital status. We are as deeply concerned about the General Assistance recipients who do have children as we are for those persons for whom we receive Federal reimbursement. We disagree with the position that some people merit Federal assistance, while others in similar need do not.

Based on the relatively lengthy experience of Pennsylvania in work training projects we have some reaction to the requirement that all able-bodied persons, including mothers with school age children, register for employment. There is a definite need for some flexibility in this area.

One of the common complaints about the welfare system is that recipients often are offered employment at wages below the amount they would receive

on public assistance. It is often difficult, if not impossible, to motivate a person to work for less than he might receive for not working. The costs of employment are high in our society in terms of wage taxes, social security costs, transportation, clothing and other work-related expenses. The real solution to our problem of employment for everyone lies either in a fully operating economy which provides work at adequate wages for all eligible persons, including the handicapped, or quite possibly, in a backup employment system operated under public auspices which provides meaningful work in the areas of human services, recreation, conservation and environmental development.

We have had a great deal of experience in Pennsylvania with the many work-training projects such as Community Work and Training, Manpower Development Training, Work Incentive Program (WIN). Each one of these programs provided some positive results for individuals, but almost as many people were frustrated by the experience of entering a training program in good faith only to find that appropriate jobs were not available upon completion of training, or that the jobs paid so little as to result in no real advantage to the employee. We find it difficult for the state to begin these programs repeatedly and before any of them have had extensive experience, and attempt to arouse enthusiasm on the part of our staff and the consumers when there has been so much disenchantment with this type of effort. Our better experience has come from programs where we place people on actual payrolls for a period of training with assurance that employment will follow with wages at comparable levels to those working in the system. It is true that these positions do not immediately free all people from involvement in cash assistance, but when career ladders are developed so that experience on the job can be rewarded with promotion and higher level of income, the employees can see a future opening up to them which appeared to be denied before. It is this kind of responsible public employment and involvement that we recommend strongly; we feel there is a possibility of developing this as an important segment of our economy. This requires the closest and most harmonious working relationships between the social service-income maintenance efforts of our government and the many other segments that are concerned with hospitals, parks, community buildings, public administration, recreation and conservation. While coordination of government in this way is extremely difficult, we have found that it can be done with benefit on all sides.

I am sure it is evident at this point that we favor Federal participation for unemployed fathers and for employed fathers. Further, and this probably goes beyond the scope of H.R. 16311, we urge consideration of an extensive program of public employment which can provide dignity and opportunity to all citizens.

The area of child development and day care has received considerable attention recently in Pennsylvania. Under the provisions of present legislation which provides 75% Federal funds for day care for needy children, we have participated a great expansion in Day Care Services. In Pennsylvania we interpret day care as a child development instrument and not just a warehousing of children for the convenience of parents who must work or who want to work. We applaud those parents, especially mothers, who desire to enter the labor market, but who do not wish to do so at the cost of possible damage to their children through inadequate care and training. We feel that it is a right in our society for parents to be assured of adequate care for their children when the parents are participating in the economic support of the country and themselves. Most other major civilizations on the globe have moved in this direction, but for some reason our culture has been resistant to this concept of child development and care as a right similar to public school. It is a recognized fact that our economy would grind to a halt if all of the working mothers with young children were suddenly to be withdrawn from employment. Many of them, I am sure, are able to provide adequate care, protection and development for their children. But others, I am equally sure, must use an endless series of makeshift placements that are of doubtful advantage to children and cause anxiety and strain for the mothers.

It is reassuring to know that H.R. 16311 proposes day care in support of working parents, and proposes capital funds in addition. We strongly recommend that the position be taken that day care is a right and that at least Federal support for day care for all needy children be assured, not only to enable parents to seek employment, but to guarantee that children will receive the best possible aid in fostering their physical, emotional and educational development. Study after study has shown that a principal cause for failure of children in our school system is the lack of adequate preparation of these children in the

early stages of their growth and development. It is urgent that we as a society move to close this gap in our services for families and for children.

Title 20 makes significant changes in the current social service provisions of the Social Security Act. Most significantly, social services would no longer be mandated for the states. We consider this a most serious defect which should be remedied. In our judgment, social services should be required for all states, preferably to be administered by a single state agency adequately staffed and supported, and with provision of a strong application of statewide effort to reach all persons in need and to provide a full array of services. While we say "administered", we favor a network of services, public and voluntary tied together by contractual agreement. The proposal for a closed-end appropriation on social services will seriously limit the development in states of the comprehensive programs which should be in effect. We are well aware that the growth of social services in the country has been uneven and that many states are just now beginning to utilize the potential of current legislation. It would be a serious mistake in our judgment to shut off this growth and expansion at a time when our skill and knowledge about the effect social services can have on the lives of needy people are being expanded almost daily.

Human service needs do not have a closed end. They are subject to many of the same variables as the income maintenance program and the service program should be just as capable of responsiveness to suffering.

We support those service provisions that support State efforts to plan, evaluate and consolidate programs. Lack of sufficient emphasis in these areas has been a serious omission in past legislation.

The provisions that municipalities with populations of over 250,000 may designate their own local prime sponsor raises serious question with us. It does not seem consistent with other provisions that support strengthened State management, the consolidation or synchronization of programs, and clear accountability. I suggest that meeting the objectives of this legislation will be difficult enough without promoting intra-state warfare. This is a clear erosion of the present powers of the Governors and I recommend it be deleted. However I certainly recognize and support the need to be creative in contracting with any agency or local government if it can best provide the services.

Problems in the organization of social services have much in common with those in medical care. Indeed the two programs are mutually supportive. For this reason, and because the service amendments are not a clear advance over existing legislation, I suggest that they be considered jointly with the Administration's medical assistance proposals due before you in February, 1971. This would provide time for the opportunity of viewing social services in a broader context that included vocational rehabilitation, education, mental health, mental retardation, OEO, HUD and other related programs in a variety of Departmental settings, each of which views itself as the comprehensive nexus around which all other services should organize.

As H.R. 16311 stands we would have another new service system imposed without adequate study upon our already crowded geography of new systems. If the suggestion to delay consideration is taken, we suggest it need not preclude the increased funding of foster care and adoptions through the existing systems.

While it is not directly a part of H.R. 16311, I would like to comment on one proposed amendment to the current H.E.W. appropriation—that is the limit on Federal funding to 110% of 1969-70 expenditures for administration, training and services. It would not only reduce our present expenditure level because of normal growth and cost factors, but would cost Pennsylvania an estimated \$14,000,000 on top of an already critically strained state budget. I urge you to delete such provisions at the present time.

Finally, I would be derelict if I did not recognize with this Committee that both Federal and State governments are involved in a most complex operation in trying to deal with the many problems, economic and social, which confront far too many of our citizens. In our Department we are constantly receiving proposals which sound easy and conclusive as to results, but which on examination would further complicate the situation, rather than solve our problems. In our opinion there are no simple answers for the complex issues which face us. Just as we in Pennsylvania have been trying for years to increase our benefits and at the same time simplify our administration so that consumers may receive benefits promptly, so we feel that a national effort must be directed toward eliminating the barriers to prompt and efficient service in the entire area of

physical health, mental health, and public social services. The Family Assistance Program as envisioned in H.R. 16311 is a step in this direction, not a total answer. We support the increased Federal activity in financial participation and administration if this is finally determined to be an essential part of the necessary national pattern. But we strongly recommend that the Bill be strengthened in the areas we have commented on here; namely inclusion of the working poor for full benefits, possible addition of a public employment program, and required comprehensive social services, generously funded. Further we urge recognition of day care and child development as a matter of right with highest national priority for both capital and operational funding, to provide buildings at neighborhood level to house such programs, and last, the training of staff in many areas of specialization to administer the programs.

In closing let me again quote from Governor Shafer's August 3rd letter to Senator Long:

"However, it is clear that discussion for its own sake can go on interminably and that it is no substitute for action. No one has yet been able to define or design a 'perfect' bill. To continue the pursuit for this elusive perfection, as some would have you do, at the expense of positive, affirmative action could be as great a mistake as introducing a bill with no study or analysis at all. It is my belief that the monumental study and analysis of the Family Assistance Plan at all levels of government has shown that the time for action is long overdue.

"I fully appreciate the difficult and complex nature of the bill which your Committee is now considering. At the same time, I am encouraged that the expertise and wisdom of your Committee, which has distinguished itself in similarly difficult legislation in the past, is being brought to bear on this important subject. I urgently request that your Committee complete its work on the Family Assistance Plan so that it can be acted upon by the full Congress during the current session."

The CHAIRMAN. Our next witness will be Mr. Leonard Lesser, general counsel for the Committee for Community Affairs. I believe you are bringing with you another witness who is scheduled for tomorrow, Robert Clark. I believe we had scheduled Mr. Clark for tomorrow but we will be pleased to hear him today if you are supposed to share your time.

STATEMENT OF LEONARD LESSER, TREASURER, COMMITTEE FOR COMMUNITY AFFAIRS; ACCOMPANIED BY JOHN BEIDLER, EXECUTIVE DIRECTOR OF COMMITTEE FOR COMMUNITY AFFAIRS; AND ROBERT CLARK, REPRESENTATIVE, STATE OF MISSISSIPPI

MR. LESSER. Thank you, Mr. Chairman. I am accompanied on my right by John Beidler, executive director of the Committee for Community Affairs, and on my left is Robert Clark, who is a member of the Mississippi State Legislature. Unfortunately, Mr. Clark's telegram notifying him of his appearance tomorrow was never delivered and we, therefore, requested if he could appear with me. Mr. Vail said "Sure," and then showed us the telegram that was sent.

Mr. Chairman, the Committee for Community Affairs is a non-profit corporation organized to represent and speak for community organizations of the poor and the disadvantaged. The majority of its board of directors is composed of representatives of these community groups.

These community groups with which we are working are some 15 in number and are located in 5 States in this country. They are groups engaged in economic development projects to create an economic base for decent jobs in the community. They operate training centers to prepare community residents for jobs which are available. They are

the sponsors and builders of housing projects. They operate day care, Headstart, and health programs. In short, their goals are some of the goals which have been stressed by this committee.

The CHAIRMAN. That is a very highly motivated group you have there, Mr. Lesser.

Mr. LESSER. They are. In considering proposals similar to those embodied in—excuse me, Mr. Chairman. I should have said I do have a statement which I request be submitted for the record and I will just try to shorten my remarks and not read it.

The CHAIRMAN. We will print the entire statement.

Mr. LESSER. In considering proposals similar to those embodied in H.R. 16311, one is always faced with the costs involved. To the extent that one program, whether it be a welfare reform program, a family assistance plan, a negative income tax, or any other program, is expected to make up for all of the deficiencies in American society—no jobs, too low wages, discrimination against people so they cannot get jobs, inadequate social insurance programs—if one program is expected to make up for all of those deficiencies, then that program must be saddled with such economic costs that it is doomed to failure.

The economic report of the President pointed out that it would require an annual expenditure of about \$10 billion to lift all poor persons and families up to the poverty income level. On the other hand, to the extent that jobs are provided for people at adequate wages, to the extent that this Congress provides adequate social security benefits, then the cost of assistance, even with its improvements, can be kept within reasonable levels. Reductions in welfare costs should flow from jobs and wages, not from punitive, restrictive, or budget cutting measures.

With these considerations in mind, I would like to examine the proposals before this committee for reform of our welfare system which are provided under the various titles of the Social Security Act.

In his statement before this committee on July 21, 1970, the Secretary of the Department of Health, Education, and Welfare set forth certain cornerstone principles on which the revised family assistance program is based.

The first of these is "Uniform National Standards." The second, "More Efficient Administration." The third, "Strengthened Work Incentives and Requirements." The fourth, "Inclusion of the Working Poor."

If these are the principles on which a program should be based, and I believe they are, then I would urge this committee to report out S. 3433 introduced by Senator Harris on February 10, 1970. This bill would meet both the problems identified with the present system and those proposed by inadequate solutions such as H.R. 16311, which only creates new problems of their own.

S. 3433, in establishing a national program of basic income benefits, would assure over a 3-year period that no American individual or family would have an income below the poverty level. It would provide a single program with Federal administration. It would strengthen working incentives. It would eliminate "notches." It would

achieve basic equity between categories of needy individuals and the 50 States.

H.R. 16311 now before this committee, unfortunately does not meet the cornerstone principles outlined by the Secretary. The first principle set forth by the Secretary was "Uniform National Standards." The \$1,600 payment provided for in H.R. 16311 would establish a uniform national standard only in the eight States where benefits are now lower. It establishes no uniformity, nor does it remove the inequities which exist between families within the 42 other States. Neither does H.R. 16311 remove the inequities which now exist between categories of persons.

While a standard is set for families with children, no provision is made for the childless couple or the single individual who may have an equal need for assistance.

If fiscal or other considerations preclude this committee from recommending a bill which would set as the national uniform standard the current poverty level, such consideration should not prohibit action now to provide that over a period of years such a level will be achieved. This Congress should provide a definite timetable for staging increases in the minimum uniform level of benefits so that by 1976, the 200th anniversary of this country, all American families will be assured of a level of living at least equal to the existing poverty level.

The second principle outlined by the Secretary was "More Efficient Administration." The poor and the disadvantaged have learned from bitter experience that programs designed for their benefit have too often been distorted by hostile State and local administrations.

Let me just refer this committee to an article in Fortune magazine of June 1970, which documents the abuses under existing programs and the likelihood that the family assistance program will fail if its administration is turned over to the States, as H.R. 16311 would permit.

Mr. Clark, who, as I indicated, is a member of the Mississippi Legislature, and a member of its welfare committee, will discuss with the committee first hand experiences of the situations which he has encountered.

Let me just say that to assure that a national program enacted by the Congress is administered in a fair and uniform fashion, we urge that the bill provide that its benefits will be administered solely by the Federal Government.

The third principle is "Inclusion of the Working Poor." Inclusion of the working poor in H.R. 16311 is at the heart of the family assistance program. While inclusion of the working poor has caused questions to be raised by members of this committee, the answers are not found in the denial or reduction of benefits to other groups.

The administration's revisions of H.R. 16311 would exclude from the supplemental program families with unemployed or partially employed fathers because of the criticisms that these families may receive more than families headed by a father working full-time who would not be entitled to supplementation.

The answer to such inequities is not found in denying benefits to a group in which 90,000 families are now entitled to benefits and more of which would be entitled if the administration's revisions to H.R. 16311 as passed by the House, are not accepted.

Furthermore, acceptance of such restrictions by this body would also be contrary to the action taken by the Senate in 1967 when it adopted an amendment to the then pending welfare bill offered by Senators Robert F. Kennedy and Fred Harris to make the coverage of families with unemployed fathers mandatory in all the States.

Since the inequities result from the failure of some States to cover the working poor, the solution is the mandatory inclusion of the working poor under the State supplemental program, not the exclusion of those working part time.

The final principle is "Strengthened Work Incentives and Requirements." This principle is, of course, closely related to the inclusion of the working poor, for without inclusion of the working poor, I believe it is impossible to design a system of work incentives. How can you give incentives to people to work, to get them off the welfare rolls, when once they begin to work, you exclude them from welfare?

If the system proposed by H.R. 16311 to require people to accept jobs is not to become a program for the exploitation of working people by subsidizing employers who pay substandard wages, we urge that the legislation spell out in specific detail the standards that will govern the work content and the wages of jobs which workers will be required to accept as a condition to the receipt of benefits.

We would recommend that no individual should be required to accept a job which pays less than the higher of the hourly wage rate established by Section 6(a) (1) of the Fair Labor Standards Act or the prevailing wage in the area. To require otherwise would be to invite a repetition of the British experience in the early days of its welfare program when employers of low wage labor were assured of a continued work force of welfare recipients.

Finally, with respect to the basic question of whether welfare recipients should be required to work, we recognize that provisions in H.R. 16311 would exempt mothers of pre-school children from the requirement to take work or training and that such provision is an improvement over the present law. We would also recommend that the proposed bill be extended to mothers of school age children which is a measure which was adopted by the Senate in 1967.

We would also urge this committee to give consideration to amendments proposed by Senator Talmadge, which would establish priorities in the categories of persons who would be required to work. As Senator Talmadge pointed out in introducing those amendments on July 20, 1970, experience has demonstrated that there are more people who voluntarily want to work than there are jobs to offer to all of the people who are on welfare.

We believe that if sufficient day care centers were established through Federal support of their construction and operation, the requirement for any mother to work would be superfluous. More than enough mothers would make the decision on their own initiative to fill available jobs.

We would urge the committee to consider the principles outlined in your bill, Mr. Chairman, for expanded child care which was also introduced on July 20, 1970, of this year. I would like to stress, however, that the legislative record should make clear that if day care is to operate successfully, community groups which have operated centers in

the past must be permitted to continue to operate these centers without the threat of any veto by State or local officials.

The last point, and I will just mention this briefly—it has been discussed this morning—we urge the adoption of the amendment introduced by Senators Harris and Ribicoff to provide for public service employment to assure that jobs will be available for welfare recipients who desire to work. As has been pointed out by several of the members of this committee today, to train people when there are no jobs at the end of training would be a farce and a delusion.

Mr. Chairman, in conclusion, the time is long overdue for America to provide an adequate income for its aged, its disabled, and its disadvantaged. We urge this committee to take immediate steps to achieve this goal. My statement sets forth our recommendations for action.

Thank you, Mr. Chairman. I would appreciate it if Mr. Clark could now present his statement.

(Mr. Lesser's prepared statement follows. Mr. Clark's testimony begins on page 1509.)

PREPARED STATEMENT OF LEONARD LESSER, TREASURER, COMMITTEE FOR
COMMUNITY AFFAIRS

My name is Leonard Lesser. I am Treasurer of the Committee for Community Affairs on whose behalf I am submitting this statement.

The Committee for Community Affairs is a nonprofit corporation organized among other things to represent and speak for community organizations of the poor and the disadvantaged. It is unique in that it is a national action organization whose governing body is controlled by the poor and the representatives of participating local community organizations. It is currently working with 15 separate urban and rural affiliates in key areas such as Los Angeles, San Francisco and Delano, California; San Antonio and the Rio Grande Valley in South Texas; the Yakima Valley in the State of Washington; Newark, New Jersey; Chicago, and the Mississippi Delta. A majority of its board of directors represent these groups.

While these community groups have a direct interest in legislative proposals such as those being considered by this Committee which are aimed at providing adequate income to the poor, the groups represented by CCA have as their basic objective change in the ghettos and barrios in which they reside.

As community groups, they are engaged in economic development projects to create an economic base for decent jobs in their communities; they operate training centers to prepare community residents for the jobs which are available; they are the sponsors and builders of housing projects; they operate day care, Head Start and health programs.

I stress the goals of these community groups and the CCA and their record of accomplishments because they are similar to the goals stressed by the Senate Finance Committee to encourage training, to provide jobs for those who are trained, and to assure necessary day care facilities which will permit those who are able to accept available jobs. Success in achieving these goals will only be possible in cooperation with these community groups and with their participation in administering the program. The provisions of any bill must encourage community participation in achieving national objectives; they must not erect barriers to the cooperation necessary to assure the desired results.

In considering proposals similar to those embodied in HIR 16311 which are aimed at providing cash assistance to the aged, the blind, the disabled, and families with children, one must recognize that such proposals are related to the whole range of federal programs aimed at assuring an adequate standard of living for American families. To the extent that one program—welfare reform, a family assistance plan, or a negative income tax—is expected to assure everyone adequate income, that program must be saddled with such economic costs as to doom it to failure. The Economic Report of the President has pointed out that it would require an annual expenditure of about \$10 billion to lift all poor persons and families above the poverty income level.

This Committee in planning for hearings on proposals to increase benefits under the Old Age Survivors and Disability Insurance program of the Social Security Act, along with its consideration of proposals for reform in the assistance titles of the Act dealing with the aged, blind and disabled, has recognized the relationship of these programs.

To the extent that the old age insurance benefits are so low that millions of aged who depend on them live in poverty, assistance programs for the aged are saddled with a greater burden. As a result, more attention is focused on the need to improve the level of assistance benefits and more concern is expressed about the cost of the assistance program.

On the other hand, to the extent that Social Security benefits are raised to assure a decent standard of living, then the cost of old age assistance, even with improvements in its benefits, can be kept within reasonable levels.

HR 16311 as passed by the House of Representatives provides for a minimum of \$110 a month for the aged individual over age 65 and for the blind and disabled. Yet at the same time, HR 17550, which was passed by the House and which is before this Committee, proposes a minimum benefit of only \$67.20 for the aged individual under Title II.

Why shouldn't our Social Security system, the most widely accepted program established in the last 35 years, not provide at least the minimum benefits proposed under our welfare program? Why should beneficiaries of Social Security who have contributed during their entire working life be required to turn to an assistance program—largely financed from the Federal Treasury—to be assured of an adequate income?

We would therefore strongly urge that this Committee in considering HR 17550 recommend an increase in the minimum to at least the \$110 provided in HR 16311.

Just as old age assistance should not be expected to make up for the inadequacy of our Social Security system, neither should a welfare program, whatever its form, be denounced because there are not enough jobs for people. Too many jobs are not covered by the minimum wage or the minimum wage is so low that even persons who receive it and work full time still are forced to live in poverty. Thirty-nine (39) percent of the poor live in families headed by a full-time worker. The cost of including them under our welfare system should not be an excuse for failure to act. It is not the fault of the welfare system that they need help. It is the failure of the Congress to cover their jobs under an adequate minimum wage law.

I recognize that the enactment of increases in the minimum wage is beyond the jurisdiction of this Committee. Yet the Committee, in considering proposals to supplement the income of those who are without jobs and who are being trained to work, or who are working full time but whose wage income is less than adequate, has the jurisdiction and the obligation to recommend measures which provide decent jobs for those trained and preclude such proposals from keeping people in substandard jobs. It must also recognize that the costs involved in providing assistance to such families are not a fault of the Family Assistance Plan but are occasioned by the failure of employers to pay decent wages.

While the income of the working poor should be supplemented through the Family Assistance Program, we should be aware that such supplementation does not remove the need for an adequate minimum wage covering all jobs. An increase in the minimum wage, extension of its coverage, the creation of jobs, and improved social insurance programs to provide adequate income during periods of unemployment, sickness and old age will prevent poverty before it occurs. With such measures, the burden left to the welfare program will be those relatively few persons who have unusual needs or for unusual reasons fall outside the scope of the basic programs. Reduction in welfare rolls should flow from jobs and wages, not from restrictive, punitive or budget cutting measures.

With these considerations in mind, let us examine the proposals before this Committee for reform of our welfare system provided under the various titles of the Social Security Act.

President Nixon in his statement of August 18, 1969, expressed grave concern over the way our present welfare system is operating. He branded it as a "colossal failure." The community groups in the ghettos and barrios with whom we are working have had first-hand experience as clients of the current system. They share the President's concerns and they support a program which will take significant steps towards a national commitment to revise America's welfare system.

In his statement before this Committee on July 21, 1970, the Secretary of the Department of Health, Education and Welfare set forth certain "cornerstone principles" on which the revised family assistance program is based.

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

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

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

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

If these are the principles on which a program should be based, and I believe they are, I would urge this Committee to report out S. 3433, introduced by Senator Harris on February 10, 1970. This bill would meet both the problems identified with the present system and those proposed by inadequate solutions such as H.R. 16311 which only create new problems of their own. S. 3433 in establishing a national program of basic income benefits would assure over a three-year period that no American individual or family would have an income below the poverty level. It would provide a single program of federal administration; it would strengthen working incentives; it would eliminate "notches"; it would achieve basic equity between categories of needy individuals and the 50 states.

HR 16311, now before this Committee, does not meet the "cornerstone principles" outlined by the Secretary.

1. *Uniform national standards.*—HR 16311 provides for a floor under the income of families with children and to the aged, the blind, and the disabled. While the establishment of a floor and increased federal financing is a step toward the national standard which we as a nation should guarantee, the levels set forth in HR 16311 would still require the poor and disadvantaged to subsist on less than adequate income. For a family of four, the proposed \$1,600 is less than one-half of \$3,720, the poverty level figure in the bill.

The \$1,600 payment for a family of four would establish a uniform national standard only in the eight states where benefits are now lower. It establishes no uniformity nor does it remove the inequities which exist between families within the other forty-two states.

Neither does HR 16311 remove the inequities which now exist between "categories of persons." While a standard is set for families with children, no provision is made for the childless couple or the single individual who has equal need for assistance. Finally, even within the categories of persons for whom HR 16311 mandates a standard, the inferior treatment of families with children which exist under the present system is continued as contrasted with the treatment recommended for the aged, the blind, and the disabled.

In an attempt to assure that the 42 states which now provide higher benefit levels than \$1,600 to a family of four do not reduce the levels of assistance, HR 16311 requires the supplementation of the federal benefit to current state benefit levels. We agree that if the federal government is not prepared to provide benefits adequate for a minimum standard of living, the states should not be permitted to reduce benefits from the current level. We would suggest, however, that the sanction to assure the cooperation of all states in the program is not a reduction of federal funds for other welfare programs. In any state which does not supplement the basic federal benefit to current state benefit levels, or in any state which undercuts the federally established eligibility standard for the basic family assistance benefit, the federal government should have the authority to provide benefits directly to assure that the welfare recipient does not suffer.

If fiscal or other considerations preclude this Committee from recommending a bill which would set as the national uniform standard the current poverty level, such considerations should not prohibit action now to provide that over a period of years such a level will be achieved. This Congress should provide a definite timetable for staging increases in the minimum uniform level of benefits so that by 1976, the 200th Anniversary of this country, all American families will be assured of a level of living at least equal to the existing poverty level.

2. *More efficient administration.*—The poor and disadvantaged have learned from bitter experience that programs designed for their benefit have too often

been distorted by hostile state and local administrations. The welfare program is no exception. An article in Fortune Magazine of June 1970 documents the abuses under existing programs and the likelihood of the failure of the family assistance program if its administration is turned over to the states.

While the Secretary in his statement stresses the incentives for the states to contract with the federal government to administer the supplementary payments, he fails to point out that HR 16311 offers the opportunity for state administration of the family assistance program even in those eight states where no supplementary payments will be made. While efficient administration may be served by eliminating the need for an individual to go both to a federal and a state office for an assistance benefit, such danger does not exist where states do not supplement the federal benefit.

To assure that a national program enacted by the Congress is administered in a fair and uniform fashion, we urge that the bill provide that it will be administered solely by the federal government.

3. *Inclusion of the working poor.*—At the heart of the family assistance program proposed in HR 16311 is the supplementation of the income of the "working poor." As we have already pointed out, we believe that the basic answer to the problem of the working poor is a program of jobs at decent wages. We recognize, however, that pending the establishment of a higher minimum wage and its extension to jobs not now covered by the program the working poor should also be guaranteed a minimum level of living. We therefore support the inclusion of families with a full-time working member.

While the inclusion of the working poor in the family assistance program has caused questions to be raised by members of this Committee, the answers are not found in the denial or reduction of benefits to other groups. The Administration's revisions of HR 16311 would exclude from the supplemental program families with unemployed or partially employed fathers because of the criticism that these families may receive more than families headed by a father working full time who would not be entitled to supplemental benefits. The answer to such inequities is not found in denying benefits to a group in which 90,000 families are now entitled to benefits and more of which would be entitled to payments if the Administration's revisions to HR 16311 as passed by the House of Representatives are not accepted.

Acceptance of such restrictions by this body would also be contrary to the action taken by the Senate in 1967 when it adopted an amendment to the then pending welfare bill, offered by Senators Robert F. Kennedy and Fred Harris, to make the coverage of families with unemployed fathers mandatory in all the states.

Since the inequities result from the failure of some states to cover the working poor, the solution is the mandatory inclusion of the working poor under the state supplemental program, not the exclusion of those working part time. Such an amendment is necessary if the incentives to family break-up are to be removed and the incentives to work are to be preserved. A consistent set of work incentives requires the inclusion in the supplemental program of families where the father works full time as well as those families where the father is unemployed or working part time.

4. *Strengthened work incentives and requirements.*—Closely related to the inclusion of the working poor is the requirement that recipients register for and accept work or training as a condition of receiving benefits.

If the system proposed by HR 16311 is not to become a program for the exploitation of working people by subsidizing employers who pay substandard wages, we urge that this Committee take legislative action which is within its jurisdiction. We urge that the legislation spell out in specific detail the standards that will govern the work content and the wages of jobs which workers will be required to accept as a condition to the receipt of benefits.

To avoid the permanent subsidy of low wage employers, we would recommend that no individual should be required to accept a job which pays less than the higher of the hourly wage rate established by Section 6(a)(1) of the Fair Labor Standards Act or the prevailing wage in the area. Acceptance of any job which pays a lower wage rate should not be a condition to the receipt of welfare benefits. To require otherwise would be to invite a repetition of the British experience in the early days of its welfare program when employers of low wage labor were assured of a continued work force of welfare recipients.

With respect to the basic question of whether welfare recipients should be required to work, we recognize that the provisions in HR 16311 which would

exempt mothers of pre-school children from the requirement to take work or training is an improvement over present law. We believe that the experience under current law plus the strong work incentive contained in HIR 16311, which we endorse, makes unnecessary a requirement that any welfare recipient be required to work as a condition of receiving benefits.

At a minimum, we would strongly recommend that the proposed exemption be extended to mothers of school age children, a measure which was adopted by the Senate in 1967.

We believe that if sufficient day care centers were established through federal support of their construction and operation, the requirement for any mother to work would be superfluous. More than enough mothers would make the decision on their own initiative to fill available jobs. For that reason we strongly support strengthening the provisions in HIR 16311 for the construction and operation of day care centers. The legislative record should make clear that community groups be permitted to operate these centers without the threat of veto by state or local officials.

It should also be recognized that the requirement that other recipients automatically register with the employment service without any finding that jobs or training for jobs are available represents a retrogression from current law which requires that a preliminary determination that work or training is "appropriate" for the individual recipient. To help assure enough jobs for welfare recipients, we urge the adoption of amendments proposed by Senators Ribicoff and Harris to create additional jobs in public service as a supplement to the public service employment program proposed by the Senate Labor Committee.

The time is long overdue for America to provide an adequate income for its aged, its disabled and its disadvantaged. We urge this Committee to take immediate steps to achieve this goal. The above sets forth our recommendations for action.

STATEMENT OF ROBERT G. CLARK, REPRESENTATIVE, MISSISSIPPI LEGISLATURE

Mr. CLARK. Thank you, Mr. Lesser.

Mr. Chairman, and members of the committee, I do——

The CHAIRMAN. Would you give us your full name first, Mr. Clark.

Mr. CLARK. Robert G. Clark.

The CHAIRMAN. You are a Representative of Mississippi?

Mr. CLARK. Mississippi Legislature.

The CHAIRMAN. Go ahead.

Mr. CLARK. I do appreciate the opportunity to appear before this committee to speak with you briefly about why I feel that we need Federal administration of the welfare assistance programs and to give you some direct experiences on how black and poor people are treated under State administration of welfare and related programs in Mississippi.

I have submitted a copy for the record but I do have a summary here that I would like to go through briefly.¹

I come here today as the first black member of the Mississippi Legislature in almost 100 years and as cochairman of the Mississippi United Front.

The CHAIRMAN. Could I ask you, how many Negroes are there in the Mississippi Legislature now?

Mr. CLARK. One.

The CHAIRMAN. So, you are the only one right now.

Mr. CLARK. The only one.

¹ Mr. Clark's prepared statement appears at p. 1514.

And as cochairman of a coalition of community organizations whose aim is to fight injustices and poverty on behalf of all persons. As a member of the welfare committee of the house of representatives for the past 3 years, I have come to recognize the overwhelming need for a change in our welfare system. I am hopeful that Congress will at least take steps to relieve the crying needs of my people. However, as a black man from Mississippi who has deep concern for poor of all races, I cannot support the bill. I am thinking in terms here of the Social Security Act in which Congress has left it up to the States to define the all important terms of need and in many other Federal assistance programs and it is ridiculous how the State of Mississippi has defined this term "need."

Should you be able to walk or crawl, then you do not qualify for such programs. In the State of Mississippi, according to statistics of labor approximately 55 percent of the people fall below the poverty level, but only 14 percent of the people in the State of Mississippi that fall below this level are now receiving any type of welfare subsistence.

Let us look at another federally funded program, the free lunch program. In the State of Mississippi about 9 to 10 percent of the eligible people there, children, receive free lunches, which is lower than that of the State of New York, which is about 25 percent, and is lower than that of our sister State of Louisiana, which is about 14 percent.

I am called upon from all over the State of Mississippi to explain to individuals about Federal subsistence programs and I have come to believe that they do not qualify because they are not sick, but many of them die still before they even get a fair hearing.

So long as the administration of the proposed family assistance program is placed in the hands of the State governments, it is bound to fail. I hope that you Senators can understand what administration by the State means for the poor in Mississippi. The State will do the very least it can get away with. It will use every excuse imaginable to delay the program's implementation and see that its great purpose fails, some of which are blatantly illegal.

There have been all too many instances of this in the past. I am thinking in terms of one individual here that—one elderly gentleman who was sick and he went out as he said to "do a chop" that day, to help his wife who was in the field. The new welfare director of the program came along and he was out in the field. So, he did not get his check the next month, and when he went to the office to check why he did not get his check, she told him that you are not sick, you are able to work. But still this man lost one arm when he was 16 years old and lost one leg in 1954.

There was another example of a lady that spent a couple of months in a Mississippi hospital which she refers to as Whitfield and while being there she got \$34 for the 2 months, each month, and when she left the doctors told her that she was not able to work. So, when she came home her check was cut off and when she inquired to find out why her check was cut off, they told her she was able to work.

The doctors there told me I was not able to work. We do not care what the doctors told you. If you want to support your children, you are going to have to work.

On January 1, 1970, or thereabouts, Mississippi finally enacted a Medicaid program more than 4 years after Congress passed title 19. Even then it excluded from participation welfare mothers and other relatives who care for AFDC children. Our lawyers tell us that it is illegal but until the courts rule, many poor mothers will be deprived of desperately needed medical assistance.

Consider how and by whom the present welfare program is being administered in Mississippi. Employment of blacks by the Mississippi State Department of Public Welfare is virtually nonexistent. Just a few years ago there were only four out of 1,500. The State Welfare Board and the Medicaid Commission, both appointed by the Governor, are all white. There is no black serving as the director of any county welfare department. The State office employes few blacks and none are in policymaking positions. The situation at the county level is far worse.

As a result, treatment of black welfare recipients is often degrading and insulting. Courtesy calls are rarely used and we would like to say further that the communication gap between the welfare recipients and the social workers is very far and very distant. Blacks are made to wait for long periods while whites are served.

I would like to give a specific example, if you please, of a condition that existed not very long ago at Fayette, Miss., where the Honorable Mayor Charles Evers, is mayor, where blacks had to go and wait for long periods in order to be served. Then they would have to give 25 cents or 15 cents or a quarter or something like that and they would call this man Santa Claus and other than that they would have to wait for all day long, long periods in the cold, whereas we found if you were not of the minority races you did not have to wait at all. You would go in and be immediately waited on.

New applicants are often turned away without being allowed to apply despite the fact that Federal law gives every person a right to apply and to receive a written response. It is no wonder that poor people fear the welfare department and are reluctant to deal with it.

The welfare system is used to support the racist and paternalistic economic system which makes the program necessary in the first place. The work incentive program, for example, is a cruel hoax. Welfare recipients are made to serve as maids or to do day yard work in white homes in order to keep their checks. I am thinking of the program that we have in Mississippi in some counties. Very few counties have seen fit to take advantage of the work incentive program and which is referred to as WIN where some workers go and are trained for nurses aid but they wind up being janitresses, that is, mopping the floors, et cetera.

I am reminded of some other individuals that were trained for florist work in the county of Forrest, Miss., and they wound up having to work on a job, being put on a job where they lift flower pots and cut grass rather than do the work which they were trained to do.

During the cottonpicking season no one is accepted on welfare because plantations need cheap labor to do cottonpicking behind the cottonpicking machines, and we might say here that jobs like this apply only to minorities and, therefore, it does not affect you if you are not black.

The welfare department serves to protect the status quo and is used to repress black people politically. Blacks who speak out or who register to vote or send their children to white schools are cut off rolls in retaliation.

I was pleased to note that the proposed bill makes provision for day care facilities for children of working mothers and that most importantly private organizations may receive grants to operate such programs.

In Mississippi where some of the most exciting and successful preschool programs in the country are being run by poor people themselves, we have learned the value of preschool education to our children and to our community as a whole. However, the right to designate community groups given to appropriate elected officials will doom such creative efforts. Just last spring the Honorable Gov. John Bell Williams vetoed 16 Headstart programs solely because they have successfully involved poor parents in the education of their own children. Fortunately, Secretary Finch at that time recognized the importance of these projects and overrode the Governor's veto.

At the very least you must include a similar override provision in the bill if it is not to be undercut before it is even given a chance.

You all know, I am sure, that welfare payments in Mississippi are the lowest in the country and that they do not even meet the barest human needs. The reason is clear for this. The people in power in the State of Mississippi do not want black people to remain there.

To give you one example, one of the many, many examples of that, in the home country of our senior Senator, the Honorable James Eastland, just a few years ago there were 38,000 blacks living in Sunflower County. Today, and maybe even less after the last census, there are only 28,000 black people living there. They want them to go north, to go to Chicago or St. Louis, or anywhere else. They are forcing us out of Mississippi by making it impossible for us to survive if we stay. And I can assure you that we do not want to leave Mississippi. We want to stay there because that is our home and make it a productive part of the United States of America.

I support the national welfare standard because it can make it possible for our families to stay together and for our young people to remain at home, but the national standard will not achieve these ends if those same people who are deliberately setting welfare grants at starvation levels are allowed to run the new programs. Given the powers, they will make certain that the program does not achieve its goals and you must not allow them to do so.

Thank you.

The CHAIRMAN. Questions?

Senator HARRIS. Mr. Chairman, I understand there is to be a vote soon, so I will not go into a lot of questions. May I just say, Mr. Lesser, that your testimony is exactly on point. Maybe that is because you agree with me on my proposals. I appreciate the personal help you have been to me and others in regard to this whole matter of welfare reform, which is so long overdue.

I appreciate Mr. Beidler coming with you. It is especially appropriate, too, Mr. Lesser, for you to give a portion of your time to Representative Clark. I think he has added a great deal by reminding us once again, if we are prone to forget it, that we are dealing here with human

beings, not statistics or dollars. The cases you presented here and the conditions you have talked about, Representative Clark, are not problems just in Mississippi; we can duplicate them elsewhere. We could talk about a lot of, maybe not exactly the same kind of problems, but similar or related problems in Northern as well as Southern States—problems which indicate the failure of the present system. What you have had to say about the need for Federal administration as well as Federal standards has special application in your home State; as Mr. Lesser has indicated, that applies also all around the country as well, too, for perhaps different reasons and in some places for some of the same reasons. I think it is important to have a national system.

I just would ask you—and I think it ties in somewhat with what Representative Clark said—just one question, Mr. Lesser. People can understand why others would, but why would “the old working boy,” who has to pay the taxes, be better off if my position and yours, Mr. Beidler’s and Representative Clark’s, were adopted? Must we simply say to him, “You will feel better in your heart,” or can we make it a little more practical than that?

Mr. LESSER. Well, I think that one reason, I think someone mentioned this morning that if you just look at it from a pure cost point of view there are a lot of hidden costs which go much beyond the cost of providing welfare and providing adequate benefits. The additional costs of police protection, the additional costs of fire protection in ghetto areas, in barrios where Mexican-Americans live, all of these are additional costs that have to be paid for one way or another. But beyond that, I think we are all concerned about living in a society where people can live together, where people can exist together without fears, without hatreds, and I do not think it is possible for us to exist in safety and security when a large bulk of our population is forced to live in poverty.

We are in effect saying the system, the democratic system, cannot provide for you. The alternative has to be one of lawlessness or something else.

I think it is more than just doing it out of the goodness of our hearts. It is doing it for our own security and our own safety.

Senator HARRIS. We might even say that doing it out of the goodness of our own hearts is self-satisfying, as well, to some degree.

Mr. LESSER. It is but it goes much beyond that. I do not think we have to appeal to people—we are not doing it for charity reasons—that is what I am really trying to say.

Senator HARRIS. I think we need to focus on that, too.

My people come, Representative Clark, from Newton County, Miss. Where is Ebenezer?

Mr. CLARK. Central Mississippi 60 miles north of Jackson.

Senator HARRIS. Years ago I was down in Newton County. A lot of my kinfolks still live there. Then, that was before any industry or anything had begun to move in there. Some has now, I understand. There were still black people, then, who worked for a bucket of ribbon cane syrup or a jar of green beans. It is obvious that that not only was not very good economics for the black people involved but it was not very good either for the poor whites, because the fact that that kind of cheap labor was available meant that everybody, working and non-working, probably received less income.

Do you not think that is also involved here? I am not just talking about Mississippi. Would we all be better off to the degree that all of our people had a better chance for a decent income?

Mr. CLARK. I think we certainly would.

Senator HARRIS. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you very much, gentlemen.

(Mr. Clark's prepared statement follows:)

PREPARED STATEMENT OF REPRESENTATIVE ROBERT CLARK OF EBENEZER,
MISSISSIPPI

Why we need Federal administration of the welfare assistance programs: Some experiences on how black and poor people are treated under State administration of welfare and related programs in Mississippi.

As the only black member of the Mississippi House of Representatives, I am called upon by black and some poor white people all over the state for help and advice on the problems which afflict them. Over 55 per cent of my state's entire population fall below the poverty level set by the U. S. Office of Economic Opportunity. Yet only about 14 per cent of the poor were receiving money payments in any amount under public assistance programs funded by the Federal Government according to the Mississippi State Advisory Committee to the U. S. Commission on Civil Rights. Mississippi is number 50 among the States in the amount of payments per recipient even though our State's share of payments was only 21.9 per cent, while the Federal Government paid 78.1 percent of the cost.

It is no accident that our State showed a 9 percent population loss since the 1960 census. Poor people are flocking to your northern cities in droves and will continue to do so unless there are some radical changes in our society. Consider our senior Senator, James O. Eastland's home county of Sunflower. In 1950 there were 38,000 blacks, now there are less than 30,000. Our State legislature tends to believe that black and poor people are no longer necessary and it's best to move them away.

Why do large numbers of Mississippians go without public assistance? Allow me to cite some examples: Mississippi is allowed by Federal law to determine "need" under the Social Security Act. Our State however, has not seen fit to define "need" to include the following classes of people:

Families which include both parents, neither of whom is sick enough to be found "incapacitated."

Children who are over 18 or living with someone other than a relative.

Children whose father deserted them only recently.

Married couples or single persons, without minor dependent children, under age 65 who are not blind, or sufficiently physically or mentally impaired to be considered "permanently and totally disabled."

Needy, poverty-stricken families who would otherwise fall within the public assistance categories because they are deemed insufficiently "needy" by the State's definition.

The administration of welfare in my State is aggravated by the fact that most of the recipients are black and almost all of the staff is white. I have never seen a black person employed in the State Welfare Department Office in Jackson above the level of janitor. In 1967, Tom Pruitt, of the Mississippi Welfare Department told the State advisory committee to the U.S. Commission on Civil Rights that there were about 1,500 employees in the State's welfare department but that only 4 or 5 were Negroes. If that number has increased lately, it is so small that I am personally not aware of it. The effect of this racial exclusion of blacks has brought about an almost total lack of communication between the white caseworker and the black client. Clients fear asking questions because they think they may be cut off public assistance. The cultural gap is enormous between the white middle class caseworker and the rural black client. The white caseworker's so-called paternalism toward blacks is like the stern father's feelings towards his slightly retarded, mischievous child. There is an almost total lack of empathy or human understanding. White caseworkers tend to believe that black people can get along on less than whites. Many black people have told me that the \$60 a month ADC check their children receive, which is the maximum payment for a mother of 4 dependent children, is considered "sufficient" for them by their caseworker.

Mrs. Bessie May Huntley, of my home county of Holmes, told the Mississippi Advisory Committee of an experience she had with her white caseworker:

"Miss Alma came back to the house and she blowed her whistle and wanted me to come out there and I went out and I got in the car with her. She carried me down the road and she told me 'What you trying to get disability for? You niggers now getting more money than you ever have in all your life.' And I said, 'No we hasn't! . . . And she said, 'The President ain't got no lot of money . . . That's the white folks tax money.'"

Another lady, Mrs. Mary Luckett told the Advisory Committee about how the surplus food commodities program works in her home county of Jefferson, where Mayor Charles Evers now presides. Negroes, until very recently, and this still might be the practice, must go to the back door. Then she said:

"When you go to the commodity house, you have to stand in line, and this guy who's standing outside, he gives you a number. . . . They call him Santa Claus. And he gives you a number, and you stands there . . . If you wanted to get your commodities, you have to pay him a quarter, 15 or 20 cents, was the only way you could get it, or else set out there in the cold all day."

Whites, she added, do not pay the quarter, nor do they stand in line or wait.

"He treats them like they are humans and we are slaves . . . They be served nice like a person is supposed to be, and we be talked to like animals."

Permit me to cite you some more reasons why only 14 percent of our State's needy people are not receiving public assistance:

According to the Mississippi Welfare Manual, the official handbook published by the State welfare department, a mother must seek and accept whatever employment is available, if the mother is found able-bodied and "adequate care" is available for her children (whatever their age). Rather than help maintain and strengthen family life, this rule is applied by our State to break up families by forcing mothers to leave home and work as maids, or if she is lucky, as a nurse's aide or janitress. Mrs. Lela Mae Brooks, of Sunflower, who lives just a few miles from senior senator's plantation, related how she was cut off from public assistance:

"I was released from State Hospital which you call Whitfield. Doctor said I was well enough to stay home and tend to my own children, but don't work any more. They gave me \$34 two months and told me to go to work which the doctor told me don't do . . . 'I know the doctor told you don't work,' she said, 'But only way you get a nickel for your children, you go to work.'"

A white Mississippi social worker told the advisory committee of a conversation she had with two fellow workers in the county welfare office. I quote this conversation because I think it shows quite clearly what I believe the prevailing Mississippi attitude is, even today:

"The workers were startled when I asked why they thought the employable mother policy existed. They answered it was obvious that if the policy did not exist, 'none of them would work,' meaning the Negro Women. When asked why they felt this way, there was horrible silence, and they snapped that the author should know, that she had not been away that long. When the author commented that the ADC grant seemed so low (It is now \$30 maximum for the first child, \$60 maximum per month for four, and \$108 per month for seven or more children. It was \$90 a month a year ago.) as to make it unlikely that anyone would enjoy it as a sole income, they were silent and then said, 'Well, how do you think they should live, comfortable?'"

The social security act and amendments authorize support for State programs to sick persons "permanently and totally disabled." Once again, you gentlemen, saw fit to permit the State to define these key terms. As one witness observed before the advisory committee:

"Since no white applicants are expected to chop in the cotton fields or to assume the position of a domestic worker, their disability as to gainful employment is found complete and permanent much more readily than is

the case of the Black applicants . . . Negroes will not be eligible for (disability payments) if they can walk, crawl, or sit in the cotton fields and chop the cotton weeds."

Mr. Tommy Long, a black disability recipient, told the advisory committee that when the new county welfare director came by his house he was not at home the first day she came by because he was helping his wife, he said "make a little crop . . . on days I felt good and could go out and help her." The next month his check did not arrive. "She told me I wasn't disabled, said I could work." Mr. Long lost a leg when he was 16, an arm in 1954 and had been receiving regular medication for a heart condition for the past three years.

As I indicated earlier, Mississippi has not chosen to participate in the social security act's programs to aid children of unemployed parents. When a family is in need but both are in the home and not "incapacitated," there is no way they can get aid, although both parents may be unable to get work. Their only recourse was the work experience and training project, under the OEO act of 1964 and later the work incentive program (WIN) under the 1967 amendments to the social security act. Less than half of my State's counties have chosen to participate in either program. In counties where the program operates it is limited to only a few months, does not give training except menial, unskilled jobs sometimes below the level the parent had prior to entering the program.

A welfare rights worker in Hinds County, Miss Heather Smith, of Jackson, knows of one lady who was a laundry clerk, who wanted secretarial training. She was placed by WIN in a training job described as laundry room attendant. A lady in Hattiesburg, Mrs. Mary Cunningham, was trained as a florist. Her job was cutting and pulling grass and lifting flowerpots. She said her pay was so little the florist couldn't get anybody but was able to get eight so-called trainees for nothing.

After the so-called training, the parents are right back where they started. Only 4,300 were enrolled in the program in 1967 and I don't think the figure has risen much, if at all, since that time. Although one of the criteria for job slots is supposed to be the possibility of employment, no real attempt is apparently being made to find permanent employment for these parents. One Jackson social service agency head noted that the highest level job that anybody received which he knew of was a nurse's aide, which means hospital clean-up work. Most blacks are trained in the so-called "nigger jobs"—cafeteria and janitorial work.

Let me say a word about my state's administration of the federal food programs. Only 9.1 per cent of our state's children receive free school lunches. Compare this with 27.3 per cent in New York or even 15.1 per cent in Louisiana. ADC parents can be found across my state whose children never ate a free school lunch and who sit day after day in the lunchroom waiting nothing while other children right in front of them are enjoying their noon-time meals.

Despite some helpful reforms in lowering the cost of food stamps, most people who need them still can not afford them. According to the U.S. Department of Agriculture figures, when counties which participated in the free commodity food program switched over to food stamps, the number of participants dropped. In Jones County for example, 17,500 people received free surplus foods in March 1965. In March 1966 the county adopted food stamps instead and only 4,700 persons could afford them. Because of the food stamp reforms, people with the lowest possible incomes now can afford to pay \$50 and receive a month's supply of stamps for their family. This is very good. But there are thousands upon thousands of people whose incomes is below the U.S. Department of Labor's are unable to pay \$50 and upwards of \$80 and more for food stamps. And they and their children do without and go hungry.

Although the Social Security Act and amendments require a series of procedural rights which are supposed to provide remedies for unequal and unfair administration of the public assistance programs, most recipients fail to take advantage of these rights, because of lack of information, or fear the white lady who might cut off payments, and unwillingness to cope with the bureaucratic red tape. In at least two counties in my State, where recipients have filed large numbers of requests for so-called "fair hearings," there is such a backlog that recipients claim they have been told no more hearings are being held. The Hinds County Welfare Rights office estimates that when APTD recipients file fair hearings, 75 per cent are turned down by the medical review team. Applicants are not given medical reasons for the turn-down only the statement that they

are not totally nor permanently disabled. Some men are told that if they can do housework for themselves they can do it for others. There are still countless violations of clients' rights to apply for aid and have one's application processed promptly of clients' rights to information about and access to all welfare rules and regulations; of clients' rights to a written notice stating the reasons for local action affecting a welfare application or grant and to a prompt and fair hearing before the State welfare officials to review adverse local decisions. For example, a mother in Bolivar County told the advisory committee she requested a hearing on the termination of her grant. A welfare agent drove to her house and called her out to her car:

"She was trying to get me to withdraw a hearing I had asked for . . . Well she said, 'You all get around with all these doggone civil rights workers and they are going to help you. But there ain't a doggone thing they can do.'"

After much delay and repeated attempts to get a fair hearing the lady still was not granted a hearing at the time of the commission investigations.

Let me share with you finally what has happened in the past year concerning efforts by poor people in our State to get assistance from U.S. Department of Health, Education and Welfare and the U.S. Office of Economic Opportunity. I think this bears on the attitude of our State in administering the Social Security Act programs in our State. To the best of my knowledge the following programs which sought funding were vetoed by our governor, John Bell William, and later these vetoes were overridden by HEW and OEO:

Eight single and multi-county Headstart programs serving low income children.

A state-wide job training and adult basic education project.

A ten county Hurricane Camille assistance project.

A county-wide preventive medical project designed to treat 10,000 poverty children.

At least one or more emergency food and medical programs designed to provide free food stamps and health care for poor people.

Many people in my State are convinced that the State administration of all Federal programs, not just those under the Social Security Act, must be ended and that some new form of Federal administration must be implemented in cooperation with the people these programs are designed to serve. I personally support the recommendations of the Mississippi Freedom Democratic Party, the National Welfare Rights Organization and the Mississippi Advisory Committee to the U.S. Civil Rights Commission who have advocated all or part of the following: Real job training and jobs for all people who seek them, an end to forced work for mothers who want to care for their children, universal day care for working mothers, an end to the categories system of public assistance and replacement with single, comprehensive program under which financial need is the sole eligibility requirement with an HEW national minimum income floor of \$5,500 for a family of four, a Federal program to locate and assist needy persons and to determine their eligibility solely on the basis of the applicant's declaration of need and resources, with provision—as under the Internal Revenue System—for spot checks of a sample of cases, and end to the present humiliating, dehumanizing investigatory process. Finally, I would recommend to this distinguished committee, some formula be devised to guarantee minority group representation equal to that group's numerical proportion within their particular communities, in any and all Federal funded welfare programs.

Thank you, Mr. Chairman and members of the committee for letting me share my concerns with you.

The CHAIRMAN. Our next witness will be Mr. E. B. Whitten who is executive director of the National Rehabilitation Association.

STATEMENT OF E. B. WHITTEN, EXECUTIVE DIRECTOR, NATIONAL REHABILITATION ASSOCIATION

MR. WHITTEN. Thank you, Mr. Chairman. I want to file the statement that I have and that you have in its entirety and ask that two attachments also be printed.¹

¹ Mr. Whitten's prepared statement, with attachments, appear at p. 1522.

The CHAIRMAN. All right.

Mr. WHITTEN. I then shall read some paragraphs, omit some, and comment briefly.

I shall expedite my statement as much as possible.

First, let me say that I am director of the National Rehabilitation Association and I am also the secretary to the Council of State Administrators of Vocational Rehabilitation, and I represent both groups in this testimony.

Now, in the earlier paragraphs of this testimony we have identified the association for the record. We have indicated our general support for the principles underlying this legislation. We have discussed the status of the vocational rehabilitation program in the country which is involved in the administration of this program as is found in H.R. 16311 with some reference to the relationship that exists between this program and existing public welfare programs.

I would like to begin my testimony on page 5 rather than at the beginning.

The administration proposal leading up to H.R. 16311 contained only casual mention of vocational rehabilitation. H.R. 16311, reported by the House Ways and Means Committee and passed by the House, contains an important role for vocational rehabilitation, and the effectiveness of this role will be enhanced by amendments which the administration has proposed to the bill.

"Determination of Incapacity in Provision of Rehabilitation Services." Section 447(d), pages 19 and 20 of H.R. 16311, provides that any adult member of a family receiving family assistance payments who is not required to register for work because of his incapacity shall be referred to the appropriate vocational rehabilitation agency. The referral will be for two purposes: (1) an initial determination of incapacity and a review of this incapacity at quarterly intervals, unless otherwise provided in the regulations, of the individual's continuing incapacity for work and his need for and the utilization of rehabilitation services, and (2) for the provision of suitable vocational rehabilitation services which will contribute to making the individual wholly or partially self-supporting.

Mr. Chairman, let me reiterate here that we are assuming that income alone will determine whether an individual draws the FA benefits, but if he does not register for work or is adjudged not to be required to register for training for work because of incapacity, then he shall be referred to the vocational rehabilitation agency which will perform these functions.

The report accompanying the bill states that all existing rehabilitation services available should be applied in order to enhance the individual's capacity to self-support. Initial determinations of incapacity which preclude the individual from gainful employment will be made in a manner similar to the way State agencies now make determinations of disability for the Social Security Administration of individuals applying for disability benefits.

This has been going on, by the way. The State agencies have been doing this for the Social Security Administration ever since the disability benefits provisions of the Social Security Act were initiated.

The administration in its amendments has strengthened this provision. In the first place, it recommends that reviews of incapacity be tailored to the nature of the incapacity, as is the case in the social security program, rather than being performed quarterly as is prescribed in H.R. 16311. We believe this is an improvement, and it will minimize, undoubtedly, the number of unnecessary and wasteful reviews, that could take place if there was a more or less mechanical quarterly review of these cases.

More important, the administration amendment strengthens the ability of the vocational rehabilitation agencies to provide vocational rehabilitation services by putting the clients referred for vocational rehabilitation services on the same basis as those referred to the U.S. Department of Labor for manpower services. The amendment proposed to section 437 (p. 44 of H.R. 16311), provides for an appropriation to the Secretary of HEW to pay the cost of vocational rehabilitation services to family assistance recipients who are found to be good prospects for vocational rehabilitation and provides for a Federal share of 90 percent, the same Federal share which the bill calls for for manpower services. This amendment is extremely essential. There is little point in having vocational rehabilitation agencies make the determinations of incapacity and receive referrals of individuals amenable to vocational rehabilitation services, if resources are not going to be available to enable them to serve such individuals and to serve them promptly. Experience with the social security beneficiaries has shown that State agencies will move promptly to provide these services, when funding is available. Although rehabilitation agencies are now serving substantial numbers of public welfare recipients, they do not have the financial resources to expand their caseloads to the degree that is anticipated under the family assistance legislation.

An administration amendment to section 437(d) (p. 45 of H.R. 6311) provides the same work incentive allowances for a vocational rehabilitation client as for a client in the manpower agencies. Any less than this would be, of course, an injustice to the handicapped public assistance client, whose problem of poverty is compounded by a physical or mental incapacity.

As already indicated, the role of the vocational rehabilitation agencies under this bill would be substantial. The Council of State Administrators of Vocational Rehabilitation was not consulted in advance with respect to the willingness of State agencies to make the determinations of incapacity and reviews of incapacity as provided in this bill. The House Ways and Means Committee, of course, was fully informed of the fact that the vocational rehabilitation agencies have been making such determinations for the Social Security Administration ever since this program went into effect. Based upon this experience, which in the minds of everyone connected with it, is successful, the committee felt that these agencies were the best qualified to provide the determination of incapacity under the welfare bill. Now, since H.R. 16311 passed the House, the Executive Committee of the Council of State Administrators of Vocational Rehabilitation have considered the additional responsibilities State agencies would have under this legislation.

Although this committee cannot speak for State agencies individually, it believes that the State vocational rehabilitation agencies will

be willing to accept this responsibility. In so doing, they will be motivated by the fact that making these determinations of incapacity will put them in contact with handicapped public assistance recipients earlier than they might otherwise have access to them, and this will give them an opportunity to provide a more effective vocational rehabilitation service. We all know, Mr. Chairman, that the more promptly rehabilitation service can begin, the more likely rehabilitation is to be successful.

I think members of this committee will understand that there is no glory involved in making determinations of whether people are incapacitated for work. The rehabilitation agencies are interested in doing this only because they believe they can improve their capacity to rehabilitate more individuals, not just to become an agent for somebody else in doing a job of this kind. In accepting this responsibility, these agencies will also be influenced by the fact that the present arrangement with the Social Security Administration for making determinations with respect to incapacity of individuals for gainful employment has been a satisfactory one, and it appears to be the intent of the House that determinations and reviews made under the family assistance plan will follow a similar procedure. Although, presumably, FAP would be administered by a different agency, it is felt that the experience with the Social Security Administration would be used as the basis for arrangements that will be made.

Incidentally, the entire cost of making these determinations of disability is to be borne by the FAP fund and this, of course, will be essential. That is the way it is done under the Social Security Administration.

Now, Mr. Chairman, I want to call your attention, turning now to page 9 of the testimony, to the fact that at the present time rehabilitation agencies have on their case loads about 90,000 recipients of public welfare. It is estimated that 88,000 additional referrals would be made the first year under this legislation. It is estimated that it would cost about \$62 million for the rehabilitation agencies to provide services for this group. It is estimated furthermore that the cost of making the determinations for themselves, not now talking about providing the services, will cost about \$42 million and these figures are based upon the experience with the agencies working with the disability beneficiaries, with the Social Security Administration, and therefore there is good reason to believe that there is reasonable accuracy within these particular estimates.

Incidentally, the rehabilitation agencies rehabilitated last year, 1969, 24,000 individuals, who were drawing public welfare benefits, of which two-thirds were removed entirely from the rehabilitation rolls, I mean, from the welfare rolls. About one-third we understood had reduced welfare costs but were still having some welfare costs.

Now, with respect to title XX, the services title, we are recommending that the committee delay action on this bill until after the FAP legislation is disposed of. There are so many issues with regard to this legislation and there has been so little discussion of them and so little explanation of them by either the administration or anyone else and they are so important potentially that we feel it would be better to pass over these for the time being, and I am not going to say anything more about that. I find there is a lot of support for this particular viewpoint.

Now, finally, Mr. Chairman, with respect to the social security trust fund for rehabilitation purposes—I am talking now about the Social Security Act or the social security provisions for separate and apart now from FAP, the present law authorizes the payment from the social security trust funds for vocational rehabilitation services provided for totally disabled individuals who are entitled to disability benefits under the social security program. It provides that 1 percent of these disability benefits funds can be used for the rehabilitation of individuals who are drawing the benefits not just applicants but those already drawing the benefits. By the way, Senator Ribicoff sponsored this amendment in 1967. Congress accepted it on the basis that it was willing to give this a try in the hope that this would prove that certainly the cost of the rehabilitation service would not be more than the amount saved to the trust fund by virtue of the fact that the individual became a taxpayer into the fund rather than drawing from the fund.

Already 15,000 individuals have been rehabilitated by the agencies with the use of this fund. Four thousand of them have been rehabilitated long enough that they now have quit drawing any benefits at all.

By the way, this law provides a 9-month trial period. In other words, a man can work for 9 months to see whether he is rehabilitated truly before his benefits are stopped and also it is understood that he can reapply for benefits if something happens to him.

The remainder of this 15,000, certainly the great majority of them will prove to be permanently rehabilitated and the number of such individuals going onto the rolls every year is increasing rapidly. The entire 1 percent is being used constructively. The Social Security Administration has come to the determination that not only is this not costing the trust fund money, it is saving the trust fund money, and we are recommending that Congress increase this 1 percent to 2 percent of the amounts paid in that can be used for this purpose.

This provides no additional taxation of any kind. It is just increasing the amount that can be transferred from this fund for rehabilitation services.

One of the statements that I ask to be inserted in the record is one that gives considerable details about what has been found out by this, and I feel certain that you will feel that Congress determination to try this was fully justified, and by the way, Mr. Chairman, it is experienced under this bill that is leaving us to think that without promising any miracles whatever, that the disabled people on the public welfare rolls will respond to rehabilitation services, and that the biggest incentive that could be given them to do so would be to be sure that the rehabilitation service was there when they were ready to accept it without long delays.

Now, there are a good many other things that we can say about this, Mr. Chairman, but we recognize the long day that we have all had here, and so I am going to stop at this point.

Thank you for this opportunity to express the viewpoints of our association.

The CHAIRMAN. Well, thank you very much, sir. We appreciate your statement and we will certainly see that it is considered. I regret there are not more Senators here at this time, but they are voting on the Senate floor right now.

Before I call the next witness, I think I ought to suspend to go over there and vote.

Thank you very much. I will be back in about 4 minutes.
(Testimony of National Rehabilitation Association follows:)

TESTIMONY OF NATIONAL REHABILITATION ASSOCIATION

IDENTIFICATION

Mr. Chairman, the National Rehabilitation Association is a national organization of 33,000 individuals and 600 agencies, all of whom have a major concern for the care and rehabilitation of handicapped people. The membership of the Association is both professional and lay. It includes large numbers of administrators, counselors, and physicians, and smaller numbers of social workers, physical therapists, occupational therapists, speech and hearing pathologists, and other professionals active in rehabilitation. Its lay members are public-spirited citizens who have an interest in the rehabilitation of handicapped people in their respective communities and support the National Rehabilitation Association as one method of achieving their aims of more comprehensive and better services for handicapped individuals. Members of the Association work in the state-federal rehabilitation programs and other state and federal agencies, rehabilitation centers, sheltered workshops, voluntary health agencies, etc. Today, we are speaking to that part of HR 16311 that has to do with the relationships of vocational rehabilitation programs to the Family Assistance Act and to certain amendments to this bill presented by the Department of Health, Education, and Welfare.

GENERAL SUPPORT OF PROPOSAL

First, let me say that the National Rehabilitation Association supports in principle the basic concepts underlying HR 16311. It supports the idea of guaranteed income floors for the Nation's low income or no income individuals and families. It believes, also, that income maintenance programs should be extended to the working poor. Most of our members believe that an income floor for handicapped individuals, rather than being a deterrent to rehabilitation, will be an incentive to the acceptance of vocational rehabilitation services. Our members have had experience with many handicapped individuals who, literally, could "not afford" to accept rehabilitation services which might have upgraded their skills and made for a better way of life, because there would be no adequate support for the family during the period of rehabilitation. We believe that the experience of vocational rehabilitation agencies in working with OASDI beneficiaries, who may receive benefits nine months after rehabilitation is completed, is supporting this viewpoint. Since the competence of the National Rehabilitation Association as an organization, and its members individually, is in the area of disability and rehabilitation, we shall confine our statement, in the main, to these aspects of the legislation.

STATUS OF VOCATIONAL REHABILITATION

The state-federal vocational rehabilitation program was established in 1920. Currently, it is administered by the Rehabilitation Services Administration of the Social and Rehabilitation Service of the Department of Health, Education, and Welfare, and by state vocational rehabilitation agencies. It is one of the oldest of the grant-in-aid programs and generally regarded as one of the most successful.

Under the Vocational Rehabilitation Act and parallel state legislation, individuals who suffer physical or mental impairments which constitute handicaps to employment are provided whatever services may reasonably be expected to make them employable. Employability is widely interpreted to include work as a family member, work in sheltered employment, and part-time work, as well as full-time competitive employment. Services provided include medical and psychological evaluation, evaluation of work potential, vocational and personal adjustment, medical services, vocational training, placement on a job and follow-up services following placement. The caseload of the vocational rehabilitation agencies numbers almost 900,000 individuals. About 267,000 were rehabilitated last year. This caseload includes practically every class of handicapped people that could be named. A significant fact is that mental illness, mental

retardation and behavioral disorders have recently moved ahead of orthopedic disabilities in the number of individuals being rehabilitated.

In the light of the magnitude of this program and its universally acclaimed success, it is a bit peculiar that it gets so little mention when manpower programs are proposed to Congress or at hearings on such proposals. Although both the legislative and executive branches of the government gave good support to the program from 1954 to 1968, the program is now suffering severe fiscal problems because of the Administration's policy to limit allotments by language in the Appropriation Act and to appropriate sums insufficient to match state funds that are available for the program. As already indicated, over 260,000 persons are being rehabilitated into employment annually. Although vocational rehabilitation is not a poverty program as such, over 90% of its rehabilitants have incomes below the generally accepted poverty level when they apply for service, and two-thirds have no income at all. In 1969, 24,000 of those rehabilitated were drawing public assistance benefits at the time services began.

Not only is the program successful in terms of its objectives, but the cost effectiveness ratio for vocational rehabilitation is far higher than any of the more recently established manpower programs, which means, simply, that so far as preparing for and placing its clients on jobs, the country gets more for its dollar spent on vocational rehabilitation than in any comparable program. At this point, I would like to insert in the record a brief analysis of cost effectiveness studies which bear out this conclusion. This statement is not intended to imply criticism of other programs. Certainly, the vocational rehabilitation agencies do not want responsibility for the entire manpower training and placement program. We do believe, however, that the experience of rehabilitation people, both in public and voluntary agencies, justifies its leaders to speak with some authority with respect to programs aimed at employment of disadvantaged individuals, among the most disadvantaged of all being the physically and mentally handicapped which are, traditionally, the clients of the vocational rehabilitation agencies and the rehabilitation facilities.

It should be emphasized that vocational rehabilitation programs should not be confined to the poverty population, certainly not to the recipients of public welfare. The preventive aspects of vocational rehabilitation are equally important. The rehabilitation of tens of thousands of mentally retarded young people each year, for instance, preventing them ever having to apply for welfare benefits, may be a greater contribution to the Nation than the rehabilitation of an equally large number of adults, even though such individuals are on public welfare rolls. The largely unstated policy of the vocational rehabilitation agencies is to keep a balanced caseload, that is, balanced between young people who are being prevented from becoming dependent, and older people who have for various reasons become dependent.

RECOGNITION OF VOCATIONAL REHABILITATION IN H.R. 16311

The Administration proposal leading up to HR 16311 contained only casual mention of vocational rehabilitation. HR 16311, reported by the House Ways and Means Committee and passed by the House, contains an important role for vocational rehabilitation, and the effectiveness of this role will be enhanced by amendments which the Administration has filed with the Committee.

DETERMINATION OF INCAPACITY IN PROVISION OF REHABILITATION SERVICES

Section 447(d), pages 19 and 20 of HR 16311, provides that any member of a family receiving family assistance benefits who is not required to register for work because of his incapacity shall be referred to the appropriate vocational rehabilitation agency for the provision of rehabilitation services under the Vocational Rehabilitation Act. The referral will be for two purposes: (1) an initial determination of incapacity and a review at quarterly intervals, unless otherwise provided in the regulations, of the individual's continuing incapacity for work and his need for and the utilization of rehabilitation services, and (2) for the provision of suitable vocational rehabilitation services which will contribute to making him wholly or partially self-supporting. The report accompanying the bill states that all existing rehabilitation services available should be applied in order to enhance the individual's capacity to self-support. Initial determinations of incapacity which preclude the individual from gainful

employment will be made in a manner similar to the way state agencies now make determinations of disability for the Social Security Administration of individuals applying for disability benefits.

The Administration in its amendments has strengthened this provision. In the first place, it recommends that reviews of incapacity be tailored to the nature of the incapacity, as is the case in the Social Security program, rather than being performed quarterly as is prescribed in HIR 16311. We believe this is an improvement, and it will minimize, undoubtedly, the number of unnecessary and wasteful reviews.

More important, the Administration amendment strengthens the ability of the vocational rehabilitation agencies to provide vocational rehabilitation services by putting the clients referred for vocational rehabilitation services on the same basis as those referred to the United States Department of Labor for manpower services. The amendment proposed to Section 437, (page 44 of HIR 16311) provides for an appropriation to the Secretary of HEW to pay the cost of vocational rehabilitation services to family assistance recipients who are found to be good prospects for vocational rehabilitation and provides for a federal share of 90%, the same federal share which the bill calls for for manpower services. This amendment is extremely essential. There is little point in having vocational rehabilitation agencies make the determinations of incapacity and receive referrals of individuals amenable to vocational rehabilitation services, if resources are not going to be available to enable them to serve such individuals and to serve them promptly. Experience with the Social Security beneficiaries has shown that state agencies will move promptly to provide services, when funding is available. Although rehabilitation agencies are now serving substantial numbers of public welfare recipients, they do not have the financial resources to expand their caseloads to the degree that is anticipated under the family assistance legislation.

An Administration amendment to Section 437(d) (page 45 of HIR 16311) provides the same work incentive allowances for a vocational rehabilitation client as for a client in the manpower agencies. Any less than this would be, of course, an injustice to the handicapped public assistance client, whose problem of poverty is compounded by a physical or mental incapacity.

As already indicated, the role of the vocational rehabilitation agencies in the Family Assistance Act would be substantial. The Council of State Administrators of Vocational Rehabilitation was not consulted in advance with respect to the willingness of state agencies to make the determinations of incapacity and reviews of incapacity as provided in HIR 16311. The House Ways and Means Committee, of course, was fully informed of the fact that the vocational rehabilitation agencies have been making such determinations for the Social Security Administration ever since the disability benefits program went into effect. Based upon this experience, the Committee felt that these agencies were the best qualified to provide this service. Since HIR 16311 passed the House, the Executive Committee of the Council of State Administrators of Vocational Rehabilitation have considered the additional responsibilities state agencies would have under this legislation. Although the Executive Committee of the Council cannot speak for state agencies individually, it believes that the state vocational rehabilitation agencies will be willing to accept this responsibility. In so doing, they will be motivated by the fact that making these determinations of incapacity will put them in contact with handicapped public assistance recipients earlier than they might otherwise have access to them, and this will give them an opportunity to provide a more effective vocational rehabilitation service. I think members of this committee will understand that there is no glory involved in making determinations of whether an individual is incapacitated for work. In accepting this responsibility, these agencies will also be influenced by the fact that the present arrangement with the Social Security Administration for making determinations with respect to incapacity of individuals for gainful employment has been a satisfactory one, and it appears to be the intent of the House that determinations and reviews made under the Family Assistance Plan will follow a similar procedure. Although, presumably, FAP would be administered by a different agency, it is felt that the experience with the Social Security Administration would be used as the basis for arrangements that will be made.

Incidentally, HIR 16311 appears to make clear that the entire cost of making determinations of incapacity and the reviews of incapacity called for will be reimbursed 100% by the agency administering FAP. Any other arrangement

would be self-defeating. It is not likely that the states will want to undertake to make these determinations, if they are expected to bear a share of the cost. As this committee knows, the Social Security Administration does pay 100% of the cost of making determinations of incapacity under its program.

COMPREHENSIVE EVALUATIONS NEEDED

The success of the rehabilitative aspects of this legislation will depend to a considerable extent upon the kind of evaluation of rehabilitation potential that state agencies are permitted to make in connection with assessing the incapacity of the individual. Here, too, the experience in working with the Social Security Administration is of value. In the early years of the administration of the Social Security Disability Benefits program, this agency, as a result of the opinions of legal counsel, took a narrow and restricted view of what was permissible to determine whether an individual was under a disability. Gradually, experience has shown that there is great benefit in reimbursing the agencies for comprehensive assessments of the nature and extent of disability and the rehabilitation potential of the individual. Gradually, SSA regulations have been liberalized to permit and even encourage this. It is hoped that in the beginning of the FAP program, a liberal interpretation can be made of the kind of assessment that should be made and for which reimbursement can be made from FAP funds. It is hoped that the concept of vocational evaluation which is found in Section 15 of the Vocational Rehabilitation Act can be accepted as a basis for these evaluations. It will be of great value if this committee, in the report accompanying H.R. 16311, should indicate its intention that evaluations of incapacity and rehabilitation potential be comprehensive and that the models found in Section 15 of the Vocational Rehabilitation Act be used as a basis for reimbursement for the cost of such services.

REHABILITATION CASELOAD UNDER H.R. 16311

Mr. Chairman, we do not want to leave the impression that the vocational rehabilitation agencies can perform any miracles with respect to removing handicapped individuals from family assistance rolls. Experience has demonstrated, however, that many disabled public welfare recipients do want to work and will accept vocational rehabilitation services, and the rehabilitation agencies have demonstrated competence in working with welfare agencies in identifying individuals with vocational potential and in providing vocational rehabilitation services with measurable results. As indicated elsewhere, 24,000 public welfare recipients were included in the 241,000 individuals rehabilitated by the state agencies in 1969. The present vocational rehabilitation case-load of public assistance recipients is around 90,000. Under H.R. 16311, with the Administration amendments already referred to, the number can be substantially increased. In addition, handicapped individuals among the working poor will have much greater incentives than before to accept rehabilitation services.

The Department of Health, Education, and Welfare has presented estimates that indicate that 80,000 welfare recipients will be added to the vocational rehabilitation rolls in the first year. It is estimated that the cost of providing rehabilitation services to these individuals, including comprehensive evaluation and adjustment services (exclusive of determination of incapacity) will be about \$62 million. The cost of making the determinations of incapacity and the reviews in connection therewith are estimated to cost approximately \$10 million.

The experience with Social Security clients encourages us to believe that the provision of vocational rehabilitation services as indicated will save the family assistance program substantially more than the vocational rehabilitation services will cost: in fact, many times more. We shall say more about the experience under Social Security a little later.

TITLE XX—INDIVIDUAL AND FAMILY SERVICES, PART A

Mr. Chairman, I would like to make brief comment on the new Title XX, Grants to States for Individual and Family Services, etc. In our judgment, existing legislation having to do with services to individuals should be rewritten. Definitions should be sharpened, eligibility for services spelled out more clearly, methods of administration strengthened, and the provision for personnel training

and research and demonstration projects enhanced. It is not clear, however, why Congress should rush to pass this title at this time when the House Committee did not consider it at all and when what appear to be larger issues will make a thorough consideration in the Senate unlikely. Some of the provisions of the title raise serious and complicated questions. The issues surrounding local administration, methods of financing, the numerous new plan provisions, the implications of the separation of services from money payments, and the relationship of welfare agencies with other agencies, make it difficult for an organization such as ours to pass judgment upon it without hearing full discussions of its intent. We would prefer that Congress wait until action on FAP legislation has been completed to consider the services title. If we had to either approve or disapprove a new title at this time, we would probably disapprove, and this might be based more upon what we do not know about it than what we do know about it.

CONSOLIDATED HEALTH, EDUCATION, AND WELFARE PLANS, PART B

What has been said about Part A of this title is doubly true of Part B. It does not seem to us that a proposal to authorize states to develop and present consolidated Health, Education, and Welfare plans with all the complications associated with such a proposal, should be considered as a part of a welfare proposal, since it affects equally other programs which are administered in other settings and even considered by different committees of Congress.

We have heard no discussions of this proposal beyond the meager, very general testimony of the Administration in its behalf, although we understand some of the organizations of state officials support it, at least, in principle. The fact is that news is just getting out about this part of the legislation. Among the issues which we would like to hear discussed would be the kind of state agency that might be developed under the proposal, along with models of such administrative arrangements; why it should be necessary to authorize transfer of funds to purposes not contemplated when the funds were appropriated; the effect that a common federal share would have on the individual programs; and the implications of joint projects and joint funding under a single administration. In hearings confined to this proposal, we believe the answers to these questions could be developed. We request, therefore, that this proposal not be included in the bill reported by the Committee.

SOCIAL SECURITY TRUST FUND FOR REHABILITATION PURPOSES

Present law authorizes payment from the Social Security trust funds for vocational rehabilitation services provided for totally disabled individuals who are entitled to disability insurance benefits under the Social Security program. The amount that may be paid from the trust fund to reimburse state agencies for vocational rehabilitation services to such individuals may, in any year, not exceed one per cent of the Social Security disability benefits paid in the previous year. We are proposing to this committee that it increase the proportion of Social Security trust funds that can be used to pay for vocational rehabilitation of Social Security beneficiaries from one per cent to two per cent of the previous years disability benefits. This may be done by amending the first sentence of Section 222(e) (1) (D) by deleting "one per cent" and inserting "two per cent".

The number of Social Security disability benefit beneficiaries provided vocational rehabilitation services under the trust fund reimbursement provisions has grown from 10,000 in fiscal 1967 to 32,000 in 1969. More than 15,000 of these beneficiaries have been reported as rehabilitated by state agencies and more than 4,000 have been terminated from the benefit rolls, having maintained their ability to support themselves for the nine months following rehabilitation. It is now becoming clear that the provision of rehabilitation services from this trust fund is actually saving the trust fund money. The entire fund earmarked for rehabilitation is being expended by the state vocational rehabilitation agencies, which are also using substantial funds secured from other sources to expand rehabilitation services to this group. We think that an increase in the proportion of the trust fund available for rehabilitation purposes from one per cent to two per cent is not only in the interest of handicapped individuals but in the interest of the trust fund, itself. At this point, I would like to insert in the record a brief document which gives more details about this program.

Mr. Chairman, the National Rehabilitation Association appreciates the opportunity to offer this testimony. It wants to cooperate with the Committee in

any way it can in strengthening the rehabilitative aspects of the Family Assistance Plan, believing that to do so benefits both the state and the individuals concerned.

ATTACHMENTS

REHABILITATION—COST-BENEFITS ANALYSIS

Three cost-benefits analyses are available.¹ Each of these studies measures cost benefits in terms of the economic gain to society resulting from the increase in wages earned by disabled people as contrasted to the cost of providing rehabilitation services to the handicapped individuals.

The first of these studies, to be referred to as the RSA study, showed a cost-benefits ratio of 35 to 1, that is, the wages earned by the rehabilitation worker for the period of his work life expectancy was 35 times as great as the amount spent on his rehabilitation.

The second of the studies, to be referred to as the HEW study, showed the cost-benefits ratio to be 15 to 1.

A third study to be referred to as the Conley study, showed the cost-benefits-ratio to be 8 to 1, or somewhat less, if future earnings are discounted to make allowance for the future value of current dollars.

The HEW study (15 to 1) differs with the RSA study (35-1) because it did not attach any value to homemaking and other work at home, did not assume the 3% annual increase in projected earnings due to increased worker productivity calculated in the RSA study, and used higher mortality rates which resulted in fewer years of earning power for the disabled individual.

The Conley study was even more conservative. It used earnings the three months before beginning rehabilitation service as a wage base instead of earnings the week before rehabilitation at which time the individual was more likely to be unemployed, it added to the cost of rehabilitation by estimating the number of repeaters in the program, included an estimate of the costs of services provided by other agencies, and added 20% to the cost of rehabilitation services to cover expenditures for research and training, which are not charged as rehabilitation services in agency accounting procedures. The author admits that he may have been overly conservative.

All three studies are equally firm in their conclusions that society benefits economically from expenditures on vocational rehabilitation. *Significantly, the cost-benefits ratio for rehabilitation services is more than twice as high as that of any other program with similar objectives,*² when the same formula is used for calculations. Also significant is Conley's conclusion that the cost-benefits ratio is probably as high or higher for the most severely handicapped, older, socially and economically deprived client as it is for the younger, less severely disabled client.

All of the studies referred to above deal with national data. A recent study conducted by the University of Wisconsin's Regional Rehabilitation Research Institute in Wood County, Wisconsin based on a project aimed to saturate the county with vocational rehabilitation services in a way to reach all handicapped persons, showed that every aspect of this project attained a cost-benefits ratio of at least 20 to 1.

¹ *An Exploratory Cost-Benefit Analysis of Vocational Rehabilitation* prepared by the Division of Statistics and Studies of the Vocational Rehabilitation Administration, August 1967.

Human Investment Programs—Vocational Rehabilitation, issued by the Office of Assistant Secretary for Planning and Evaluation of the Department of Health, Education, and Welfare, December 1967.

A Benefit-Cost Analysis of Vocational Rehabilitation Program by Ronald A. Conley appearing in *The Journal of Human Resources*, Spring 1967, Volume IV, No. 2.

² *Economic Analysis and Efficiency in Government—Report of the Subcommittee on Economy in Government of the Joint Economic Committee, Congress of the United States*, February 9, 1970, page 40. Using the most conservative estimates of vocational rehabilitation cost effectiveness, this report gave vocational rehabilitation a cost-effectiveness ratio more than twice that of any other program in the general manpower and manpower-related field.

**SOCIAL SECURITY TRUST FUND AMOUNTS AVAILABLE TO PAY FOR REHABILITATION
OF SOCIAL SECURITY DISABILITY BENEFICIARIES**

PROPOSAL

Present law authorizes payment from the social security trust funds for vocational rehabilitation services to be provided for totally disabled individuals who are entitled to disability insurance benefits under the social security program. The total amount that may be paid from the trust funds to reimburse State agencies for vocational rehabilitation services may, in any year, not exceed 1 percent of the social security disability benefits paid in the previous year. It is proposed to increase the amount of social security trust fund monies that can be used to pay for vocational rehabilitation of social security beneficiaries from 1 percent to 2 percent of the previous year's disability benefits. This may be done by amending the first sentence of Section (d) (1) (D) by deleting "1%" and inserting "2%."

CONSIDERATIONS

1. The provisions (included in the 1965 social security amendments) authorizing payment for vocational rehabilitation services from the social security trust funds are designed to make rehabilitation services more readily available to people so severely disabled as to meet the social security definition of disability, and to do this under conditions that protect the interests of contributors to the trust funds. To qualify for these rehabilitation services, a disabled beneficiary must meet the following requirements:

(a) There is present a disabling physical or mental impairment which is not so rapidly progressive as to outrun the effect of rehabilitation services, or to preclude restoration to productive activity;

(b) The impairment, without the planned services, is expected to remain severe enough to require continued payment of benefits;

(c) There is a reasonable expectation that the services will restore the person to productive activity; and

(d) The period the individual is expected to be able to work is of sufficient duration that benefits saved and contributions to the trust funds offset the cost of services planned.

2. In fiscal years 1968 and 1969, the States fully utilized all of the funds available under the trust fund reimbursement provisions. The States actually requested \$25 million for fiscal year 1969 although only \$18 million was available. (In fiscal year 1970, the States were not asked to estimate their needs since it was known that they would exceed the funds available.)

3. A number of States have had to supplement the trust fund money available by using regular vocational rehabilitation funds to finance services to eligible beneficiaries. In some States, services to eligible beneficiaries were delayed until a new fiscal year started because of the lack of funds. It is possible, considering the rapid increases in costs of rehabilitation services and the limitations of the regular program appropriations, that the number of beneficiaries were delayed until a new fiscal year started because of the lack of funds. It is possible, considering the rapid increases in costs of rehabilitation services and the limitations of the regular program appropriations, that the number of beneficiaries served in the future may decrease.

4. Joint SSA-RSA surveys now in progress indicate that the reimbursement provisions have encouraged State vocational rehabilitation agencies to serve disabled beneficiaries and additional funds would further expand their efforts.

5. The Commissioner of the Rehabilitation Services Administration, the Council of State Administrators of Vocational Rehabilitation, E. B. Whitten (Executive Director of the National Rehabilitation Association) and the State vocational rehabilitation agencies all feel that trust fund money available under the reimbursement provisions should be increased.

6. The number of social security disability beneficiaries provided rehabilitation services under the trust fund reimbursement provisions has grown from 10,462 in fiscal year 1967, to 20,455 in 1968 and to 32,851 in 1969—a total of almost 70,000 since the provisions became effective.

7. More than 15,000 of these beneficiaries have been reported as rehabilitated by the State agencies and more than 4,000 have been terminated from the benefit rolls. Additional persons who received services under the provisions are now completing the 9-month trial work period (during which disability beneficiaries may test their ability to work without termination of benefits) and may be

terminated in the future. We are now entering a phase where the likelihood of a long-range savings to the trust funds becomes more clear. The average value of future benefits that would have been payable to a disabled beneficiary if he had not been rehabilitated and had his benefits terminated has been estimated at more than \$15,000, or a gross savings of about \$62 million for the more than 4,000 disabled beneficiaries who received rehabilitation services under the trust fund reimbursement provisions and who had been terminated from the social security benefit rolls through June 1969. The overall value of savings (or unpaid benefits) to the trust funds is more than 60 per cent higher than the value of trust fund expenditures under these provisions through fiscal year 1969. These data do not include other disabled beneficiaries whose benefits may be terminated at the end of their trial work period, and for whom trust fund expenditures have already been made.

EFFECT OF PROPOSAL

Enactment of the change this year *would double the amounts available in fiscal year 1971 and subsequent years.* This would permit vocational rehabilitation services to be extended to many additional disabled beneficiaries who could be helped by such services. The existing selection criteria would be retained, consistent with congressional intent that the funds be used in a manner that would result in no additional cost to the trust funds.

CURRENT ESTIMATES OF TRUST FUNDS AVAILABLE

[In millions of dollars]

	1-percent rate	2-percent rate
Fiscal 1972.....	28.7	\$57.4
Fiscal 1973.....	30.4	60.8
Fiscal 1974.....	32.0	64.0

Senator McCARTHY (now presiding). The committee will resume the hearing with Mr. Reid if he is here.

Identify yourself for the reporter.

STATEMENT OF JOSEPH H. REID, EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA

Mr. REID. I am Joseph H. Reid, executive director, Child Welfare League of America. We have submitted a full analysis for the records of the committee. I will confine my remarks.

Senator McCARTHY. You would like to request this be included in the record?

Mr. REID. Yes, sir.

Senator McCARTHY. All right. Without objection it will be included.¹

Mr. REID. My comments will be confined to a few remarks particularly with reference to the child welfare provisions of the act.

The Child Welfare League of America supports the administration goals for welfare reform as they were stated last year by the President. They were to provide a national minimum income for all families in need, including the working poor, equality of treatment for families with children across the Nation and a simplification of the present welfare system. The league supports the purposes of H.R. 16311, as well as those provisions within the bill which increase Federal coverage and assistance for families and children. But we do not believe

¹ See p. 1534.

this bill accomplishes these purposes or reaches the goals as set forth by the administration. The league therefore recommends that this committee amend the bill to bring it closer to these goals and purposes along the lines which we suggest in the statement that we have submitted to you today.

We believe that a bill designed to provide a new system for the provisions of financial assistance should eliminate the present inequities and complexities in the present welfare structure. Unfortunately, the program of State supplementation in H.R. 16311 perpetuates many of these present difficulties. It would provide financial incentives for family breakup, since female-headed families would be financially better off than male-headed families. It continues many of the variations in AFDC payment levels between the States.

We believe these inequities should be eliminated either by raising the basic Federal payments over a period of time so that State supplementation could be phased out entirely or by providing State supplements on a Federal variable matching basis to all families.

The income levels provided under this bill remain inadequate. We believe the bill should include a provision which will insure that an adequate income level is reached, in steps at a specific future date.

We want to strongly point out that this bill continues to discriminate against children. The family assistance plan provides less for family and children than does the plan for the adult categories. Various protections provided for the adult categories are lacking for families and children. We believe that many families would receive less under the family assistance plan than they now do under the present inadequate AFDC program. We recommend the rejection of the HEW revisions which accentuate this problem.

The league supports freedom of choice of mothers with respect to employment. The bill provides this choice for mothers of preschool children. We would like to see this choice extended to mothers of school age children. There are more mothers who wish to work than there are training opportunities of jobs available for them. We believe a program of mandatory work and training for mothers who wish to care for their own children is likely to be unsuccessful, and probably harmful to the children. We note Senator Talmadge's amendment to provide work training priorities which would help to protect mothers who prefer to care for their own children and we would, alternatively, support this amendment.

There is an urgent need to expand day care programs throughout the country—we therefore recognize the merits of the bill which authorizes 100 percent Federal funding for child care services, but we are concerned about the limitations of this provision. We believe that the eligibility and entitlement provisions should be broadened and clarified. Moreover, standards for day care are omitted from this bill. We believe it vital that they should be included and clarified so that the care provided to children will be of an acceptable nature. The administration's cost estimates are too low to provide an acceptable standard of day care. In fact, we believe they are entirely unrealistic. We are pleased to see the HEW revision which would also permit authorization of day care funds for construction purposes, although no provision was made for these additional costs. We believe that child care facilities should not be limited to any one socio-economic group and therefore propose that FAP day care be opened to children other than

those of mothers working or training under this program. I will later comment upon the bill introduced by Senator Long which would rectify this.

In our statement we note other legislative proposals introduced in the Senate which would bring this bill closer to meeting the administration's original purposes—as well as the Child Welfare League of America's goals. They include Senator Harris' bill, S. 3433 and various amendments introduced by Senators Talmadge, Ribicoff, Javits, McGovern, Percy, and others.

The administration's revision of H.R. 16311 includes a proposal for a new title XX to the Social Security Act to establish social service provisions. It would delete previous legislation relating to social services contained in the various public assistance titles, as well as the child welfare services provision in title IV-B of the act. This proposal would change the delivery system of social services in the states but we do not believe it would authorize any new types of service not already possible under present law. It provides for closed-end appropriations for social services and would require a means test for them. This is contrary to present law. According to HEW estimates, it does not provide greater funding than now available for social services except for an additional \$150 million to fund foster care and adoption services.

The House passed version of H.R. 16311 continues the service provisions now in the Social Security Act. Immediate-passage of this new title would not be essential either to continued service development or to the rest of the family assistance plan. We believe these new social service provisions, which came to the Senate Finance Committee directly from HEW, raised many serious questions of policy. It seems preferable therefore, that passage be delayed until fuller consideration can be given to some of the new suggestions in the proposal. We believe the House and the Senate should have the benefit of further study by HEW and by the States, as well as by concerned organizations throughout the country knowledgeable about social services.

We do however, strongly recommend that in the meantime, the much needed additional funding for foster care and child adoption services should be made available as soon as possible by amending the child welfare authorization now in section 420 of the Social Security Act to earmark additional funds for these purposes.

The States and counties have carried a tremendous burden in financing foster care services. Federal expenditures for this purpose have been well under 10 percent over the years. States and counties, the Senate as well as the League, and now the administration, acknowledge the acute need for Federal funding in this area. In 1967, Senator Long, the chairman of this committee and other Senators, introduced foster care amendments which would have helped relieve the tremendous burden of the States and counties. Although the Senate passed such an amendment to provide Federal sharing of foster care costs, the provision was lost in conference with the House. We believe that the need for additional sharing of these costs by the Federal Government has been more than proved and therefore believe that the proposed additional funding should be made available now.

We agree that there should be a maintenance of State effort for child welfare services so that these Federal funds may be used to improve and extend foster care and adoption and adoption services in the States and not merely substitute Federal funds for State funds.

Adoption services provide permanent homes for children and in addition save the taxpayers a great deal of foster care costs. We therefore, also support the national adoption information exchange program, as proposed by the administration which would make adoption much more readily available for hard-to-place children and we would suggest that this program also be included in an amendment to title IV-B of the Social Security Act, in the event that the committee decides to hold title XX for further study. This national adoption information exchange program has been proven by the work that our own organization has done. We estimate—in fact, the estimate could be proven easily—that each child placed through such an exchange saves the State or county from which that child comes an average of \$40,000 because these are children who would otherwise be in foster care for the rest of their lives.

The administration proposal also included reference to limited subsidized adoption for children that are so-called hard-to-place because of physical and mental handicaps. We support a broadened program of subsidized adoptions to include children who are hard-to-place for other reasons than simply physical and mental handicaps. Though these are an important group of children, they are very small. A much larger group of children for whom again we pay an average of \$40,000 during their childhood for care are particularly the children of minority groups. Subsidized adoptions also would save the taxpayers' money as well as provide permanent homes for these children.

Eligibility for child welfare services under title IV-B have heretofore been determined by the child's need for such services without regard to the financial circumstances of the child's families. Where families can afford to pay for all or part of the cost of care States have been permitted to make provision for payment of fees in appropriate circumstances, but fee paying has not been a condition precedent service. We urge continued support for this policy, and believe that any legislation dealing with child welfare services should clearly be based on this principle. As the legislation is currently written, the principle would be negated. There was some confusion on this issue in the drafting of the social services proposal and as presently written, certain child welfare services such as adoption, foster care and protective services would be exempt from the income eligibility restrictions of the bill. However, eligibility for other vital child welfare services would depend upon the family's income level and the amount of Federal funds which could be expended in any area for such persons would be limited. We believe this is penny wise and pound foolish and urge that any Federal child welfare programs prohibit conditions of eligibility based on economic status.

There is need also for further clarification of the relationship between public and voluntary agencies since the proposal is not sufficiently specific on this issue. In our view it is essential that there be a viable public child welfare service available to all children throughout the United States in addition to whatever voluntary agency services may be available in any given community. We believe that wherever

possible there should be a wide range of adequately funded private agencies supplying a variety of social services in order to provide clients with a choice of services.

But we believe it is fundamental that a public agency be universally available to supply essential services. We therefore hope that any legislation dealing with social services would require a basic public system of services together with maximum encouragement and financing for a strong complementary system of private, nonprofit agencies.

We believe further study is also needed with respect to the administration and organization of social services under this proposal. It establishes very complex Federal, State and "service area" relationships as well as new relationships between the public and private sectors. There is no assurance that these changes will lead to improved delivery of services to family and individuals. In view of the fact that less money might be available to provide services for a larger population of eligible persons under these new arrangements we believe that more evidence is needed to demonstrate the prospects of success for this greatly changed delivery system. We therefore recommend a delay in the enactment of this proposal until these matters have been more thoroughly analyzed.

In the meantime, however, we recommend that section 420 of the Social Security Act be amended to provide additional authorization of funds for foster care and adoption services, including the national adoption information exchange system.

Mr. Chairman, I would also like to comment on Senate bill 4101 which was introduced by Senator Long and is entitled "The Federal Child Care Corporation."

The League is generally in support of the intentions of S. 4101. We believe that given appropriate study by the committee, a Federal Child Care Corporation may prove to be the best way of designing and delivering child care services appropriate to the needs of our diverse child population.

But we do wish to emphasize the need for careful examination of the bill's provisions by the widest sort of public witnesses. We believe that this testimony will require many weeks because of the press of business before this committee and the other duties of the committee members and staff. For this reason, the League recommends that testimony be scheduled on S. 4101 very early in 1971, and that the intervening time be spent in preparing for these hearings.

We would be very happy to assist the committee in any way possible to prepare for these hearings. We offer the committee the use of our resources and pledge our cooperation. Briefly, the League supports the concept of the Federal Child Care Corporation although we have reservations about certain aspects of the legislation, particularly those pertaining to the standards for these programs and the degree of parental or consumer involvement in the programs.

Thank you, Mr. Chairman, for the privilege of appearing here.

The CHAIRMAN (now presiding). Thank you very much. One thing that does concern me is the high cost of child care. If it is going to cost us \$1,600 or more per child, and I understand it does cost more per child if we want to teach them very much in these day care centers, then we really have to hope to get the mother up to a pretty fair income if the child care payments are to come from what either

we are paying the mother or what the mother is able to earn. The cost there is very substantial and we may have to try to find some better way to pay for it as suggested by the bill I introduced.

How would you suggest we adopt a yardstick to say where it would be economical and advantageous to provide child care and at what point we should pay instead for the mother simply to stay home and look after the children?

Mr. REID. Senator Long, I believe there are two considerations here. One is, and I agree with the implication at least of your question, that probably in the large majority of cases of women now on AFDC, it is foolish to think that she can be trained to a point that out of her net income she can pay for the cost of day care. With only two children, it is going to cost her a minimum of \$3,200 and a more likely figure is close to \$5,000. So, I think in looking purely from an economic standpoint, not from a human standpoint, that unless she has a possibility of earning, let us say, \$8,000 a year, it is from an economic standpoint poor public policy to develop day care centers under the illusion that we are going to train women, put their children in day care, et cetera, and I would say particularly this is true in the case of women who believe that they should be with their children.

We certainly agree with the suggested amendment of Senator Talmadge, that from the standpoint of the experience with WIN from the employment situation and other considerations there are a large number of women who want to get training, who want to go to work without being put in this category of women that allegedly are going to take the training because that woman is not going to without motivation—without motivation she is not going to be able to prepare herself to earn enough money to pay for the day care.

I would suggest that there are other considerations that I know have been in your mind from past comments you have made. It can't be viewed just purely economically. There is a tremendous advantage to the child's sense of dignity and self-worth if his mother wants to get a job and go to work and does so and even though that may cost the Government more in terms that her earnings will not be sufficient to pay for the day care, perhaps a sense of dignity and self-sufficiency given to that child may assure that her children will not be on the relief rolls 20 years later. So I think there is a dual consideration, but as a massive public policy of financing day care for the sole purpose of getting women off the relief rolls, I think it has to be looked at with great, great caution.

The CHAIRMAN. Fine. Thank you very much, sir.

Mr. REID. Thank you.

(Mr. Reid's prepared statement follows:)

STATEMENT OF JOSEPH H. REID, EXECUTIVE DIRECTOR OF CHILD WELFARE LEAGUE OF AMERICA

INTRODUCTION

My name is Joseph H. Reid. I am the Executive Director of the Child Welfare League of America at 44 East 23rd Street, New York, New York. I am authorized to speak on H.R. 10311 and related legislation on behalf of the Board of Directors of the Child Welfare League of America.

Established in 1920, the League is the national voluntary accrediting organization for child welfare agencies in the United States. It is the only privately supported organization devoting its efforts completely to the improvement of

care and services for the country's deprived, neglected and dependent children. There are 383 child welfare agencies affiliated with the League. Represented in this group are voluntary agencies of all religious groups as well as non-sectarian public and private agencies. The League's prime functions are consultation services to local agencies and communities, standard setting, research, and child welfare publications.

The League's primary concern has always been the welfare of all children regardless of their race, creed, or economic circumstances. We have appeared before the Senate Finance Committee in the past on behalf of improving public welfare programs for children and their families because we believe that a family income sufficient to meet minimum standards of health and human decency is essential and basic to any program of services for children.

For this reason, we now wish to offer comments on the "Family Assistance Act of 1970," H.R. 16311, including the revisions and additions proposed by the Department of Health, Education, and Welfare, as well as on other germane legislation already introduced in the Senate. In particular, we wish to discuss the Administration's social services proposal since the League's special interest and expertise is in the area of child welfare services.

A. COMMENTS ON TITLE I, H.R. 16311—FAMILY ASSISTANCE PLAN

We were encouraged by the President's Message on Welfare Reform of August 8, 1969 which included proposals for a national minimum income for families in need (including those with both parents in the home), equality of treatment for families with children across the nation, simplification of the present welfare system, and, for the first time at the federal level, the inclusion of the "working poor" (where there is an employed father in the home) among those eligible to receive assistance. The League fully supports these goals and principles.

President Nixon said that his proposed plan :

" . . . removes the blatant inequities, injustices and indignities of the welfare system . . . It establishes a basic Federal floor so that children in any state can have at least the minimum essentials of life . . . Benefit levels are grossly unequal—for a mother with three children, they range from an average of \$263 a month in one state, down to an average of \$39 in another state. Now such an inequality as this is wrong; no child is 'worth' more in one state than in another state."

ADDITIONAL FEDERAL COVERAGE UNDER FAP

H.R. 16311 would replace the AFDC payments program, under present Title IV-A of the Social Security Act, with a Family Assistance Plan. This plan establishes a minimum federal payment to eligible families of \$500 per year for the first two persons in the family and \$300 for each additional member. (It also contains a work incentive provision which permits the disregard of certain earned income so that a family of four could achieve a total income of \$3920 before becoming ineligible for federal assistance. This would help those families with an employable member provided that jobs were available.)

Ten percent of present AFDC families reside in the seven states where current AFDC payments are lower than the proposed federal minimum payment under the Family Assistance Plan. In these states payments to these children and families will be raised as a result of the minimum federal payment alone, and more families in these states will be eligible for assistance.

The bill also provides eligibility for the minimum federal payment for families with unemployed fathers in the home, which will benefit such families in the 28 states where they were previously ineligible for AFDC. Most notably, for the first time, the bill provides federal assistance for families with employed fathers whose earnings fall below the minimum level.

These are admirable additions to the present system and represent federal coverage for large numbers of additional needy children.

The children of the "working poor" have been too long in need to be further ignored. Over the years the League has constantly recommended that poor families with fathers in the home be eligible for federally aided public assistance programs in the states, in order to provide basic income to these families and eliminate the disincentives to family stability within the present AFDC program.

Secretary Richardson presented the pressing and logical reasons for inclusion of these families in his statement before this Committee on July 21. We strongly

endorse his persuasive testimony on this point which sums up the arguments in favor of the much needed coverage for the "working poor."

We are leased, therefore, to see these proposals in the bill because they are a step forward towards the goal of providing adequate financial assistance for all families.

INEQUITIES AND INADEQUACIES CONTINUED AS RESULT OF USE OF STATE SUPPLEMENTS

In other important aspects, however, the bill falls far short of accomplishing the President's aims, or meeting the League's criteria for acceptable income maintenance programs. Many of the inequities and inadequacies of the present welfare program will remain and the end result of the bill as it is presently written, (either with or without the HEW revisions) may be to discriminate further against the interest of children.

Except for the families in the seven states noted above, the federal payments alone will not bring needy persons up to the current levels of payment in the 43 higher paying states, where 80% of the AFDC families live. Therefore, H.R. 16311 establishes a system of federally aided state supplements in an attempt to keep payments up to present AFDC levels in each state. This dual system of federal and state payments, however, perpetuates the inequities found in the present welfare program.

It would tend to freeze into law many of the present inequities of the state AFDC programs, including the discrepancy between payments of various states, thus making permanent the discrimination against families in lower paying states. It benefits the states which have had restrictive welfare policies, rather than rewarding states with more liberal approaches. It provides no incentive for states to upgrade their standards, or raise payments to families, nor does it take into account the states' varying fiscal capacities.

INCENTIVES FOR FAMILY BREAKUP

This new program would also be inequitable in its treatment of families headed by males as opposed to those headed by females. Under the Administration's revised plan needy female-headed families would be eligible for federally aided state supplementation, but families headed by an employable male would not be eligible for such state supplementation regardless of the working status of the father. This discrimination creates economic incentives for unemployed fathers or fathers in low-paying jobs to leave home so that the family may be more adequately supported under this program.

Although H.R. 16311, as passed by the House, did not provide state supplementation for "working poor" families, the proposed HEW revision is even more harmful. It would also eliminate families with unemployed fathers from such coverage under H.R. 16311.

Secretary Finch in his testimony before the Finance Committee on April 29 said:

"The family stability problem is reaching a critical stage . . . The causes of this problem are obviously rooted in complex social problems such as urbanization, and we do not know the exact extent to which the welfare system itself breaks up families. Nonetheless, the preservation of a system which provides a prima facie incentive—a clear financial reward—for family breakup seems vicious and irrational."

Secretary Richardson used virtually the same language in his statement before the Committee on July 21 in discussing family breakup incentives. He added that:

"Socially, it is a self defeating policy—one which the poor themselves see as exacting the pound of flesh of family breakup as the price for income supplementation."

Despite these sound Administration statements, however, H.R. 16311 would continue to provide strong financial incentives for family breakup.

ELIMINATION OF INEQUITIES

The inequality of treatment of families with children across the nation is one of the basic evils of the present system which the Administration sought to reform. The League opposes such irrational and socially unsound programs which continue to discriminate against intact families, and families in states with low

assistance payments. If we are to have a new system of financial assistance it should not start with built-in inequities. We suggest that amendments are necessary to remedy this situation. Either state supplements should be made available to all families, on a federal variable matching basis to encourage increases in the lower paying states, or the basic federal payment should be raised to a more adequate level so that state supplementation could be phased out of the program entirely.

DISCRIMINATION AGAINST CHILDREN UNDER FAP

As former Secretary Finch pointed out in his April 9, 1969 statement on the establishment of the Office of Child Development, children have not been receiving their proportionate share of the welfare dollar and the imbalance has been expanding over the last few years. In 1970 federal benefits and services will average about \$1,750 per each aged person and only \$190 per young person. The increase in spending for the aged has doubled that of the increase for children. We believe that this bill will further accentuate this trend, despite the Administration's emphasis on the needed and overdue national commitment to children.

Under H.R. 16311 a federal minimum of \$1320 per year is established for each eligible person who is blind, disabled, or over 65. If this is compared to the \$500 per year for each of the first two persons under FAP, and \$300 for each child thereafter, the discrimination becomes clear. Moreover, in the adult categories, each *individual* is entitled to \$1500 of resources, whereas, under FAP, \$1500 is the total allowable amount of resources for the whole family no matter how large it may be. There are state plan requirements in the adult categories which provide protections for the adult programs which are not present in the program for families and children. These include the right to cash assistance, and the required use of a simplified statement to determine eligibility.

Another way in which children are disadvantaged in the new bill is by the work and training requirements for all mothers of children over six. Even under the Social Security Amendments of 1967, HEW regulations exempted mothers of school age children from the work requirement during the times when the children were not at school. In addition, by statute, no mother is now required to work or train unless proper child care arrangements are assured. This vital protection for children is omitted from H.R. 16311.

The League has long held that there should be freedom of choice for a mother with respect to employment. We are glad to note that H.R. 16311 provides this choice for mothers of preschool children, and would like to see it extended to mothers of school age children as well.

Although the League supports programs which make opportunities and incentives for work and training more available, the League believes that work and training for mothers must be offered on a voluntary basis if the program is to be successful. Experience has shown that many mothers wish to and, in fact, do work to help support their children. Reports of the WIN program indicate that there are far more mothers who volunteer for training and employment than there are jobs or training opportunities available. We believe that this should be a voluntary choice, and basic financial support for children should not be tied to a work requirement for mothers.

Children will suffer under the proposed law if the mother chooses to stay home to care for them and her share of the FAP payment is eliminated. It is obvious that the reduced amount of FAP would then be divided between all members of the family and each child would receive that much less of the very bare minimum amount available. In addition, the reduced FAP payment would not be made to the mother, since no part of the family benefit may be paid to the person who refuses to register, or to take required work or training under Sec. 447(a). "Protective payments" may be used as a sanction against such parents, regardless of their ability to manage funds. The protections of Sections 405 and 406 of the Social Security Act, with respect to such payments, would be eliminated by H.R. 16311. We believe that this sanction should be eliminated from Sec. 447(a) of H.R. 16311.

The bill also permits a strange anomaly in that a child with two parents is allowed to have the benefit of a mother at home who is not required to work regardless of the age of the child, (provided that the father does so) whereas the child in a fatherless home will lose the care and supervision of his only parent because under this bill she will be required to work after the child reaches six. The more vulnerable children will thus be made even more vulnerable by this provision. We do not intend to suggest that the mother in a two-parent fam-

ly should be required to work. We believe that she, like the mother in a fatherless home, should have a choice about working, but there certainly should not be any discrimination against a child in a one-parent family.

Under this bill children in different states would continue to be treated differently and even in the same state there would be differential treatment of children. The amount of assistance payments, the provision of medicaid, the availability of child care, the use of "protective payments," and other matters of vital concern to the welfare of children, would depend upon such factors as the father's presence or absence from the home, the working status of the parents, and the number of children in the family. We believe that a bill designed to simplify the present welfare system should eliminate these categorical distinctions and the inequities which they cause.

In some states, families now on AFDC would receive lower payments under the Family Assistance Plan if the Administration revisions are adopted, than they presently do. Although the original intent of the Administration was to provide benefits which would not be lower than those paid under current law, the results of the revisions would be otherwise.

This is due to changes in Sec. 452 (a) and (b), with respect to the method of determining the minimum required level of state supplementation, and the elimination of the requirement for supplementation of unemployed fathers. We believe these changes are prejudicial to the children in these families and should not be enacted. Existing AFDC payments are inadequate at best, and every effort should be made to raise rather than cut them, particularly during a time of increasing prices and unemployment.

An additional threat to the level of payments under H.R. 16311 is the questionable ability of the Federal government to enforce the requirement that states make supplementary payments to FAP beneficiaries. Federal matching at 30% may be an insufficient inducement to the states to comply voluntarily, and the sanctions available to the Government under Sec. 454, may be too unwieldy to apply.

In the past, HEW has been slow to withhold payments from programs in the states as sanctions against non-compliance, and in fact has rarely done so. This is another disadvantage of a program of state supplementation which could be eliminated if the program were wholly federally financed and administered.

Complaints about the present system of welfare have included the complexities of its administration, and we agree with these views. But we believe that the administration of this bill would be even more complex because of the dual system of federal and state payments. There is no provision for a mandatory single administration of this program. In many states separate applications would have to be made by the recipients for FAP and state supplementation, in addition to registration at state employment offices, and possible referral to Vocational Rehabilitation Services. We believe that a single federal standard should apply to the entire FAP grant, and that there should be a single, rather than a dual, grant program, as there would be for the adult categories.

H.R. 16311, as passed by the House, continues to provide federal funding for services for families and children as well as the adult categories at the 75% rate of federal matching. These services for families and children, however, are restricted solely to families who are receiving, or have received, Family Assistance Payments. In the adult categories, however, language is included which also permits federal matching funds for services supplied by the states to persons who are "likely to become applicants for or recipients of aid." This language presently applies to the AFDC category, and should be restored for children and families under the new FAP plan if the service provisions remain as they are in the House-passed bill. It is a useful provision that can help correct problems before they cause dependency. (A discussion of the Administration's alternative social services proposal may be found in Part B of this Statement.)

CHILD CARE PROVISIONS OF H.R. 16311

The League agrees with the Administration that there is an urgent need to expand day care programs throughout the country. There is an acute shortage of such facilities for children, from all socio-economic groups, whose parents work or are otherwise unable to provide full time care for their children. The League believes that day care is an essential child welfare service which should be available to all children in need of such care. We therefore recognize the merit of Section 436 of H.R. 16311 authorizing 100% federal funding for child

care services, (including the use of such funds for the construction of day care facilities, as proposed by HEW revisions.) The shortage of funds for such purposes has been a stumbling block to the growth of day care services in many communities.

We are concerned, however, about the limited eligibility for FAP child care, the lack of standards for these programs, and the unrealistic cost estimates provided by the Administration for this program.

There is limited eligibility for the day care services which would be provided under H.R. 16311, as it is now written. The present language is vague, but as we understand it, day care would only be available to the children of persons who are, or have been eligible for FAP benefits, and who are working or training for employment. (The HEW revision would broaden this eligibility, to include children of persons "likely to become eligible" for FAP benefits.)

The Child Welfare League believes that day care facilities should be available for all children who need this kind of care and should not be limited solely to children of welfare mothers who work. It should be available for children of non-welfare mothers who work, as well as for children in need of care or child development services regardless of the work status of the mother. The League believes that any day care facility should be open to children of non-welfare, as well as welfare parents, not only because these children may need such care, but also because it will avoid the ghettoizing effects of programs run solely for welfare-connected children. Since Sec. 436(c) provides for the payment of fees for families able to pay part or all of the day care costs, facilities could be open to children from non-welfare families on a paying basis.

Section 443(b)(3) also provides that child care costs necessary for employment, training, or vocational rehabilitation may be excluded from earned income in determining a family's eligibility for FAP. However, the limitation on the amount which may be excluded is an unknown factor since it depends upon decisions to be made by the Secretary of HEW. Entitlement to day care is not made clear by these provisions, and the Committee may wish to make them more specific.

We are also concerned about the lack of any federal standards under H.R. 16311 for these day care programs. In discussing his plans for welfare reform in August 1969, President Nixon said that:

"The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for his health and safety and would break the poverty cycle for this new generation. Greatly expanded day care facilities would be provided for the children of welfare mothers who choose to work, however these would be day care centers with a difference."

There is nothing in the language of this bill, however, to insure that these day care centers would provide anything beyond custodial care or even that this custodial care would be sound. If statements about the importance of child development, and the establishment of the Office of Child Development, are to amount to anything, federal standards must be established for day care supported by federal funds. Day care should be used as a beneficial program for children and not as a "dumping ground" in order to require mothers to support the family.

H.R. 16311 does not include any reference to standards for the day care provided under Sec. 436, and since Parts A and B of Title IV of the Social Security Act would be repealed by the proposed HEW revision of H.R. 16311, the day care standards presently in the law would be abolished. We believe that day care standards are essential and that the standards presently in the Social Security Act with respect to day care should be retained. These include provisions in Title IV-A which insure that no mother would be required to work unless day care is assured for her child, as well as the day care standards in Sec. 422(a)(1)(C) of Title IV-B.

In addition, we believe that the Federal Interagency Day Care Requirements should also apply to FAP day care programs and HEW spokesmen have indicated the Department's intention to do so. Reference to these Requirements might well be incorporated in this Section of the bill.

The Administration estimates an expenditure of \$386 million dollars for day care services under the FAP provision, to provide day care for 450,000 children. It is unlikely, however, that this sum would be sufficient to provide quality day care for this number of children. The Administration estimates \$1,600 for

the cost of a full year for a preschool child, and \$400 for the care of a school age child. We believe that these estimates are too low to provide an acceptable level of care.

The following estimates, for 1967 were submitted during testimony before the House Ways and Means Committee last October, by Jule Sugarman, then Acting Director of the Office of Child Development. The figures represent the cost per child for various standards of care in 1967:

	Minimum	Acceptable	Desirable
Group day care (generally used for 3 to 5-year-olds).....	\$1,245	\$1,862	\$2,320
Foster day care (generally used for children under 3).....	1,423	2,032	2,372
Before and after school and summer care (generally used for children 6 to 13).....	310	653	653

Source: "Hearings Before the Committee on Way and Means, House of Representatives, Ninety-first Congress, First Session, on the Subject of Social Security and Welfare Proposals," 1969, p. 283.

These 1967 cost estimates must be adjusted upwards to provide for the increase in costs since 1967. Costs are given for "minimum," "acceptable," and "desirable" standard day care. "Minimum" care is defined as that essential to maintain the health and safety of the child, but with relatively little attention to his developmental needs. "Acceptable" care is defined to include a basic program of developmental activities as well as providing minimum custodial care. "Desirable" care is defined to include the full range of general and specialized developmental activities suitable to individualized development.

Most experts feel that the disadvantages to children of a "minimum" level program far outweigh the advantages of having the mother work. Some feel that for children from disadvantaged homes, only the "desirable" level is appropriate.

Administration spokesmen have talked in terms of day care of "a high quality" or of "Head Start" type programs which would meet the Federal Interagency Requirements. Based on the 1967 figures, however, the estimated costs for the FAP program could not provide care of a quality nature in 1972. "Acceptable" care, today, at the minimum, would cost \$2,234 for group day care, \$2,438 for foster day care and \$783 for after school and summer care.

We believe that the Administration has been talking in terms of "acceptable" day care, and the League believes that, at the least, this should be the standard of care for these programs. Therefore, the cost estimate of \$386 million would have to be increased or the number of children served would have to be reduced. We believe that further clarification from the Administration on this matter would be useful.

We would also like to call attention to the Report of the Auerbach Corporation on the WIN program. It points out the disparity between AFDC allocations for children and the child care costs to make mothers receiving such aid employable. Under the FAP proposal the amount of money paid for a child's basic maintenance would be far less than the cost of providing quality day care for the child in order that his mother might take training or employment. We think these comparisons should be taken into account in determining whether mothers should be required to work, particularly if they prefer to take care of their children at home.

The day care provisions of H.R. 16311 need to be clarified and strengthened. We recommend that eligibility and entitlement provisions be broadened and more clearly defined, that standards for care be set at least as high as required under present law and the Interagency Federal Day Care Requirements, and that the funding be sufficient to provide day care at an "acceptable level" as defined above.

INADEQUATE INCOME LEVELS SHOULD BE RAISED

H.R. 16311 does not meet the goal of providing an income sufficient to maintain minimum health and decency to all children and families throughout the United States. The assistance levels remain inadequate, and the bill does not include provisions which would increase the present level of payments. We believe this goal should be explicitly stated, and provisions built into the bill to insure reaching an adequate income level by steps, at some specific future date.

OTHER LEGISLATIVE PROPOSALS TO IMPROVE H.R. 16311

There are many alternative ways in which H.R. 16311 could be amended in order to bring this proposal closer to the desired goal of welfare reform, and to remedy provisions which now discriminate against children. Numerous bills and amendments to improve this legislation have already been introduced in the Senate. Among them, we note the following with particular interest:

1. *S. 3433, "The National Basic Income and Incentives Act"*—Introduced by Senator Harris and others.—We believe this proposal comes closest to meeting the goals for welfare reform adopted by the Board of Directors of the Child Welfare League of America, and those originally expressed by the Administration. It provides for the establishment of a national program of basic income benefits, federally administered and financed, with a three-year phasing in period. It would cover all needy individuals and families with income below the federal floor. The minimum would be determined by the Secretary of HEW, based upon the poverty index—taking into account variables such as family composition, age, variations in the cost of living, etc. The bill includes a work requirement and financial work incentives. It exempts from work requirements persons under the age of 16 or over 65, those physically or mentally unable to work, a child attending school, a woman having in her care a preschool child or a child attending school and anyone required in the home because of the illness or incapacity of another.

2. *Amendments, in chronological order*:—Amendment 582—Introduced by Senator McGovern and others.—Provides a new plan for an expanded food stamp program with simplified distribution for recipients of benefits under H.R. 16311.

The Child Welfare League of America believes that additional cash payments for needy families is far preferable to food stamps. If, however, the food stamp program is to be continued, then this amendment would improve the program by making it easier for FAP recipients to get this additional help.

Amendments 584-598—Introduced by Senator Ribicoff.—These amendments include provisions to increase payment levels over a period of time, extend and improve state supplementary payments, improve child care provisions, strengthen work opportunities and improve administration of the program.

Amendment 592 would authorize use of child care funds for construction of day care facilities. Funds for this purpose are greatly needed in order to develop additional facilities.

Amendment 788—Introduced by Senator Talmadge.—This amendment is designed to improve the Work Incentive Program and is based largely upon the report of the Auerbach Corporation which reviewed and evaluated the WIN program for the Labor Department last year.

We are particularly interested in that part of this amendment which deals with the establishment of priorities for the work and training program. It recognizes the wide gap which exists between the number of persons required to register under H.R. 16311, and the number of training and employment opportunities available. It also takes into account the disadvantages of requiring a mother to work when she desires to stay at home to care for her children.

Priorities would be in the following order: unemployed fathers; dependent children and relatives age 16 and over who are not in school, working, or in training; mothers who volunteer for participation; individuals working full-time who wish to participate; and all other persons.

No mother would be required to undergo work or training until every person who volunteered for work and training was first placed. Senator Talmadge points out that, "The evidence shows that there are many more persons who wish to participate voluntarily than the program can reasonably handle in the foreseeable future."

Although we would prefer to have H.R. 16311 amended to exempt all mothers with children from the work requirement, alternatively, we believe this amendment would provide desirable protection for those mothers with school age children who prefer to be at home to care for their own children.

Amendments 800-806—Introduced by Senator Javits and others.—These amendments include provisions to increase the federal eligibility and payment standards over a period of time, so as to ultimately take over state welfare costs; to increase the federal share of state supplementary payments on a variable matching basis, and to raise state supplements; to strengthen and extend child care services, including, in particular, provisions to exempt mothers with school age children from the work requirement and to insure that each child

receiving child care, also receives educational, health, nutritional and related services.

Amendment 833—Introduced by Senator Percy and others.—To provide a separate authorization for a program of grants for construction of day care facilities.

We hope that the Committee will consider the merits of the Harris bill and the Amendments noted above, as it works to improve H.R. 16311 to assist the needy families and children of this nation.

CONCLUSION OF COMMENTS ON TITLE I

The Board of Directors of the Child Welfare League of America has affirmed its belief that there should be a national income policy with national standards to assure that all people, including children, may have at least a minimum standard of living sufficient to maintain health and human decency. We believe such a program should provide incentives to productive activity and encourage self reliance. We believe these programs should be equitable, and efficiently administered and should be designed to encourage family stability, protect the welfare of children and respect the freedom of persons to manage their own lives. For these reasons the League supports the purposes of H.R. 16311, but does not believe that the House-passed bill, nor the proposed HEW revisions, will accomplish these purposes. We urge, therefore, that the bill be amended and improved along the lines indicated in our testimony so that it may accomplish its stated purposes in a more equitable and efficient manner, in order to better serve the families and children of this nation.

B. COMMENTS ON PROPOSED TITLE III TO ADD A NEW TITLE XX TO THE SOCIAL SECURITY ACT TO ESTABLISH SERVICE PROGRAMS

This Administration revision would delete provisions, now in H.R. 16311 as passed by the House, relating to social services in the various public assistance titles, as well as the child welfare services provisions in Title IV-B, of the Social Security Act. The Administration proposal would substitute instead a social services program under a new Title XX of the Social Security Act.

Although this proposal would change the delivery system of social services in the states, we do not believe it would authorize any new types of service which are not already possible under present law. It would, however, provide services free to all persons with incomes under the poverty level, so that more persons, in addition to those presently covered under the public assistance titles, would be included among those eligible for whatever services were available. But since services would be financed by closed-end appropriations, the availability of services would depend upon the funds appropriated each year.

Judging from reports of the budget planned for this new proposal for 1972, the total amount of federal funds available for services in the states would not be greater than those now available under present law. (And might well be less, as a result of the 10 percent reserved for the Secretary's use under Sec. 2011(a)(1)(A).) Except for the special authorization of \$1500 million for foster care and adoption services, it does not seem likely that additional federal funds would be available to provide services for the additional people who would be eligible under the proposal.

Since the service provisions now in the Social Security Acts are continued under the conforming provisions of the House version of H.R. 16311, however, the immediate passage of this new title is not essential either to continued service development or to the rest of the Family Assistance Act.

In mid-June the social services proposal came to the Senate Finance Committee directly from HEW, without prior consideration or study by the House. Because the social service provisions raise many serious questions of policy it seems preferable that passage be delayed until fuller consideration can be given to some of the new suggestions in the proposal. Before enacting this proposal into law we believe both the House and the Senate should have the benefit of further study by the Department of HEW, and by the states, as well as by concerned organizations throughout the country knowledgeable about the field of social services. Moreover, the states will have an enormous task to reorganize their welfare programs if the Family Assistance Plan becomes law, and we believe that it would be virtually impossible for them to reorganize the social service programs at the same time.

We therefore recommend a delay in the enactment of a new social services bill. In the meantime, however, we suggest that the much needed additional funding for foster care and child adoption services should be made available now by amending the child welfare authorization now in Section 420, of the Social Security Act. (This Section remains in effect under H.R. 16311, as passed by the House.)

NEED FOR FEDERAL FUNDS FOR FOSTER CARE AND ADOPTION SERVICES

The pressing need for additional federal funding of foster care services has been emphasized by the states and counties, as well as by the League, for many years. Foster care has never been adequately financed and federal expenditures for this purpose have been well under 10 percent of total expenditures made by states and localities.

In 1967, Chairman Long and other Senators introduced foster care bills as amendments to the "Social Security Amendments of 1967" which would have helped relieve the tremendous burden of the states and counties. The Senate passed such an amendment to provide federal sharing of foster care costs, but unfortunately, this provision was lost in Conference.

We are pleased that this new Administration has now joined the Senate in acknowledging the acute need for federal funding in this area and has provided, in its social service proposal, for a separate authorization of \$150 million for foster care and adoption services in the states [Sec. 2010(c)], as well as an additional one million dollars for a National Adoption Information Exchange System (Sec. 2013).

Estimates provided by HEW show that, in 1971, states and counties will spend \$438 million of non-federal funds for foster care payments, and administration and services costs of foster care programs, while only \$72 million of federal funds, under Title IV-A and IV-B, will be available for these purposes. (In addition to these public expenditures, \$177 million of private funds will also be spent for foster care.)² An appropriation of \$150 million for foster care and adoption services, under Title XX of H.R. 16311, would therefore add only \$78 million more in federal funds than the amount estimated for 1971. But this doubling of the federal contribution would be a step forward and would raise the federal share of the states' total expenditures for foster care.

HEW figures, estimated for 1971, show that there will be 287,030 children in publicly financed foster care, plus another 64,260 in foster care financed totally by private agencies. In addition there are an estimated 67,670 children in need of foster care who will not be receiving it.³ There is therefore a need for more foster care as well as for better quality of care.

Under the Administration's social service proposal the Federal government would contribute 100 percent of the first \$300 of foster care payments for each child the state had in foster care. (It should be noted that the average annual payment for foster care is in the neighborhood of \$1,400 a year. If additional federal funds were available under the allotment it would also provide 75 percent matching for the additional costs of foster care payments, as well as for administrative services.) If there were 355,000 children in publicly financed foster care, the payment of the first \$300 alone would amount to an expenditure of \$106.5 million.

In 1971, under Parts A and B of Title IV, the total of public financing for payments for foster care is estimated at \$400 million, of which the federal share would be \$41.7 million. In addition, there would be a total of \$110 million for administration and services in foster care, of which the federal share would be \$30.3 million.⁴ Under the Administration's new plan, if \$106.5 million of federal funds were spent in order to pay the first \$300 of foster care payments for each child in foster care, then only \$43.5 million of federal funds would remain, out of an appropriation of \$150 million, for all other costs of the foster care program. This is only \$13.2 million more than the estimated federal expenditure for other foster care costs, under present law, in 1971. Funds for adoption services would also have to come out of this \$13.2 million.

² Committee Print, H.R. 16311, Family Assistance Act of 1970, Revised and Resubmitted to the Committee on Finance by the Administration, p. 114.

³ *Ibid.*, p. 112.

⁴ *Op. cit.*, p. 114.

PROPOSAL TO AUTHORIZE ADDITIONAL FUNDS FOR FOSTER CARE AND ADOPTION UNDER
SECTION 420, TITLE IV-B

Since FY 1967, the Executive branch has requested an annual appropriation of only \$46 million in the budget for child welfare services under Section 420 of Title IV-B, despite a Congressional authorization of \$110 million. Under the social services legislation, however, the Administration is now proposing an authorization of \$150 million for foster care and adoption services alone, in addition to funding for other child welfare services included in the general authorization for individual and family services [Sec. 2010(a)]. The states' fiscal burden would be lessened and foster care services could be improved if Section 420 were amended to include additional earmarked authorization of \$150 million and if the budget requests and appropriations for 1972 were made in these expanded terms.

Pending the passage of a social services bill, we urge that Congress authorize this funding now, by an addition to the authorization for child welfare services (Sec. 420), earmarked for foster care and adoption services.

MAINTENANCE OF STATE EFFORT FOR CHILD WELFARE SERVICES

If the proposed additional federal funding of \$150 million for foster care and adoption services is to help extend and improve foster care in the states, however (whether under an amended Section 420 or the new social service legislation) there must also be a requirement that the states maintain their previous fiscal efforts in this program area. It is essential that states add the new federal funds to their present expenditures in order to improve both the quality and quantity of foster care and adoption services. A mere substitution of federal funds for state funds will not help the children who are presently without adequate care, nor do we believe this to be the intent of the Administration proposal.

In discussing the proposed federal floor for foster care payments in his statement on the services proposal before the Senate Finance Committee on June 23, Secretary Richardson said that:

"To insure that total efforts to promote child welfare do not flag, the states will be required to maintain their previous spending levels for child welfare services."

We agree with Secretary Richardson that this is what should be required.

The language of Sec. 2005(a)(2)(F), however, in the Committee Print of H.R. 16311, does not seem to accomplish this purpose since it refers only to maintaining funds "expended under the State Plan" in FY 1971. (Since the amount "expended under the State Plan" may be limited only to the state funds required to match the present small federal grant, this would be approximately equivalent to only one-tenth of a state's actual child welfare expenditures.) We suggest that the language be changed accordingly to require states to maintain their previous spending level for all child welfare services.

If states maintain their previous fiscal efforts, the appropriation of \$150 million of federal funds for foster care and adoptions will be a help to the states in sharing their burden of these programs, and will enable them to provide more adequate care for children needing foster care or adoption services. We believe it essential therefore, that these funds become available as soon as possible, and recommend that they be authorized now as an amendment to Section 420 of the Social Security Act.

NATIONAL ADOPTION INFORMATION EXCHANGE PROGRAM

The social service proposal authorizes \$1 million for a federal program to help find homes for hard-to-place children. This program is patterned after the Adoption Resource Exchange of North America (ARENA), which was established by the Child Welfare League of America in 1967. Its purpose is to bring together for adoption those children for whom public and private adoption agencies in the United States and Canada can find no adoptive families, and families for whom agencies have no children. A particular objective of ARENA is to find more homes for children of minority groups, mixed racial background, and children with physical or psychological handicaps. Agencies register children who are waiting to be adopted, and families who are waiting to receive a child. Thus ARENA makes the adoption agencies of North America a part of a large

network of adoption resources. This effort helps to overcome uneven availability of homeless children and suitable adoptive families.

Not only would this project make possible the placement of children who would otherwise remain without adoptive homes, but it would also be a saving to the taxpayers since adoption of children will remove them permanently from the need for foster care. The estimated average expenditure for each ARENA adoption placement is \$500, as contrasted with an estimated average annual per capita cost of \$2900 for foster care. Thus, each infant placed for adoption could save society between forty and fifty thousand dollars of foster care costs during its childhood years.

We suggest that the authorization of this program also be included in an amendment to Title IV-B, so that it could become effective without waiting for the passage of a social service bill.

SUBSIDIZED ADOPTIONS

Section 2002(4)(B) of the Administration's proposal would authorize payments to adoptive parents, to meet the costs of medical and remedial care for physically and mentally handicapped children, if the parents are financially unable to do so. This is a limited subsidy for the adoption of such children who would otherwise be "hard-to-place."

Physically and mentally handicapped children, however, represent a small portion of the so-called "hard-to-place" children. Funds for subsidized adoptions are primarily needed in order to make adoption possible for minority group children.

Subsidy makes adoption possible for children who otherwise would remain in tax-supported foster care until they reach adulthood. Many prospective adoptive parents who could provide good permanent homes for these children cannot afford to do so unless some financial aid is available for child support. These children, therefore, lack the security of a permanent family and must remain in foster care during their entire childhood. Moreover, subsidized adoptions would benefit the taxpayers as well as the children since the costs of subsidizing an adoptive child are much less than maintaining the child in foster care. States could save the administrative costs of foster care as well as some of the cost of foster payments. Subsidies of up to \$1200 per year would permit adoption of thousands of children now in foster care at over twice the cost.

We would recommend that Sec. 2002(4)(B) be expanded to include federal financial help for general state programs of subsidized adoptions. Seven states (California, Illinois, Maryland, Michigan, Minnesota, New York and South Dakota) presently operate subsidy programs for adoptions.

THE NEED FOR UNIVERSAL AVAILABILITY OF CHILD WELFARE SERVICES WITHOUT REGARD TO CHILD'S ECONOMIC STATUS

The Administration has described the social service proposal as a measure to provide services for poor people. To the extent that this proposal substitutes for services previously provided under the public assistance titles, this may well be the case. However, under Title IV-B, a child's eligibility for child welfare services has heretofore been determined by the child's need for such services (to the extent that such services were available), without regard to financial circumstances of the child's family. Where families could afford to pay for all or part of the cost of care, however, states have been permitted to make provision for payment of fees in appropriate circumstances. But fee paying has not been a condition precedent to service.

The League urges continued support for this policy. We do not object to the charging of fees under appropriate circumstances, based on a family's ability to pay, provided that a child's eligibility for service is conditioned on his need for service and not upon the payment of a fee. Since all children may at some time in their lives need care or services, there must be a universal availability of such services for children throughout the country. If a child's care is endangered, services must be made available wherever and whenever they are needed. When parents die, become ill, or for other reasons are unable to fulfill their parental functions, society must assume the responsibility for the care and protection of children. Children's problems are not limited by economic, geographic or ethnic considerations. For these reasons it is essential that child welfare services be available throughout the states and available to all children regardless of race, creed or financial circumstances.

Eligibility based solely on the need for service is essential because the need for child welfare services is not necessarily related to a family's income, and, unlike medical services, child welfare services are not universally available from private sources. In many communities private agencies offering child welfare services do not exist. There is little logic, therefore, in restricting the availability of child welfare services from public agencies on the basis of the economic status of the child's family. Moreover, a system of services offered to all economic groups tends to provide better service than a system limited to the poverty group. A system open to all, moreover, contributes to a reduction in social tensions, since no group then feels excluded from the benefits provided to another group.

We believe that any legislation dealing with child welfare services should clearly be based on the principle of eligibility determined solely on the need for service. Unfortunately, there seems to have been some confusion on this issue in the drafting of the social service proposal. As it is presently written, certain child welfare services such as adoptions, foster care, and protective services are exempt from income eligibility restrictions. However, the eligibility for other child welfare services, such as homemakers, day care, counseling, and services to young unmarried mothers, would depend upon the income level of the family. Not only would fees be required for all those with incomes above the poverty level, but in addition the use of federal funds for services for persons whose incomes exceed the poverty level would be limited to 10 percent of the federal funds in any "service area." As the proposal now reads, the least expensive preventive services are exactly those which might be excluded by the 10 percent limitation. This is penny wise and pound foolish and contrary to the best interests of children as well as the taxpayer.

We urge, therefore, that any programs of child welfare services, financed with federal funds, prohibit any conditions of eligibility for service based on the economic status of the child or his family.

LACK OF STATUTORY REQUIREMENT FOR SPECIFIC SERVICES

We believe that child welfare programs in any geographic area must be comprehensive in nature; that is, they must provide a variety of services to meet the variety of needs. Unless there is sound combination between programs which help children to remain in their own homes, as well as programs for foster care and adoption when children must be removed from their homes, no child welfare program will be satisfactory. Any services that can be provided to help families keep children at home the better it will be, both for the children and the taxpayers. Services which help to prevent more serious problems should be widely and readily available. No unnecessary barriers or discouragement should stand in the way of a family's asking for or receiving such help when it is needed. We therefore believe that any legislation to provide social services should include requirements for comprehensive child welfare services in each state.

We question whether the proposed social service provisions in the Committee Print of H.R. 16311 contain sufficient legislative mandates to provide such comprehensive services. Section 2005(a)(2)(A) provides that the state plan must contain:

"Assurances, satisfactory to the Secretary, that the state's program of individual and family services will include a reasonable balance (as prescribed in regulations by the Secretary) of such services."

We question whether this language is specific enough to achieve what we believe to be essentially desirable in the way of services for children.

It is apparent, for example, in Sec. 2005(a)(2)(G) that no foster care program would be required in a state. In fact, the only requirements with respect to individual and family services seems to be in Sec. 2005(a)(2)(E) and (F), which provide for the extension of protective services for children with a view to making such services available throughout a state by 1975, and a maintenance of state fiscal effort for child welfare services. By comparison, present Section 422 of the Social Security Act requires the extending of public child welfare services throughout the state with a view to making them available for "all children in need thereof" by July 1975.

This requirement, however, would be deleted with the repeal of Title IV-B of the Social Security Act under the provisions of H.R. 16311. We prefer the present language of Section 422 to the proposed language of H.R. 16311 with respect to state plans for child welfare services.

We also note the omission from the social service proposal of any mandated provision of family planning services as now required by Sec. 402(a)(15)(B)(i) of the Social Security Act. This is but one of the deletions of the present law which would be caused by the repeal of Title IV-A and IV-B, and which may create questions of legislative intent.

We believe that legislation designed to provide social services should be more specific about the services which should be required, and others which might be optional in any given geographical area.

RELATIONSHIP OF PUBLIC AND VOLUNTARY AGENCIES

There is also need for further clarification of the relationship between public and voluntary agencies since the proposal is not sufficiently specific on this issue. In our view it is essential that there be a viable public child welfare service available to all children throughout the United States, in addition to whatever voluntary agency services may be available in any given community.

In this regard, we question the meaning of the change in the definition of "child welfare services" in Sec. 2002(2). It is the same as the present definition in Section 425 of the Social Security Act except that it excludes the word "public" as part of the description of child welfare services. The legislative intent of this change is not clear.

As presently written, the language in Sec. 2008(c) also raises questions as to whether public services would, in fact, have to be maintained in any given community. It is possible to interpret this section to mean that family and individual services might be wholly supplied by private profit or nonprofit agencies.

We believe that wherever possible there should be a wide range of adequately funded private agencies, supplying a variety of social services, in order to provide clients with a choice of services, but we believe it is fundamental that a public agency be universally available to supply essential services. We therefore urge that any legislation dealing with social services require a basic public system of services together with maximum encouragement and financing for a strong, complementary system of private nonprofit agencies.

ALLOTMENT FORMULAS

We would suggest that the allotment formulas for child welfare services should logically be based on a combination of two factors, total child population in the state, and per capita income in the state. This is basically the policy of the present formula for apportionment of federal funds for child welfare services under Section 421, of the Social Security Act.

We note, however, that the allotment formula for funds for foster care and adoptions in Sec. 2011(a)(3) is based on child population only. The allotment formula for funds for family and individual services (which includes child welfare services other than foster care and adoption) in Sec. 2001(a)(1)(B), is based on the federal share of expenditures for social services in the state in FY 1971, with a ceiling of the 1971 federal expenditure in each state. If funds permit, an additional allotment is based on the poverty population of the state.

Despite the equalization fund [Sec. 2010(b)] we believe that a formula based on the previous federal share of expenditures is unfair to the states which have not yet, for various reasons, been able to establish a broader social service program. It would be far more logical to base allotment formulas for social services on a combination of the fiscal capacity of a state, as demonstrated by its per capita income, and the population-at-risk. We believe that any social service legislation should take these principles into account with respect to allotment formulas.

ADMINISTRATION AND ORGANIZATION OF SOCIAL SERVICES

Further study is also needed with respect to the administration and organization of social services under this proposal. It establishes very complex federal, state and "service area" relationships, as well as new relationships between the public and private sectors. There is no assurance that these changes will lead to improved delivery of services to families and individuals. In view of the fact that less money might be available to provide services for a larger population of eligible persons under these new arrangements, we believe that more evidence is needed to demonstrate the prospects of success for this greatly changed de-

livery system. We therefore recommend a delay in the enactment of this proposal until these matters have been more thoroughly analyzed.

DAY CARE

As noted previously in our comments on Title I of H.R. 16311, we believe that day care services are an essential component in any comprehensive program of child welfare services. Day care is a child welfare service needed for a variety of reasons in addition to providing care for a child whose mother may be employed, or in training. In some cases, for example, it is a service which helps keep children in their own homes and prevents the need for foster care, and in others, it serves as a valuable child developmental program. But for whatever reason the child needs care, the day care program must be in the child's best interest, and should be part of a comprehensive social service system.

We therefore suggest that provisions for day care should be included within the proposed legislation dealing with social service programs. We believe that the day care provisions should be placed within this Title of H.R. 16311, rather than under Title I, if Congress decides to enact a separate social service Title. Until such time as Congress does so, however, we believe that provision for day care services should be placed with the other provisions for social services, now in Parts A and B of Title IV, of the Social Security Act.

MANPOWER PLANNING AND DEVELOPMENT FOR SOCIAL SERVICE PROGRAMS

The Child Welfare League of America wishes to associate itself with the recommendations of the Council on Social Work Education with respect to necessary legislative provisions for the education, training and appropriate use of the personnel who would be needed to plan and deliver the social services authorized under H.R. 16311, and the proposed social service amendment.

C. COMMENTS ON S. 4101, "THE FEDERAL CHILD CARE CORPORATION ACT"

S. 4101 is an ingenious and innovative plan to design and deliver day care and other child care services appropriate to the needs of a diverse child population. We agree with the bill's findings and declaration of purpose, in Sec. 2001, taken in the context of our understanding of the bill's intent. That intent is to serve a much wider purpose than merely to provide child care services for a certain portion of the population; what is proposed is a means to discover the kinds of services needed by all children and their families, and to arrange for the delivery of those services in the most appropriate, timely, and efficient manner possible.

Without a careful study, however, we are not sure whether or not we would agree that "there is presently no agency or organization, public or private, which can assume the responsibility of meeting the Nation's needs for adequate child care services." We strongly suggest that this question be thoroughly examined, particularly in the light of the creation of the Office of Child Development, which was designed expressly to coordinate and centralize the expanding number of programs providing services for children.

Although this Office has yet to fulfill its promise, the new Director has only recently been confirmed by the Senate. We also recognize that, even within the Department of Health, Education, and Welfare, several other governmental agencies—including the Community Services' Administration—also have responsibilities, but inadequate funding in these areas. Mixed responsibilities and little funding may contribute to a lack of efficiency in designing a coordinating mechanism for the programs assigned to HEW, which does little to encourage practical men to hope that broader, larger, more complex programs such as those suggested in this bill could be efficiently managed. It may be that the Federal Child Care Corporation is the only way to solve these administrative problems, but we believe that the ability of the existing agencies to carry this load should be thoroughly examined.

In fact, the many implications of S. 4101 are so far reaching and of such importance that we believe there needs to be a very careful examination and analysis of the impact of the bill's provisions by this Committee and by a wide variety of Government and public witnesses. Assessment of S. 4101, alone, might well require many weeks. Because of the press of business already before this Committee, we respectfully suggest that substantive discussion of this important legislation take place within the context of full Committee hearings, ar-

ranged solely for this purpose at some later date. The League would be pleased to assist the Committee in any possible way to prepare for these hearings. We offer the Committee the use of our resources and pledge our cooperation.

Although S. 4101 has universal application, one of its primary concerns, as we understand it, is to meet the Nation's needs for a variety of child care services for the children of low-income and dependent mothers. It also recognizes, however, the need of millions of families in our nation for adequate child care services to care for their children while the mother is working or has other needs that require her to seek part-time care of her child. The legislation rightfully calls for "child care services . . . appropriate to the particular needs of the individuals receiving such services."

There have been several other bills introduced in both the House and the Senate dealing with various kinds of children's services, including "Head Start" type programs, child development services, early childhood education and day care. A common feature has been a concern for the children of mothers who work or are in training. An examination of these bills, along with S. 4101, presents several issues to which we believe this Committee should address itself.

What types of programs should be authorized by legislation affecting young children?

Can and should the so-called "day care needs" of children be considered separately from the educational and developmental needs, or should these programs be combined?

Are the programs needed for the children of working mothers and guardians essentially different from those required for children from disadvantaged and so-called "culturally-deprived" families?

What are the essential ingredients of any child care program if it is to provide adequately for a child's developmental and educational needs, particularly when the mother is employed and absent from the home?

We assume from the Declaration of Purpose, which states ". . . that the child care services provided will be appropriate to the particular needs of the individuals receiving such services," that Senator Long, in offering this bill, has as much in mind the needs of the children of working mothers, as he has the needs of those mothers themselves. We believe, therefore, that no program of day care should be established unless it takes full advantage of every available opportunity to enrich a child's developmental opportunities, his health, and the capacity of his own parents to effectively rear their children.

We recognize that the creation of a Federal Child Care Corporation would provide an unusual degree of flexibility, both in administration and financing, not usual with conventional governmental administrative agencies. We also recognize that, inevitably, the creation of this Corporation must result in the consolidation of all existing child care programs under its auspices or the Corporation will become simply one more Federal creation, duplicating services and competing for funds and personnel with the older, more entrenched agencies.

We believe that the Committee should consider the following questions before concluding that consolidation in a new, quasi-governmental body such as the Federal Child Care Corporation is advisable.

Is it advisable to give authority over all child care services to any one agency—whether that agency is governmental, like the Office of Child Development, or quasi-governmental, like the proposed Federal Child Care Corporation?

Is it possible to utilize the administrative skill and the trained personnel at various levels within the government agencies to design programs and deliver programs through an existing government agency?

Several Commissions have recommended fuller utilization of Head Start programs so that they could also serve as full-time day care facilities. Is it desirable to have one agency, such as the relatively new Office of Child Development, administer the large Head Start program, and establish another Federal agency to administer all other child care services?

HEW has had virtually no funding to finance remodeling, or construction of new child care facilities. Does this factor make it difficult to assess the Department's ability to assume the responsibility of meeting the Nation's needs for adequate child care services?

What would be the relationship between the Office of Child Development, with its highly-trained and skilled Director, and the Federal Child Care Corporation?

Skilled, capable personnel in the field of child development, social work, psychology, and education are in very short supply. But some of these scarce and skilled professionals capable of administering and developing the standards

necessary for such a vast undertaking are presently employed in HEW. How could the services of these individuals be effectively utilized in the Federal Child Care Corporation?

Having examined the issues, the Committee may determine that a Federal Child Care Corporation is the most effective way of carrying out the purposes of this Act. Therefore, we offer the following comments on some of the provisions of S. 4101.

1. Section 2003(c) would give first priority for child care services to families who qualify under Title IV and require services in order to take jobs or training. While we agree with this priority for welfare families, we believe this language should be revised in one respect.

Research shows that it is beneficial for children from more than one income group, one race, or one cultural background to be enrolled in the same program. "Ghettoizing" children by enrolling only those from families receiving public assistance can deprive children and parents of the opportunity to learn how to function in a pluralistic society.

Accordingly, we recommend that up to 25% of the enrollment in any child care program be permitted for children of parents *other* than those who qualify both for services under Title IV and require these services in order to take jobs or training.

2. Standards for child care are discussed in Sec. 2004 of this bill. We recognize the difficulty in designing standards for the many kinds of child care services contemplated by S. 4101, and revisions of enacted standards would doubtless be required on a regular basis, once the Federal Child Care Corporation had amassed some operating experience. At the outset, however, we recommend some alterations in this Section.

We recommend that a specific standard of child-staff ratio be established for children under three years of age. The proposed 8-to-1 or 10-to-1 ratio would be dangerous for this age group; we believe children under 3 should not be cared for in group settings unless it is possible to offer services that allow them to be in groups not larger than five, and with one qualified child-care staff member for every two or three children.

We also believe that the Committee should reconsider the 25-to-1 ratio in programs serving school age children, which we consider to be too high, in the light of existing experience with programs of this type.

We think Section 2004(b)(3) should more precisely define "qualified staff members," particularly in terms of our concern about the ratio of children to "qualified staff members." "Qualified staff members" might be defined as including only teachers, aides, or other child care employees directly involved in child care activities, and excluding those with administrative or maintenance functions, such as admissions, transportation, food preparation, and other administrative duties. (The definition should not include such personnel as cooks, bus drivers, maintenance men, and program administrators, etc.)

We endorse the intent of Sec. 2004(c)(2), providing for separate evaluation of each facility. Clearly, the bill recognizes the importance of evaluation for the protection of the children receiving services. We want to add our recommendation that the initial evaluation be followed by annual re-evaluation. The Child Welfare League of America, as an accrediting organization, has found that unless such re-evaluations are made, the initial evaluation is relatively meaningless. The reason is simple; changes in administration, financial difficulties, etc., can result in an organization which meets standards one year but becomes woefully inadequate a year later. It would be valuable to draw upon the experience of the States that now have adequate evaluation programs in order to make this Section more specific.

We recommend that Section 2004(d)(5) be amended to provide for assessment of physical and mental competence prior to employment as well as during the course of employment.

3. The language of Section 2005 pertains to the accessibility of child care facilities. It contains the only reference in the bill to possible parental participation in child care programs, although much of the research and experience, growing out of the operation of the Head Start and other child care programs, has shown parent participation to be the single most valuable element in programs that were successful.

We hope that one of the principal reasons for the inclusion of accessibility of programs to parents was a felt but unstated belief that accessibility not only reduces transportation problems, but also guarantees that parents can be in-

volved in programs serving their children. In our view, the matter of parental involvement and its effect on the design of child care programs could be substantially enlarged within the bill, and it is our recommendation that the Committee amend the bill accordingly.

Section 2005 could be revised to provide that every facility make provision for parent participation, perhaps by providing observational opportunities for parents. In this way, parents could observe methods of child-rearing and stimulation and, where feasible, have an opportunity to visit their children during the period of their care. Only by participating in the programs in which their children are enrolled and observing those programs in operation, can parents become involved in the three-way cooperation and reinforcement necessary in child care programs. Parents, children, and staff members should have opportunities to work together in order to enhance the parent-child relationship.

4. We suggest that Sec. 2006, referring to the exclusiveness of federal standards, be carefully re-examined. We do not believe it wise to provide a blanket exemption of all child care services from licensing and other requirements imposed by States and other political subdivisions.

We realize the positive benefits of such an exemption: new programs could be established without experiencing some of unnecessary delays frequently encountered in the past. We also realize that some States lack standards or have standards inferior to those proposed in this bill, and the Federal standards would constitute an improvement in those cases.

On the negative side, we believe it will be difficult to obtain effective cooperation in implementing the various child care programs at the regional, state, county, and local level if the Federal Child Care Corporation has summarily scrapped all but the Federal requirements. Effective standards and licensing requirements have been developed in many areas through the efforts of citizens at all levels who have worked hard and long. The general public, operators of child care programs and elected officials have struggled to devise standards which are sound, fair and enforceable. Many States have a tradition of strong standards for social services for their citizens; over-riding state standards for children's services may be seen as the first step in over-riding other protections devised for the citizens of those States, including the aged, the handicapped, and the like.

We agree that there are cases where state standards should be disregarded. We also recognize that in some cases standards are administered by such a variety of competing and isolated agencies, that they effectively prevent new programs from starting. In addition, certain zoning and building regulations are archaic and incapable of rapid revision, and this provision may help modernize these rules.

A compromise is, we believe, in the best interests of the Federal Child Care Corporation since little would be accomplished by extended jurisdictional disputes among the various political subdivisions over standards, licensing and the like. We suggest that the Committee examine the feasibility of limiting the Corporation's power to supersede state or local standards by providing for a prior public hearing. The decision of the Corporation should not, however, be subject to judicial appeal. We believe that this would meet both the Corporation's need for unimpeded expansion of services, and the rights of states and localities to a fair hearing.

5. In general, Sec. 2007, which refers to the power of the Corporation, seems to allow for competition and encouragement to all of the various groups in each community, interested in providing child care services, to participate in a truly free, equal manner. It would permit any organization, public or private, to provide child care. If its standards are strong, well-administered, and enforced, we believe that the language is sufficient to prevent the kind of fraud and abuse which this Committee has discovered and moved to correct in the implementation of the Medicaid and Medicare legislation.

In order to prevent abuses, we suggest that the Committee determine whether it would be preferable to give priority to certain types of organizations for the operation of child care programs. The following questions may be pertinent to consider:

What has been the experience of the non-profit grantees compared with the for-profit grantees as administrators of social service programs?

Do the non-profit grantees or for-profit grantees offer services at lower "true" net cost, given comparable quality of services?

Has preference been given to for-profit organizations directly or indirectly in the operation of any other social service program? Has that experience demonstrated that the for-profit agencies should be given direct or indirect preference in operating child care programs?

What would be the impact of preference for non-profit or for-profit agencies on existing Federal, Regional, State, and other programs in the fields of manpower, education, health, and housing?

Are non-profit or for-profit organizations more capable of involving parents in the programs offered their children?

Are non-profit or for-profit organizations more capable of enlisting volunteer services to augment paid staff of child care programs, thus lowering costs?

Given the necessity for national, regional, state, and local planning for efficient resource, utilization, should any preference be given to grantees? Should such preference, if given, be to local education agencies or some other non-profit organization?

Should preference be given to existing providers of child care services rather than newly-organized agencies?

5. We strongly support the concept of a National Advisory Council on Child Care provided in Section 2016. In light of the geographical and demographical diversity of the United States, we recommend that the concept of a Council be extended so as to provide Regional, State and local Councils wherever there is a counterpart office of the Corporation. Such Councils could help ensure that child care services are appropriately located, that full utilization is made of existing resources, that cooperation is obtained from education, health, child welfare, and other social service facilities, and that the most effective use is made of voluntary agencies as well as individual volunteers.

6. Section 2017 serves the needed purpose of authorizing the Corporation to cooperate with other public and nonprofit agencies, but it does not address the question raised earlier about the need for coordinated administrative machinery to provide child care services in every community. Sooner or later, a determination must be made by the Committee about the degree and extent of responsibility for child care services of the Federal Child Care Corporation. Unless lines of authority for administering and operating child care services are clearly defined, cooperation will not result—the result may well be destructive competition between various Federally-sponsored organizations.

7. Section 2018 addresses itself to definitions. While we understand the necessity to define each specific service in order to prevent misunderstanding, we believe the number and variety of definitions to be unnecessarily complex. We suggest that the definitions could be simplified and still meet the requirements of efficient administration by the Corporation.

We recommend that the Committee delete Sec. 2018(2) (3) and retain authorization contained in Sec. 425 for day care and institutional foster care. In this definition of child welfare services "other child care facilities" refers to institutions providing foster care. We do not believe it is the intention of this bill to eliminate institutional foster care.

As we understand S. 4101, the Corporation must be self-supporting through fees, and this support is to be obtained primarily from public assistance funds available under Title IV. If "day care" is eliminated from Sec. 425, these funds would only be available under Title IV-A, excluding help for families who were not eligible under IV-A. Wealthy parents might be able to afford full day care fees—but middle income families would require some help which might be available under Title IV-B if Sec. 425 included "day care."

We realize that this bill is not intended to provide subsidies for child care services for all families; however, we believe that the statements by Committee members during the course of hearings this year indicate a clear intention to avoid any "notches" which effectively discourage any citizen from taking employment.

When the cost of "high quality" child care services—and this matter of cost should be explored fully by the Committee—is estimated at \$2,800 or more per year for a full-day program, the potentiality for the inadvertent creation of "notches" exists for persons well up into the middle-class range. A mother with two children needing a full-day program would have to be able to afford over \$5,000 a year for that care, and, as we understand it, most of that sum would come out of her net income.

We recommend that this Committee consider amending this legislation, or offering other legislation, to enable families other than those who are wel-

fare-connected to utilize child care services. We believe that a carefully-designed subsidization schedule should be made a part of this legislation. It would permit working parents to continue working by assuring them of quality child care services and would prevent child care costs from creating such a "notch" in the income of families that it would be financially preferable not to work.

Since Section 2003(c) gives priority to children of working mothers, we believe the bill should also include a provision to give priority of financing to those facilities which provide the hours of care sufficient to meet the child care needs of these mothers. Although some mothers would use a child care program that operates for a few hours each day, most mothers to be served under the provision of Section 2003(c) would require programs that are of at least 8 hours' duration. Child care services offered in locations accessible to the place of employment or training can be of shorter duration; if locations are not accessible, programs may need to be of 10 hours' duration or longer.

If this bill is enacted, we suggest two additional recommendations in order to avoid problems encountered in the past. First, there is always the danger of waste and inefficiency in mounting a massive new program unless there is sufficient time for preparation. Witness the early history of Head Start. We recommend that an appropriation be made to enable the Corporation to begin a tooling-up period effective with the date of the bill's passage. During the tooling-up period, the Corporation can develop its policies, recruit its staff, and, hopefully, avoid the inefficiency that has been seen in the past.

Secondly, we suggest that careful study be made of the staffing which will be required for the effective operation of the Corporation. While we are opposed to unchecked expansion of Federal payrolls based on unnecessary staffing, we support sufficient staffing for the Corporation of a quality to ensure that it will be able to do its job. We do not wish artificial ceilings on staffing within the Corporation to have the effect too common in government today, where staff limitations result in "contracting" for work which could have been done more efficiently and cheaply by the Government's own employees, had the same amount of funds been expended.

In conclusion, we wish to thank the Chairman and the Committee for their courtesy in permitting the Child Welfare League of America to present its views today on these matters of such vital concern to children.

The CHAIRMAN. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:10 p.m., the committee recessed to reconvene at 10 a.m., Wednesday, August 26, 1970.)

FAMILY ASSISTANCE ACT OF 1970

WEDNESDAY, AUGUST 26, 1970

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

The committee met, pursuant to recess, at 9:57 o'clock a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Harris, Williams of Delaware, and Jordan of Idaho.

The CHAIRMAN. This hearing will come to order.

This morning we are honored to have the senior Senator from New York, Senator Javits, who represents what was the largest State in the Union and even now represents a large city which spends more money than the entire United States.

Senator Javits, we will be pleased to have you give us your statement with regard to this bill.

STATEMENT OF HON. JACOB K. JAVITS, U.S. SENATOR FROM NEW YORK

Senator JAVITS. Mr. Chairman, I thank the Chair very much.

I wish to emphasize that in everything I say today I am trying very hard to give the committee the benefit of the thinking based upon the situation in my own State which is such a tremendous laboratory. I am using the technique of being a witness to present a body of information and ideas which we have amassed over a period of time, fully recognizing the problems that we face together. I am in no sense berating the committee that they are not doing this or that.

The CHAIRMAN. You understand, Senator, that after we are through working on this bill, having done the best our conscience can dictate as members of the committee, we respect your right to offer amendments to change it on the floor.

Senator JAVITS. Well, I am very hopeful—I think the Senators know that I am ranking member of a number of committees where practically everything has been fought out in committee and I find that to be the best policy. If humanly possible I would like to be able to swallow a lot of my ideas on the ground that you have done at least something about them and I will join with you in putting the bill through.

Mr. Chairman, I will try to confine myself to the 10 minutes offered by the committee and I will offer such charts and statements and other documents as will cut down on the time.

Mr. Chairman, first and foremost, I consider the Family Assistance Act now before the committee to be the most important single piece

of legislation proposed by this administration and I will do my utmost to join with my colleagues in order that this legislation may become law.

Secondly, while I consider the basic concept of a \$1,600 income for a family of four as being an extremely advanced one, deserving the full support of the country, I can hardly consider it to be the end of the road. It may take us considerable time and considerable knowledge of how best to bring those who are poor out of poverty, especially through the discipline as well as the inducement to work. However, I do believe that we should have as our goal the adequate provision for any family which ultimately has to be on the welfare rolls on the basis of full maintenance at a realistic poverty level.

I have offered an amendment for this purpose in order to make clear this ultimate goal. Under the amendment within 4 years we would attain a level of 50 percent of the poverty level, the poverty level being redefined under my concept to include a more realistic assessment of what it costs in terms of food.

We believe—as the Chair knows, I am the ranking minority member of the so-called Hunger Committee, as well as the Labor and Public Welfare Committee—that the so-called Federal poverty level—roughly the \$3,700 standard—is based upon a much lower food budget than is really an appropriate one for the country and if you have a realistic food budget, it would put the poverty level at about \$4,800.

My basic amendment, therefore, seeks to phase in a redefined poverty level with the Federal Government handling the whole welfare system in this decade by 1979.

In addition, I propose a Federal sharing in State supplemental payments on the medicaid basis—that is, the 50 to 83 percent—rather than the 30 percent basis which is contained in the House bill. We believe that the sliding scale based upon the fiscal capability of the individual State to be a much fairer one.

Now, I do not know that I will actually press my amendment to achieve 100 percent of the redefined poverty level but I feel that in all fairness that, since I believe that this is the proper goal, I should express it in specific legislative terms. It is before the committee for whatever use the committee may consider appropriate. The other amendments deal with more pragmatic aspects of the immediate situation.

Now, the one important amendment which I would like to urge upon the committee for study is the so-called working poor amendment. Under my amendment families headed by a fully employed male—those males who work over 30 hours a week, in most States according to their requirements, or over 35 hours a week in some other States—would be eligible for an income supplement under the Family Assistance Act.

Now, as the measure has come over from the other body, it continues to allow inequity to exist. The fact is that the unemployed male head of a family is covered by the Federal standard but when we get into the State supplemental payments, we do nothing to help these working poor families.

Now, the cost estimate which the Department of Health, Education, and Welfare gives, I think, is intended to scare us off. The Secretary of Health, Education, and Welfare has testified that supple-

menting the income of working poor families would cost a billion dollars.

My own plan and the principal amendment which I have introduced, seeks to make the bill equitable to working poor families by including them within the program at the State as well as the Federal levels.

We believe that the administration's estimate is out of line, because we believe not all such working poor families will take advantage of the opportunity by any means. The testimony of the mayor of the city of New York on this subject, based upon the work which he and the very gifted Commissioner Mitchell Ginsburg have done, indicates that the demand is very likely to be very much less than 100% of those eligible and that the cost will more nearly approximate \$300 million than the billion dollars estimated by the administration.

I would hope, Mr. Chairman, that the committee will take a very hard look at the estimates in this particular matter. I think that I sense something of the temper of the Senate. I think we would like to do this. It is certainly in the line of our principles. If we do not incorporate this amendment into the bill it will be largely because we trip over the money equation. Accordingly, I would urge the committee to consider whether or not the estimate of the Department, which is a billion dollars, is justified in the light of the fact that it is based upon the worst possible situation, to wit: that every possible working poor family will become eligible and will receive such aid.

Accordingly, I address this plea to the committee. I hope very much that you will eliminate the inequity which is involved and which is so critically damaging to our own basic principle, to wit: that we will at last have a welfare system which rewards work and does not penalize work. I have heard the chairman of this committee speak with the deepest conviction and eloquence on this particular subject on the floor.

This is the principal amendment that I offer, Mr. Chairman, and I hope very much that it will have the urgent attention of the committee and I do not believe that the administration's alternative, to wit, to eliminate the problem by abolishing the Federal matching assistance for recipients in the unemployed fathers category, and therefore going in the other direction in order to make the bill consistent, is the right approach as far as we are concerned.

Mr. Chairman, the other thing that I would like to emphasize, which again comes within my particular competence, is the day care question. We handle day care in the Labor and Public Welfare Committee. I myself am the author of some measures which seek to assist the private enterprise system in developing day care facilities. It is completely unrealistic to expect mothers to work unless you offer them quality day care slots, and today we are probably at a point of meeting about one-sixth of the actual need. That is, roughly in the area of 600,000 slots as against the demand for three million.

Now, I do not believe that it is going to take hard money to provide this quality day care. I think a great deal can be done for us in this way if we facilitate it for business concerns. I hope very much that the committee will join the supply of the slots with the incentives which it gives the AFDC mother who works, and we know that is the most numerous and most likely class to profit from that program, aside from the working poor whom I described.

I think the House bill is too strict in making women work. I think that they should register for work but, I think mothers with children up to 16 have to be given the widest degree of discretion. The history and certainly all the facts and figures we have—shows that seven-tenths which is a very high percentage, of those mothers want to work if given the day care slots and I believe that they will, given the earnings incentive under this bill. The House bill goes too far in compelling work where a mother has children up to 16 years of age.

Finally, Mr. Chairman, I should note that the Committee on Labor and Public Welfare has worked out and reported a manpower training bill which has a very large component of so-called public service jobs. The amounts contained in the bill are too high. The bill would authorize 300,000 public service jobs. It allocates one-third of all the funds provided by the bill for this purpose as well as a separate authorization for a billion dollars a year, the first year, and it increases in subsequent years.

I am also deeply concerned about the fact that the bill does not tie effectively the public service job to the training. Hence, it becomes for all practical purposes a subvention of governmental units lower down in the scale of the Federal Government.

Personally, I prefer revenue sharing and I think many members here do also. However, I do see a case made for a public service job quotient to come out of the Congress in which—using the visual analogy of a dumbbell, one bulge would fit into the family assistance program, the other bulge would fit into the manpower training program. I do not believe we are so artless in the Congress that we cannot—though this is the Finance Committee and we are in the Labor and Public Welfare Committee—find a way of meshing two programs. I would strongly urge this upon the committee.

I know an amendment has been introduced here to provide 30,000 jobs. I think it is critically essential that we present to the Congress whatever we are going to do on public service jobs in a package which has a relationship to both plans.

We tried to do that in the manpower training bill. I would invite this committee's study of that bill. We tried to leave an opening where you can make a connection, as it were, again using the visual analogy, with the family assistance program. I strongly urge this committee to see how these two programs can be meshed.

Personally, though it is not in the manpower training bill, but I expect to move it on the floor, I favor public service jobs for a limited period at the end of the line of a training opportunity—where you cannot realize the results of the training because there is no job available at the moment when you get through or in connection with a training for up to a 2-year period. I think you would not be distorting the quality of the manpower training bill if you allowed public service jobs to be given for that limited period of time in the hope or expectation that a slot would open in other fields.

Now, these are the ideas which I would like to leave with the committee.

I wish to close, as I began, with great approval for the administration coming forward with a very gifted program for welfare in America, and with the plea that this is one of the really critically important things that can be done in this country. We ought to do it if

we humanly can in this session of the Congress because you will have to start all over again next time out. This is critically important. This bill has passed the House and our experience, Mr. Chairman, is that no matter how formidable the stack of amendments looks when we start a bill, and we are in one right now, somehow or other we hundred men and women get through them and we will in this instance also, no matter how formidable the stack may look.

The Chair has been through this and many other measures. I think this is important to take this at the flood when the House has passed it and that we ought to push it to get it through this session.

The CHAIRMAN. I appreciate your statement, Senator Javits. There is no doubt in my mind, we are going to enact this bill in some form. It is going to be the form that can muster 51 percent of the votes. What that is going to be I cannot predict. I do not know whether it will be precisely what you are suggesting.

What I would suggest right now—my mind is not closed on this matter—we will pass whatever the majority of the committee can agree on and we will find out what it is when we start calling the roll.

The same thing is true when the bill reaches the Senate floor. There are a lot of good things in this bill that should become law. I think we could agree on that. I think I might want to add something or take out something and you would, too. I mean the way to get jobs, help industry so that industry will do the job. That way you can make money.

We are on the Small Business Committee. You are the ranking member on the Republican side. You will be the chairman if the Republicans capture the Congress and you are well aware of the fact we could make money, especially if you look at the money you collect off the worker's salary and withholding taxes, by encouraging businesses to expand and by helping worthy new enterprises to get going. That is a way you can make money rather than draining money on balance.

Then I guess the second cheapest way is to subsidize a job somewhere. There are all sorts of ways you can do that. That usually costs us something but it is cheaper than paying full time welfare. And the third would be to provide public service employment over and above the public service employment that presently exists. I suppose you and I would tend to agree that the most inefficient way to spend the funds is a fourth way where you just are compelled to pay somebody money and you have no use for his services at all. That is where we get the least for our investment.

Senator JAVITS. I would thoroughly agree with the chairman. I would just add one other point—that is, where you cannot finance a new facility or activity which will create employment. I would put this just before public service but after the first three items that the Chair has mentioned. For example, we do know that in the special impact program under the poverty program we finance an activity which absorbs employment.

The CHAIRMAN. Both of us are in favor of training people for better employment than they are able to gain today. But I think we both agree that in many cases that is a complete waste of money. You might as well just be paying the man to stay at home if by the time you get through training there is no job at the end of the line. It is a very

disappointing experience for him. When we start to train a man, we ought to have a job at the end of the line.

Senator JAVITS. Right.

The CHAIRMAN. I believe we are together generally on our objectives. I hope we can work out the details of it.

Senator JAVITS. I hope, Mr. Chairman, that the committee will bear in mind what I have said. We have reported a bill. We have tried to leave an open connection for the family assistance program. I am sure that you will find our committee, and I am sure we would find yours, willing to coordinate the two as soon as you are ready here. I do think that it would be unfortunate if we presented two separate public service employment plans without relation to each other in the Senate.

The CHAIRMAN. I quite agree.

Senator Anderson?

Senator Williams?

Senator WILLIAMS. Senator, I want to join my colleagues in welcoming you here today. I gather that your ultimate goal would be a completely federally financed welfare program.

Senator JAVITS. It would.

Senator WILLIAMS. And—

Senator JAVITS. May I give the Senator one other reason for that aside from the money equation? We all know the problems of the States and cities which are very, very great, and that is the demographic shift in population. I think one of the most unfortunate results of the present welfare system is that it has encouraged non-economic shifts in population of a very serious character.

Senator WILLIAMS. The reason I asked that question, I gathered from Mayor Lindsay's testimony that was his major objective and in the bill before us I notice that, for example, in your own city of New York, a female headed family with four would, under this bill as amended by the administration, get \$30 less, figuring in cash and food stamps which are the equivalent of cash, and ignoring for the moment medicare and housing, just on cash and food stamps they would get \$30 less under this bill than they get under existing law.

Senator JAVITS. That is a fact. I do not think that is a disservice to New York. I think the other aspect of the bill, the Federal basic standard which will discourage shifts in population to some extent, plus the fact that many more of the poor will be covered, represents a distinct gain as far as New York is concerned.

Senator WILLIAMS. And I notice just as an additional example, while the person with no income gets \$30 less, the man of the family with four, with \$4,000 income, gets \$68 more but the major difference between the existing law and the bill as amended before us is that it shifts the cost of this program to the Federal Government and would reduce the cost substantially for New York State and New York City.

Senator JAVITS. Well, New York State and certainly New York City, I assure the Senator from Delaware, is in very, very rugged shape. This would be a measure of assistance which is urgently needed, not just in the interest of New York but in the national interest considering what New York represents and the economic and social nexus which it is.

Senator WILLIAMS. I merely point that out, that the welfare recipients themselves do not have the stake in this bill that the city

and State have because the bulk of the benefits in this bill go to the State and city.

Senator JAVITS. Right.

Senator WILLIAMS. Thank you.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Senator, you have made some very constructive suggestions in your statement. As I understand it, and I was in the chair when you introduced your amendments on the floor and I read them with great interest because it seems to me you outlined a phasing out program for the States and the Federal Government to take over, I think you indicated in one amendment by 1969—

Senator JAVITS. 10 years.

Senator JORDAN (continuing). You would start replacing the 30 percent Federal participation State supplement by 50 percent by 1974, then you would take an additional 10 percent each succeeding year and have the whole job completed by 1979.

Senator JAVITS. In 10 years the Federal eligibilities and payment standard would be of 100 percent of a redefined poverty level.

Senator JORDAN. Mayor Lindsay, I believe, would move in the same direction but would do it faster. He would achieve it by 1976, on the 200th anniversary.

Senator JAVITS. There is the difference between a mayor and a Senator. Also the mayor was talking about achieving the present poverty level whereas I am talking about achieving a redefined poverty level.

Senator JORDAN. Yes; now, I am interested, too, in the bill you have reported from your Committee on Labor and Public Welfare having to do with manpower training. Did I understand you to say that you had hoped to provide in this bill 300,000 public service jobs?

Senator JAVITS. It actually does, Senator. I wish to state that I do not agree with it. I think that 300,000 public service jobs are too many and I shall move on the floor with respect to it. It does however provide these jobs in two ways. One, it provides a third of the funds which normally run a billion and a half to \$2 billion a year for public service jobs. Secondly, the bill sets up a separate fund of a billion dollars, an added authorized fund of a billion dollars the first year so that between them you get to 300,000 jobs roughly figuring \$6,000 a year per job.

Senator JORDAN. In the studies of your committee, the research done behind this bill, what did you determine the need to be for public service jobs after all avenues of private sector employment had been exhausted?

Senator JAVITS. Unfortunately, the need runs high. The need can run up to as much as over a million, and the—we have a known survey requirement from municipalities of close to 300,000. To be exact, a study conducted in cities having populations of at least one hundred thousand shows the need for 279,400 jobs. This is contemporaneous and jobs are needed in the fields of education, health and hospitals, welfare, police, et cetera.

Now, of course, this is the absolute rockbottom estimate because it represents slots actually unfilled.

Senator JORDAN. Yes.

Senator JAVITS. Estimates run from a million to 5 million in jobs that could be established if there was the money to fund them in the public service feature.

Senator JORDAN. Now, do you have comparable figures for the number of people who might be so employed?

Senator JAVITS. Yes; of course, you have the heads of families on welfare, but, of course, in manpower training you have the entire field of those who can benefit from manpower program, and it is estimated at 11 million. Indeed, we actually train approximately 900,000 persons every year. Therefore, you have a tremendous constituency and, of course, the American work force, aside from the Armed Forces, is close to 70 million. With unemployment running high—and in my judgment, it may reach 6 percent before you have seen the end of this cycle—it gives you quite a healthy constituency.

Senator JORDAN. I appreciate your statement. I think you have a lot of constructive suggestions here and especially as you recommend tying it into the product of your Labor and Welfare Committee which is an area of expertise in which you do have great assets.

Senator JAVITS. I thank my colleague very much.

Senator JORDAN. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator HARRIS?

Senator HARRIS. I do not have any questions, Mr. Chairman. I wish I had been here to hear all of your statement, Senator Javits. I appreciate the general thrust of it as I understand what you have had to say.

I share with you the concern about the possible overlap between the suggested amendment which Senator Ribicoff and I have introduced and the Nelson bill. I think we must have a far larger program for new jobs than that proposed in the amendment I have offered with Senator Ribicoff. That just involved 30,000 jobs. Obviously, we need more than that, especially in this time of high unemployment. But I think we need to be sure that is not unnecessary duplication and overlap. I appreciate what you have to say.

Senator JAVITS. The Senator is very kind. I hope that he will amend it, and I will write him a letter setting forth a concept which I have and which I am going to try to carry out. In a word, it is to assure a job at the end of training but not to make a permanent method of financing municipal employment through a manpower training programs. If there is any logic in that, there would be even more logic in the family assistance program than in manpower training.

Senator HARRIS. I appreciate that, and I know your special interest and expertise in this subject. May I just say also that I think you are quite right in offering the amendment that you have offered in regard to unemployed and—

Senator JAVITS. The working poor.

Senator HARRIS. I think it would be terribly unjustified in a bill which hopes to do more for people who need a better chance at a decent living and decent opportunity for a better living if we penalize the people who are now receiving some assistance; that is what we would do unless we adopt an amendment along the line of what you suggest.

Senator JAVITS. Senator Harris, I was really afraid it might even go the other way and you would eliminate the Federal help to the working poor as a way of remedying the inequity. In other words, you can equalize by going the other way. I hope and pray you will not do that.

Senator HARRIS. I said earlier: Every time a so-called notch is noted that worries us intellectually, it is advocated that we resolve the difficulty at the expense of the poor. I don't agree with that.

Senator JAVITS. Thank you so much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.

(Senator Javits' prepared statement follows:)

PREPARED STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF
NEW YORK

Mr. Chairman, I consider the Family Assistance Act, now before your committee, to be the most important single legislation proposed by this Administration. I have co-sponsored the Act and regard it as a remarkable initiative.

In March of 1968—more than two years ago, after the riots in Newark, Detroit, and a number of other cities, the National Advisory Commission on Civil Disorders (The Kerner Commission), reported:

"Our present system of public welfare is designed to save money instead of people, and tragically ends up doing neither . . . This system has two critical deficiencies:

"First, it excludes large numbers of persons who are in great need, and who, if provided a decent level of support, might be able to become more productive and self-sufficient.

"Second, for those included, the system provides assistance well below the minimum necessary for a decent level of existence, and imposes restrictions that encourage continued dependency on welfare and undermines self-respect."

The Kerner Commission recommended that a program be established to provide: "for those who can work or who do work, any necessary supplements in such a way as to develop incentives for fuller employment."

Mr. Chairman, the Administration has come forth with the first comprehensive legislative proposal aimed at these basic objectives. While it deserves our scrutiny and best efforts to improve it, it also deserves, first and foremost, our basic support.

Accordingly, while I shall indicate what I consider to be the priorities for its improvement, I wish to make it very clear that whatever the Committee's disposition may be in respect to amendments which I have proposed, or other members of this Committee or the Congress have advanced, that this bill should be considered "must" legislation for this session of Congress.

Mr. Chairman, we need to set two goals in connection with this legislation—one relating to the adequate provision of assistance to the poor and federal assumption of state and local welfare costs. The second goal relates to those incentives, requirements and efforts in education, manpower training and child care that will make attainment of the first goal fiscally possible.

In respect to the first goal, the Family Assistance Act's proposed \$1600 minimum payment and eligibility standard for a family of four is a significant first step, but even with the addition of food stamps, it will not provide an adequate level of support.

Correspondingly, the federal assumption will not be sufficient to relieve the states and localities of much of the additional heavy welfare costs in the coming years which they simply cannot carry.

As the Administration itself has acknowledged, a \$1600 payment, even taking into account food stamps will:

". . . not of course, be a sufficient amount to sustain an adequate level of life for those who have no other income; it is nevertheless a substantial improvement and can be made more adequate as budget conditions permit."

The goal of an eventual full federal assumption of welfare costs has been advanced by Governor Nelson Rockefeller and endorsed by the National Governor's Conference.

Early this year, the Committee for Economic Development, composed of 200 leading businessmen and educators, conducted a comprehensive study of the welfare system, and in a report dated April 1970, entitled "Improving the Public Welfare System" concluded:

"The concept of a truly uniform national system of public assistance based on income maintenance requires that the federal government not only assume an increasing share of the necessarily increasing cost, but that it eventually undertake the entire burden. As an objective to be attained as soon as fiscally feasible, we recommend that the federal government undertake a substantially higher proportion of the financing of public assistance with a phased take-over by the federal government of state and local public assistance costs over the next five years as the goal."

Even after the proposed federal assumption of the cost of maintaining the \$1600 level, the states and cities during the first year of operation, will have to pay more than \$2 billion just to maintain supplemental payments at current levels, which are themselves inadequate to individual needs in most states.

If the federal government assumes welfare costs, then local governments will be able to apply their resources to those efforts in education, health, manpower, nutrition, child care, and social services that hold the promise of going far to eliminate welfare dependency.

To express these goals, I have submitted an amendment, No. 801, which would provide a federal family assistance payment, beginning in fiscal year 1974 of fifty percent of a redefined poverty level, with yearly increases equivalent to an additional 10% of the poverty level. Under this amendment, a federal payment and eligibility standard of approximately \$2400 for a family of four (half the re-defined poverty level) would be established in fiscal year 1974 and a standard at the poverty level would be attained in fiscal year 1979.

In order to establish a more adequate basis for determining a standard upon which to base future increases of the Federal payment standard and eligibility level, my proposed amendment would define the poverty level as three times the low-cost food budget for a family of four, adjusted by any rises in the Consumer Price Index since the cost of the low-cost plan was last determined.

Under the amendment, the Secretary of Health, Education and Welfare would be empowered to make adjustments for families of various sizes and for regional differences.

The so-called "Poverty Index" was originally developed in 1964. At the core of the definition of poverty was the "Economy Food Plan" designed by the Department of Agriculture for "emergency or temporary use when funds are low." The Department of Agriculture has itself described the plan as "not a reasonable measure of basic money needs for a good diet." In computing the proportion of total family income that should be expended to meet food requirements, the Social Security Administration has determined that the percentage of income expended for such necessities reflect the relative well being of both individuals and the society in which we live.

For families of three or more persons the poverty level has been set at three times the cost of the "Economy Food Plan."

Last fall, in adopting the Substitute Food Stamp Program, supported by Senator McGovern and myself, the Senate established a new schedule of benefits on the basis of the "low-cost" food plan designed by the Department of Agriculture to provide a nutritional diet. It is this plan—and not the economy food plan—which is more indicative of what it actually costs to purchase nutritional food necessities.

Currently, the "Economy Food Plan" cost has been set at \$1201.20 for a family of four while the "low-cost" diet has been established at \$1614.00.

We need not fear a standard of assistance at the poverty level for those who are unable to provide for themselves, nor need we assume that we will be faced with astronomical costs—if we are confident that our efforts in the area of social services will bear fruit.

Under my amendment, full federal administration of programs would be effected when the poverty level and a full federal assumption is reached.

In order to maintain incentive at higher eligibility and payment levels, the amendment would authorize the Secretary of Health Education and Welfare to change the amount of earned income that could be exempted in determining the amount of family assistance payments beginning in fiscal year 1975.

Mr. Chairman, since the Family Assistance Act effects a federal assumption to the extent of the federal payment standard, the proposed amendment would

bring about a full assumption of state on local costs up to the newly defined poverty level by fiscal year 1979.

Mr. Chairman, the committee also has before it amendment No. 800, which would increase the federal eligibility standard to 50% of the re-defined poverty level beginning in Fiscal Year 1974 (the third full year of administration). The application of the new criteria, base upon current costs would result in a standard of \$2400 for a family of four in fiscal year 1974.

The Department of Health, Education and Welfare estimates the net cost of the proposed amendment to be \$4.5 billion in fiscal year 1974 and \$4.8 billion in fiscal year 1975.

While these must be our goals, I am aware of the practicalities of the current situation. I, therefore, have introduced amendments as interim steps designed to provide a greater level of assistance, and greater federal sharing in welfare costs than are now provided in the House Bill, so that, we can be more responsive to the needs of individuals and of the states and localities.

Mr. Chairman, in order to provide a more adequate level nationally (until we embark on the phase-in of the federal takeover of welfare) the second amendment, No. 803, would require all states to supplement at a level which would provide a total federal-state payment level of \$1800 for a family of four. The requirement would apply only during fiscal years 1972 and 1973, and would be eliminated as to fiscal year 1974 and subsequent years, when a higher federal standard would be reached under amendment Number 800 which I have just described.

This amendment would help deal with the continuing problem of the "gap" in levels of assistance between states. While the Family Assistance Act has been proposed for the purpose of eliminating the "gap" between payment levels from one state to another, the combination of the Federal floor and the varying degrees of state supplementation will leave a substantial range of from more than \$1000 in Mississippi to more than \$3700 in New York State. I ask unanimous consent that a table prepared by the Department of Health, Education and Welfare showing expected levels of supplementation in each state be printed in the Record at the conclusion of my remarks.

Mr. Chairman, in order to provide a further inducement for states to raise their levels and to provide additional assistance to these which would be required to do so under the amendment that I have just outlined, I have submitted amendment No. 802, to provide for federal sharing under the Medicaid formula rather than the 30% level for all states prescribed under the House bill.

In addition to the fiscal relief which will arise from federal assumption of payments up to the \$1600 standards, the Administration proposes to assume 30% of the cost of state supplementary payments. According to the Department of Health, Education, and Welfare, these payments will exceed \$2 billion by fiscal year 1972.

Under proposed amendment No. 802, the state governments would be provided with federal sharing of at least 50% of supplemental costs, while some states would receive a larger amount of federal assistance depending upon state fiscal capacity.

The Department of Health, Education and Welfare estimates the cost of proposed amendment 802 and 803 at \$800 million in fiscal year 1972 and \$900 million in fiscal year 1973.

I ask unanimous consent to have printed in the Record at the end of my remarks, a table showing the percentages of federal-state sharing now applicable under Medicaid.

Mr. Chairman, until the goal of assistance at the poverty level is achieved, we must retain, and indeed expand and revise the food stamp program; it cannot be sacrificed in exchange for any level of cash payment short of a truly adequate amount.

As I stated last August 12, 1969, in commenting upon the President's original message concerning welfare reform:

"An income-maintenance program at an adequate level may yet replace the food stamp program, but it would be folly to even consider initiating the transition before that level is established. Under the present circumstances, our Nation's poor require an 'expansion'—not a phase out—of food stamp and related programs until a clearly adequate family allowance plan is phased in . . ."

Accordingly, I have co-sponsored Senator McGovern's amendment to provide for distribution of food stamps with family assistance payments, and I am pleased that the Administration, in its re-submitted Family Assistance Act, has taken some steps to interlock administration of the two programs. I am also pleased to note that the President intends eventually to transfer the food stamp program to the Department of Health, Education and Welfare. The Department of Agriculture in this Administration has exhibited a deep sense of concern for the poor, yet the fact remains that the program can be better placed within the Department of Health, Education and Welfare where it can eventually be integrated with the Family Assistance Plan.

Whether or not the foregoing amendments will involve "costly" commitments will depend on this legislation meeting the second goal which the Chairman noted on July 21, 1970:

"If we can write a bill which encourages work and discourages idleness . . . then perhaps we can truly end the welfare generation."

There is nothing more essential to the realization of this objective than the inclusion of the working poor. As the President indicated in his historic message on welfare reform, on August 11, 1969:

"I propose that we make available an addition to the incomes of the working poor to encourage them to go on working and to eliminate the possibility of making more from welfare than from wages . . . the most glaring inequity in the old welfare system is the exclusion of families who are working to pull themselves out of poverty . . . families headed by a non-worker often receive more from welfare than families headed by a husband working full time at very low wages."

As the Committee members know, the term "working poor" applies to families headed by full time working males with incomes below the poverty line (\$3720 for a family of four in urban areas). In 1968, 39% of the poor families with children came within this category, yet under the current program known as Aid to Families with Dependent Children (AFDC) such families have not been eligible for welfare payments.

The Administration's proposed Family Assistance Act eliminates this exclusion in respect to the federal eligibility-payment standard; and under the proposed Act, working families headed by males as well as those headed by females are eligible for a family assistance payment of \$1600 for a family of four. For the purposes of the federal benefit payment, the family's net income is determined by deducting the first \$720 in yearly earnings plus one-half of the remainder (other deductions are allowed for costs of child care and for income earned by students) and the family then receives the difference between \$1600 and its net income.

Since the federal floor of \$1600 is less than the payment standard under AFDC in the 42 states—in which 82 percent of present AFDC recipients live—the proposed Family Assistance Act requires the States to supplement the federal payment for such recipients up to the payment level in effect in the State as of January 1970, or up to the poverty level, whichever is lower. The House-passed bill provides for 30 percent federal sharing in the cost of such supplementary payments.

However, no matching is available for supplementary benefits paid to the "working poor" nor is there any requirement in the Act for the States to pay such benefits to the "working poor." The proposed Family Assistance Act provides, as passed by the House, that supplementation must apply to:

". . . any family other than a family in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed."

In short, the House bill perpetuates this inequity.

Members will recall that when he testified before this Committee on July 21, 1970, Secretary of Health, Education and Welfare, Elliot L. Richardson, noted three undesirable social consequences of the exclusion under current law.

First, he noted that the exclusion constitutes a basic inequity, since working poor families may have financial need equal to that of families in which there is no full-time working male, yet they are unable to receive federal public assistance under current law. As the Secretary underscored:

"This unwise and unjust public policy has had predictable results in terms of social tension. First, an understandable discontent has been generated among those who are excluded and who see others no worse off than they being assisted. Second, ominous racial overtones have developed since current AFDC recipients—those who are helped—are about 50 percent nonwhite, while the working

poor—those who are excluded—are about 70 percent white. This country can no longer afford to have one of its most important and needed anti-poverty efforts viewed by many of its citizens as a divisive, unfair and arbitrary failure. Such a view does not help to bring us together, does not promote understanding among people, and does not help to restore public confidence in the wisdom of our social policies."

Second, the Secretary pointed out that the exclusion produces an incentive for male heads of households to work less, rather than more. The current welfare program includes, in a number of States, the "AFDC—Unemployed Fathers" program under which families headed by fathers working no more than 30 hours per week (or 35 hours, at each State's option) are eligible. Thus, a father who is on welfare is better off working no more than 30 hours a week. If he works more than that, he is suddenly not "unemployed" and he loses assistance.

Third, the exclusion of the working poor has provided encouragement for families to dissolve or for couples never to marry. In situations in which a full-time working man is not making as much as the mother of his children could receive in welfare benefits, the couple is financially better off if the man leaves home. Over 70 percent of the fathers of families currently on AFDC are "absent from the home."

Mr. Chairman, the considerations which have prompted the Administration to include the "working poor" under the basic federal payment apply equally in respect to the supplemental payments. For example, in states that now provide a total AFDC payment of \$2000 or more, a mother and her three children would be eligible to receive a payment of \$2000 under the present AFDC program. Under the Family Assistance Act she would also receive \$2000 (consisting of the \$1600 federal family assistance payment and a \$400 state supplementary payment). However, the same family of four, consisting of a mother, father, and two children would receive \$1600 and no State supplementation.

There are more than 35 states in which the total payment exceeds \$2000 and, in fact, 22 states in which it exceeds \$2500 providing in effect, greater financial encouragement for the male to leave the home and an additional incentive not to work beyond a certain number of hours per week.

The Department of Health, Education, and Welfare has indicated that, if the working poor were supplemented, as proposed under my amendment, 1,473,000 families would be included; under the act, as passed by the House, only 984,000 working poor families would be covered for purposes of the \$8,000 payment only. I ask unanimous consent that a chart entitled "1971 Estimated Caseloads of Working Poor Under H.R. 18311," prepared by the Department of Health, Education and Welfare, be included in the Record at the conclusion of my remarks.

Your Committee had noted that under the House-passed bill, a work disincentive and an equity issue was left in the AFDC-UF category. As I indicated earlier, under the program which is in effect in 23 states, families headed by fathers working no more than 30 hours per week (or 35 hours, at each State's option) are eligible for State supplemental benefits. The Committee pointed out that this was inequitable to a family headed by a full time, working male. In commenting on this discrepancy in his testimony on July 21, 1970, Secretary Richardson stated:

"The Administration has proposed eliminating this problem by abolishing the federal matching assistance for recipients in the Unemployed Fathers category—about 90,000 families out of a total AFDC caseload of almost 2 million families. As a result, all male-headed families would be treated alike, and an unbroken set of incentives would apply."

He indicated that although one means of eliminating the discrepancy was mandating the extension of State supplementation to the working poor, it was considered too costly; he estimated that such inclusion could cost approximately \$1-billion in fiscal year 1971.

Mr. Chairman, since Secretary Richardson appeared, the Committee has heard Mayor Lindsay, who provided the Committee with the results of work done by himself and Commissioner Mitchell Ginsberg, indicating that 9 to 12 million persons working poor families who will become eligible for FAP supplements, not more than 3 to 4 million will apply in the first two years, and the amount of supplementation they will receive will be quite low. On the basis of that and other information developed through a look at the six states that now give assistance to the working poor provided by the Mayor—which I recommend that the Committee study—it was estimated that the cost of supplement to the working

poor would more likely approximate \$300,000,000 rather than the \$1,000,000,000 estimated by Secretary Richardson.

With respect to the ability of the States to assume any additional costs arising from the inclusion of the working poor, I wish to indicate that this amendment is offered in conjunction with Amendment No. 802 to H.R. 16311, which I introduced with other amendments on July 31, 1970. This latter amendment would provide for Federal sharing in State supplementary payments on a variable basis ranging from 50 to 83 percent depending upon state fiscal capacity, rather than on the 30 percent basis prescribed for all states under the House-passed bill.

Mr. Chairman, in fact the Committee might consider—if the burden to the states became too great—that the federal government assume this entire amount in order to ensure inclusion of the working poor.

We are therefore up against the hard rock of dealing with a clear and blatant discrimination. I hope very much that the Committee, in its efforts to turn this bill into a "workfare" bill, will do something about this.

Mr. Chairman, I hope that the Committee will call upon the Administration, to justify in detail and on a state by state basis, its basis for the one billion dollar estimate, and to provide their comments as to the information provided by Mayor Lindsay to the Committee.

Mr. Chairman, a second mainstay of our efforts to eliminate welfare dependency lies, of course, in the area of manpower training and related employment opportunities and other efforts to increase economic independence.

The Administration's proposals to provide training opportunities to more than 225,000 welfare recipients under the Family Assistance Act and the improvements in the program over the present Work Incentive Program are commendable initiatives.

However, I believe that we must look to other legislation and sources in order to obtain a full perspective as to the adequacy of our total efforts. Only 92,750,000 of more than \$2,684,778,000 of projected expenditures for manpower training in fiscal year 1971 will be funded under the authority of the Social Security Act. The proposals under the Family Assistance Act for manpower training and related activities in fiscal year 1972 would provide less than a third of the opportunities which may be projected in that year.

It is therefore essential that this Committee work closely with the Senate Committee on Labor and Public Welfare, of which I am the ranking minority member and which has jurisdiction over the greater part of these programs. I pledge that I will make every effort toward that end.

I am pleased to say that the Committee on Labor and Public Welfare has reported out a bill entitled the "Employment and Training Act of 1970" which holds the promise of improved and expanded manpower training programs.

The bill contemplates the shift of the major responsibility for manpower training programs to the states and the cities where they can best respond to the needs in particular areas. It may be noted that a specific provision in that Act would ensure that programs under it would be operated under a plan coordinated with the Family Assistance Act.

Mr. Chairman, as Senators Ribicoff and Harris and others have noted, all the manpower training in the world will not provide jobs for many of those who are on welfare rolls.

We need therefore, to supplement these training efforts with a limited number of public sector jobs, but we should ensure that the programs respect the basic manpower training purpose, as well as the placement and advancement needs of individual participants, and respond to real needs in the public sector, and recognize the occupational links between that sector and the private sector. Otherwise, Mr. Chairman, we will have written legislation—whether in this Committee or the Committee on Labor and Public Welfare—which encourages idleness and discourages productive work.

Together with Senator Clark, I made a proposal of this kind two years ago. Recently I proposed an amendment to the Administration's Manpower bill recommending that we start off with approximately 120,000 job opportunities at an approximate cost of \$600,000,000. I suggest therefore, that the commendable proposals made by Senators Ribicoff and Harris be considered both in terms of the kind and magnitude of opportunities that would be provided, but also in relation to the Employment and Training Opportunities Act of 1970, which would authorize substantial amounts for public service employment in the coming years.

Mr. Chairman, I wish to add a word at this point in respect to the conditions under which persons eligible for Family Assistance will be given an opportunity to obtain training or employment opportunities.

The Family Assistance Act would require the registration of those eligible under the Act, with certain exceptions, for training or employment.

I think that it would be preferable to rely on the work incentives in the bill rather than on work requirements, but, to be candid, it would be unrealistic to expect this legislation to be passed by the Congress without an overall work requirement.

However, I recommend to the Committee that it ensure that the requirements are included in such a way as to maintain the basic dignity of the poor in the course of administration of the program, and, I suggest that the Committee eliminate the work requirement—but not the registration requirement—as to mothers of school age children.

It has been established that welfare mothers do want to work. In a study of families on welfare in New York City conducted by Dr. Lawrence Podell in 1966, it was documented that seven mothers in ten would prefer to work and more than eight in ten had already had some employment experience.

We can expect even a higher degree of motivation under the Administration's bill since it contains incentives much stronger than those applicable under current law. Under the proposed Act, the first \$720 per year of earned income and one-half of the remainder would be exempted in determining the amount of the Family Assistance Payments rather than \$360 and one-third of the remainder as generally applies under existing law.

But despite these motivational factors, welfare mothers are frequently unable to participate in training or employment because of a lack of child-care facilities for their children during hours when they are away from home. The Report of a Joint Review carried out by the Department of Health, Education and Welfare, and the New York State Department of Social Services issued in September, 1969, documented an increased interest of mothers in training and employment, but cited the long waiting lists for child-care centers. Lack of child-care facilities was indicated throughout the report as one of the prime obstacles in the path that leads away from welfare dependency.

The provisions for child care set forth in the Administration's bill underscore the increasing realization that lack of child care facilities—not lack of initiative—represents for millions the primary obstacle to economic independence. But we must face the fact that even on the most ambitious of schedules, we cannot expect child care services to become available in the near future in any significant number for millions of poor school-age children. Under the Family Assistance Act, 450,000 child care slots would be made available initially in the Nation. New York Governor Rockefeller, in testifying before the Ways and Means Committee, noted that in New York State alone we need 250,000 additional child care places representing a construction cost of \$500 million.

Mr. Chairman, as to school age children who are not suitable age for child care, the mother on welfare—like any other mother—is in the best position to determine whether her participation in employment or training will serve the interests of her family. The House-passed bill recognizes this to some extent, in exempting the mothers of pre-school aged children from the work requirements.

And I might add that no guidelines can be formulated that could express adequately for more than 3 million school aged children in poor households headed by women, the circumstances under which participation in employment or training will be a long-term benefit rather than a long-term liability for the child, the family, and society because of neglect or inattention.

But this does not mean that we should fail to encourage such mothers to accept work and training opportunities. Accordingly, although my amendment would eliminate the work requirements for mothers of school age children, it would leave unchanged the requirement that they register for manpower services, training or employment. By requiring registration, the mother will become aware of work and training opportunities, but would not be forced to accept them if she determined that they would interfere with her care for her child.

We must give welfare mothers the respect to which they are entitled. We should rely in the first instance upon their own desires to provide for their children, and upon a thoughtfully constructed incentive system, a meaningfully developed manpower training and employment program, and expanding comprehensive child-care services, to close the gap, in time, between our efforts to help the poor and our success in eliminating the rise in welfare dependency.

Mr. Chairman, I can appreciate the concerns of the Committee that such an exclusion might be costly, since there will be more than 1,831,000 female-headed families eligible in 1971 for the Family Assistance Plan. As I have indicated, I think that the natural desire of the mother to care for her children will prevail. However, I ask the Committee to consider the long-term costs of perpetuating the cycle of poverty by neglecting children and encouraging their own idleness and eventual welfare dependency.

As the author of day care legislation in the Senate as early as 1962 as an author of Title IV B of the Economic Opportunity Act of 1964, I am pleased not only with the child care provisions put forward by the Administration but with the proposal made by the Chairman for a Federal Child Care Corporation. Indeed, I have put forth a number of proposals—some now law—for the use of the private-public corporations to deal with efforts as widely diverse as poverty, foreign aid and private sector liquidity.

In respect to the Administration's proposal for Child Care, I want to urge the Committee to undertake a number of minor changes that may nevertheless have a deep effect if this legislation is implemented.

First, the Committee and those in the Congress are understandably focusing on child care from the standpoint of the employment needs of the mother. However, we must be very sure that full attention is given to the needs of the child.

The Administration has indicated, and the House Report has noted, the necessity of providing each child with education, health, nutritional and related services. But I think that it is appropriate that the Senate write that intention into law since—despite all good faith and good intentions—there remains the possibility that efforts to provide more "slots" will prompt the evolution of an inferior custodial system of child care for welfare mothers.

Under amendment number 805 which I proposed, the Secretary of Health, Education and Welfare would be required to ensure that all children receiving care under Section 436 of the Family Assistance Act receive the education, health, nutritional and related services, "necessary to help each child achieve his full potential."

Unless this requirement is written into this legislation we could perpetuate ironically the cycle of poverty through these very actions which seek to arrest it.

Second, if we are to bridge the "child-care gap" we must have an accurate figure on the number of welfare mothers who wish to work but are precluded from doing so by lack of child care facilities.

Amendment No. 806 would direct the Secretary of Health, Education and Welfare in consultation with the Secretary of Labor, to establish reporting procedures and to submit annually to the Congress a detailed report indicating the extent of the need for child-care facilities among persons covered by the Family Assistance Act, and to the extent to which existing child care facilities are adequate to meet such needs, so that the Congress will be in a better position to respond.

Third, this amendment would make it clear that child-care services provided under the Act will be made available to mothers who wish to work part, as well as, full time. From the point of view of the child's development, it may be desirable for the mother to work only part time. For the school age child, unless the work requirement is eliminated, the effect of the proposed legislation may be to increase the number of "latch key" children who, having no adequate supervision at home, are often swept up in the activities of the peer group, becoming victims of the destructive social pressures which such groups often exert on their members.

Fourth, the Administration has shown great foresight in providing under Section 443(a) (3) for an exemption of an amount of earned income for portions of the cost by a family member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment or self-employment. However, while this provision in effect will give an allowance for child-care families with some income to enable the mother to engage in work or training, it will not benefit the family which has no income whatsoever, where the parents are engaged strictly in training. In order to cover any such circumstances, the proposed amendment would authorize the Secretary of Health, Education and Welfare to provide, through the Secretary of Labor, allowances for child-care costs of mothers under Section 432 of the Act for costs "which are necessary to and directly related to his participation in training."

Finally, the Administration's bill wisely provides for the financing of child-care projects conducted by private as well as by public agencies. But if we are to respond adequately to the Nation's needs, we must view the role of the private

sector not only in terms of providing child-care facilities as part of a strategy to eliminate welfare dependency, but in the larger sense of encouraging business, labor and industry to make independent efforts to establish child-care facilities for employees. Companies represented at a Conference on Industry and Day Care, sponsored by the Urban Research Corporation and held in Chicago on March 18, 1970, repeatedly indicated an interest in child care, but underscored the need for information and technical assistance.

This amendment would establish an office in the Department of Health, Education and Welfare to provide technical assistance and information to such firms.

Mr. Chairman, I close as follows: There are now more than 24 million poor in the country—more than the entire population of Canada and one-half that of France and the United Kingdom.

Poverty is not a chosen way of life. A typical welfare family of four spends all but \$9 of its average monthly income of \$284 on the elemental necessities of life—generally inadequate food, clothing, and shelter.

As President Nixon emphasized in commenting on the scope of his welfare reform proposals on August 11, 1969: "these are far reaching effects . . . they cannot be purchased cheaply or by piecemeal efforts. . . ."

The proposals that I have made will be costly only if our efforts in manpower training, economic opportunity and day care fail—our failures should be no excuse for evading our humanitarian obligations to our fellow Americans.

Nevertheless, Mr. Chairman, I think that it might be helpful to the Committee to indicate what I consider the priorities to be. The highest priority, in terms of basic equity, as well as the purpose of this legislation, should be the inclusion of the working poor under the state supplemental. And I suggest that the Committee also consider the amendments that would provide for a minimum level of supplementation and for an increase in federal sharing in state and local costs.

I hope that the Committee will also give particular attention to the proposals in respect to the work requirements for mothers of school age children and these day care provisions, a number of which would be of minimal cost.

Also, I wish to indicate that in concentrating upon the Family Assistance Act, I intend in no way to downgrade the importance of a number of other related elements of legislation before the Committee.

First, I wish to indicate my general support for those provisions of the Family Assistance Act which concern the so-called "adult categories"—the blind, the disabled, and the aged, and would provide national uniform eligibility standards and assurances of a minimum income for people in these categories. I hope that the Committee will give these provisions that same consideration that has been given the Family Assistance portion of the Act, and I hope that due importance will attach.

Second, I want to compliment the Administration on its attempt to deal in an innovative way with the matter of the revision of social services, especially that part which authorizes a Governor to consolidate programs in order to meet local needs.

Third, with respect to the other revisions of the welfare program announced by the President, I share the Administration's desire to reform the Medicaid program and support the concept of a Family National Health Insurance Program for all poor families with children, which the President has indicated he will propose at the beginning of the next Congress. While I support this plan in concept, I hope that it would deal with the problem of providing manpower services and health care facilities, as well as providing the poor with purchasing power for health care. There is a vital lack of adequate health care facilities and manpower. I hope that the Administration will deal with this urgent problem in its desire to propose a meaningful Family National Health Insurance Plan. To achieve this goal, I have recently introduced a comprehensive National Health Insurance bill, as well as a bill to provide Federal assistance for the development of local comprehensive health services systems. In addition, I hope that this Administration measure would include coverage for all persons entitled to Medicaid rather than just coverage of "poor families with children."

Finally, Mr. Chairman, I note that the Administration would seek reforms in the Public Housing system by incorporating into the Family Assistance Act, the provisions of the Housing Act of 1970 that specify percentages of family income to be paid as rent. While I am not at all convinced that this is the correct way in which to proceed, and while I have doubts as to the percentages contained in the Administration proposal, nevertheless I am encouraged that the Administra-

tion seeks to meet the problem of meaningful reform of our public housing program to help the poor.

Mr. Chairman, once again let me express my appreciation for the opportunity to appear here.

ATTACHMENT

State supplemental payment to an eligible family of 4 with no other income¹

Alabama	0
Alaska	\$620
Arizona	602
Arkansas	0
California	1,052
Colorado	768
Connecticut	2,000
Delaware	188
District of Columbia	1,327
Florida	5
Georgia	0
Hawaii	1,508
Idaho	1,328
Illinois	1,550
Indiana	200
Iowa	1,315
Kansas	1,244
Kentucky	356
Louisiana	0
Maine	416
Maryland	752
Massachusetts	1,772
Michigan	1,532
Minnesota	1,868
Mississippi	0
Missouri	0
Montana	829
Nebraska	800
Nevada	116
New Hampshire	1,304
New Jersey	2,564
New Mexico	592
New York	2,156
North Carolina	319
North Dakota	1,532
Ohio	716
Oklahoma	620
Oregon	1,087
Pennsylvania	2,012
Rhode Island	1,460
South Carolina	0
South Dakota	1,712
Tennessee	0
Texas	173
Utah	728
Vermont	1,856
Virginia	1,245
Washington	2,252
West Virginia	53
Wisconsin	776
Wyoming	800

¹ Under H.R. 16311 as amended June 1970. Based on April 1970 AFDC payment levels.

Source: Department of Health, Education and Welfare.

1971 ESTIMATED CASELOADS OF WORKING POOR UNDER H. R. 16311

[In thousands]

United States	Working poor families receiving FAP only	Working poor families receiving FAP and/or State supplement if working poor are supplemented	Increase in number of working poor families who would receive benefit
Alabama	31.6	39.5	7.9
Arizona	9.0	15.7	6.7
Arkansas	15.7	15.7	-----
California	45.9	102.3	56.4
Colorado	18.2	18.2	-----
Connecticut	7.7	11.8	4.1
Delaware	5.1	5.1	-----
District of Columbia	1.2	1.2	-----
Florida	34.1	43.0	8.9
Georgia	43.6	45.2	1.6
Hawaii	2.8	4.3	1.5
Illinois	25.5	76.8	51.3
Indiana	10.9	20.9	10.0
Iowa	19.2	37.9	18.7
Kansas	7.1	15.2	8.0
Kentucky	22.5	27.8	5.3
Louisiana	36.8	53.9	17.0
Maryland	7.7	9.2	1.5
Massachusetts	2.3	16.3	14.0
Michigan	20.1	35.4	15.3
Minnesota	23.2	64.9	41.6
Mississippi	33.2	34.5	1.3
Missouri	20.9	51.5	30.5
New Jersey	14.4	40.9	26.5
New Mexico	9.0	10.3	1.3
New York	40.3	106.3	66.0
North Carolina	46.5	46.5	-----
Ohio	31.8	31.8	-----
Oklahoma	11.6	12.9	1.3
Oregon	7.3	13.3	6.0
Pennsylvania	45.4	69.1	23.7
Rhode Island	1.3	5.5	4.2
South Carolina	16.7	23.2	6.4
Tennessee	32.8	37.9	5.1
Texas	70.8	80.0	9.2
Utah	1.2	16.3	15.1
Virginia	30.8	38.2	7.4
Washington	8.3	19.5	11.2
West Virginia	10.2	10.2	-----
Wisconsin	15.4	29.1	13.7
Other States:			
Northeast (Maine, New Hampshire, Vermont)	17.2	42.2	25.0
North Central (Nebraska, North Dakota, South Dakota)	53.6	74.6	21.0
West (Alaska, Idaho, Montana, Nevada, Wyoming)	15.0	18.8	3.8
Total	924,600.0	1,473,300.0	548,700.0

TWENTY-THREE STATES WHICH PROVIDE AID TO FAMILIES WITH DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

California, Colorado, Delaware, Hawaii, Illinois, Kansas, Maine, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Utah, Vermont, Washington, West Virginia.

FEDERAL MEDICAL ASSISTANCE BY STATE

	<i>Percentage</i>
1. Alabama	78.54
2. Alaska	50.00
3. Arizona	66.42
4. Arkansas	79.76
5. California	50.00
6. Colorado	56.24
7. Connecticut	50.00
8. Delaware	50.00
9. District of Columbia	50.50

FEDERAL MEDICAL ASSISTANCE, BY STATE—Continued		Percentage
10. Florida	-----	64.10
11. Georgia	-----	71.48
12. Hawaii	-----	50.75
13. Idaho	-----	68.91
14. Illinois	-----	50.00
15. Indiana	-----	52.85
16. Iowa	-----	55.27
17. Kansas	-----	57.78
18. Kentucky	-----	74.30
19. Louisiana	-----	73.57
20. Maine	-----	68.33
21. Maryland	-----	50.00
22. Massachusetts	-----	50.00
23. Michigan	-----	50.00
24. Minnesota	-----	56.95
25. Mississippi	-----	83.00
26. Missouri	-----	59.29
27. Montana	-----	64.72
28. Nebraska	-----	57.25
29. Nevada	-----	50.00
30. New Hampshire	-----	59.18
31. New Jersey	-----	50.00
32. New Mexico	-----	71.48
33. New York	-----	50.00
34. North Carolina	-----	73.96
35. North Dakota	-----	70.48
36. Ohio	-----	52.42
37. Oklahoma	-----	68.84
38. Oregon	-----	56.35
39. Pennsylvania	-----	54.60
40. Rhode Island	-----	51.70
41. South Carolina	-----	78.68
42. South Dakota	-----	69.91
43. Tennessee	-----	74.62
44. Texas	-----	66.66
45. Utah	-----	68.23
46. Vermont	-----	64.96
47. Virginia	-----	65.04
48. Washington	-----	50.00
49. West Virginia	-----	75.73
50. Wisconsin	-----	55.21
51. Wyoming	-----	60.38
52. American Samoa	-----	-----

The CHAIRMAN. Our next witness will be the Senator from Illinois, Charles H. Percy. We are pleased to have you here with us today, Senator Percy.

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator PERCY. Mr. Chairman, members of the committee—

The CHAIRMAN. Senator, before you present your statement which is always provocative, I would like to urge my colleagues here that we are here to hear the witness. The reason I say that, the way these hearings have been going the past several days, during the morning session our members engage in colloquy with the witnesses until noon and we have heard about two, and then the chairman comes back here in the afternoon either by himself or hopefully, with the assistance of one of the members to hear the other five witnesses. I would hope that as provocative and eloquent spokesmen as Senator Javits and Senator Percy are, the Senators will volunteer to sit with me in the afternoon

or else restrain themselves for the debate on the floor. Senator McGovern was here yesterday and we had a very entertaining session but it left the chairman all by himself in the afternoon.

Senator WILLIAMS. I might suggest since we have been about 7 weeks on one bill on the floor, we can take the bill over there and have a sideshow.

Senator PERCY. Mr. Chairman, I have taken the liberty of preparing my testimony which I would like to submit for the record at this point in full and I have a two-page summary which I would like to read.

Before reading the summary, however, I would like to comment on two matters of which I hope my Republican colleagues particularly would take note.

From everything I know of welfare programs as they are run in Illinois now, I consider that I really have a mandate from the 11 million people of Illinois to do something about welfare and to work through our committee process to bring about change this year. I consider welfare reform to be must legislation in this session of Congress and I hope we do not go home until we do something to reform our present system.

I feel so deeply about it because I sent out to Illinois 80,000 questionnaires. The recipients just had to put a postage stamp on and send it back. I received 11,000 back. That meant a lot of people felt strongly about the issues mentioned.

When we discussed welfare I gave them several choices. I asked them whether they favored guaranteeing to anyone able and willing to work a job and 56 percent of Illinois respondents said, yes. I said, do you think we ought to concentrate on reforming our present welfare system? And 43 percent said yes, we must reform our present system. I said are you satisfied with our present system, and 1 percent said that they were satisfied. So, of the respondents—and this is far better than a Gallup or Harris poll because while their sample is composed of 1,800 persons across the country, this was 11,000 people in one State—99 percent said we must do something about welfare. That is why I say I have a mandate and that my colleague, Ralph Smith, has a mandate to do something. I am therefore delighted the House has adopted a plan and I am delighted that the Senate Finance Committee has taken so much time to find a workable plan. I hope we start forward.

Secondly—

The CHAIRMAN. Might I just interrupt to say, Senator Percy, that one thing we want to do when we finally complete work on this bill is to eliminate this situation such as exists under present law right there in Chicago, Ill., where a mother goes to work and by accident of efforts increases her income by a thousand dollars and has her welfare benefits cut by \$2,300, by one example I heard of. We do not want to have that type of welfare which in effect amounts to a 230-percent tax on the person's earnings as a result of the bill we pass. We would hope when they work and improve their condition they would keep most or at least half of it rather than have it reduced by more than 100 percent.

Senator PERCY. Well, we recognize that there are some inequities in our program. It is not a perfect program. But I would like to say that I strongly favor the enactment of a work requirement for welfare recipients in Illinois. We have now had this as a legal requirement in

Illinois for 5 years, and even though it is not perfect, and it needs improvement, the State administration strongly supports it. I think the legislature does. I personally do and our experience to date has really been quite good.

We have trained now about 50,000 welfare recipients. Since 75 percent of those trained were welfare mothers, a total of 35,000 women have been given training.

I checked this morning just to be certain that Mr. Harold Swank, the Illinois director of public aid, and Mr. Gershen Hurwitz, the deputy director, have not changed their enthusiasm for the work program. They indicated to me that they have trained thousands of data processing operators, particularly in key punch operations which are the simple type but they have worked them up through more sophisticated data processing as well. They have trained thousands of nurses aides, taking them through to become nurses. Laboratory technicians, dental technicians, and the only limitation they face is the fact that we do not have adequate day-care center facilities.

I would like to give the figures for Illinois indicating the need for day-care facilities. We have an estimated 180,000 children between the ages of 3 to 5 who are in need of day care. Of these 180,000, 57,000 are now being cared for in 1636 licensed day-care centers. Another 10,000 are being cared for in foster homes. Therefore, additional space must be found for approximately 120,000 children and this is the limitation we have on the number of women that we can put into this work program. If the present capacity of existing facilities would double, an additional 1,100 day-care centers would be required, assuming a proportional increase in foster care facilities.

Our program in Illinois allows a woman to keep the first \$30 of her earnings and she or he, can also keep one-third of the balance. Though this is not the best incentive in the world, it has been at least a better incentive than we had before, coupled with the work requirement, and our director and the State administration say this work program is the only program, the only hope, that they know of for working down our welfare costs even though the initial investment is somewhat higher to build these facilities and to operate the day care centers.

So, with that experience I will quickly then summarize my testimony.

The family assistance plan is designed to move aid recipients from dependency to stable employment at a living wage. The plan accomplishes this objective, in part, by requiring the heads of all households receiving assistance to register for training, vocational rehabilitation or employment. This provision applies to female-headed families with at least one child under the age of 6. The provision does not apply to such families with at least one child below this age, although these women will be encouraged to register voluntarily.

Obviously, if these women are to be required to register or are to be encouraged to do so voluntarily, some provision must be made for the care of their children. The bill recognizes this and includes a section for the provision, including construction, of child care facilities.

The construction provision now contained in the bill is inadequate in a number of respects. First, although it permits the expenditure of funds for the remodeling of existing facilities, it does not in any way alter or relax local code requirements. These local requirements are, in some instances, unreasonable, and the cost of remodeling existing fa-

cilities to conform with them may be found to be prohibitive. As a consequence, if the bill is not changed, new facilities may be constructed while perfectly suitable and safe existing facilities are unused. I commend to the committee Senate bill S. 4101, introduced by our chairman, Senator Long, which I think gets right to the heart of this problem and I certainly commend particularly that section of the bill to all members of this committee.

I point out in the full statement that I put into the record an example of a church in Chicago which expended \$50,000 to provide what I consider to be very adequate day care facilities only to discover that city ordinances would not permit the facilities to be used for day care. Since then I think Mayor Daley has indicated that he would have an emergency order of some sort to rectify this situation. Nevertheless, the point is the same. I am sure that there are thousands of churches located in the right communities, in the right areas, properly used for Sunday school purposes, which stand idle throughout the course of the week when mothers cannot get day care facilities, when mothers could walk their children right down to these local churches if we had ordinances that provided for it and if we had remodeling funds to perhaps adapt them for this kind of purpose.

Second, the bill does not specify the amount of funds that are to be made available for construction and current estimates indicate that the amounts which will be available will be inadequate.

Third, the bill lacks specific guidelines to insure the equitable distribution of funds to States and localities and the bill fails to establish criteria for evaluating requests for funds.

The amendment which I have offered is designed to remedy some of these defects. Thus, the amendment would specify authorizations for construction funds for the next 4 years—\$45 million for the first, \$49.5 million for the second, \$54.45 million for the third, \$59.895 million for the fourth. The figure of \$45 million would build 500 day care centers at the average cost of \$90,000 per facility. The increased figures for following years reflect a 10 percent inflation and construction cost escalator for each subsequent year which is based on past experience. These funds would be utilized to finance 75 percent of the construction costs of particular projects.

The amendment would also establish a formula for the allocation of funds to each State based upon the ratio that the number of children under 7 in a State receiving assistance bears to the total number of such children in the country. The formula would also guarantee a specific sum to the less populous States.

Finally, the amendment would specify the criteria which the Secretary of Health, Education, and Welfare is to apply in determining which grant application to fund so as to insure the expenditure of funds in the area of greatest need.

I believe that the child care provision of the bill is important. It is important because child care is essential if female-headed families are to be assisted in an attempt to end their dependence upon family assistance. It is also important because enriched or developmental child care promises a means of helping to "break the cycle of poverty". Thus, I hope that the committee will give this provision its most careful consideration and attention.

I fully support the principle and the concept of the administration's family assistance plan. I am a cosponsor. But that cosponsorship does not mean there are not improvements to be made. I am delighted that this committee is digging as deeply into this matter as it is. It would be disastrous for us to embark on a course we did not think would work.

I do urge that we move ahead this year. It is possible to see many of these problems and solve them in legislation this year if we have the will to do it.

The CHAIRMAN. Senator Harris?

Senator HARRIS. I do not have any questions, Mr. Chairman. I appreciate, Senator Percy, your being here and, particularly, your emphasis on day care. I think that we have to worry, too, about people who are not receiving welfare, mothers who may want to work as well. And the administration bill does not look to their problems. Do you have any comment on that?

Senator PERCY. I think I provided in my testimony some figures on the overall needs. The overall needs are tremendous and as the women's liberation movement moves ahead, I presume there are going to be more and more mothers that will want to work and have an independent career. We are archaic in this country. European countries provide day care facilities, countries abroad provide day care facilities, and it is about time private industry in this country recognizes that they are going to have to be progressive about this. We cannot depend on the Government to do everything. They are going to have to be modern like the European countries so they will have available a larger labor supply pool.

Senator HARRIS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. No questions. Just my thanks to Senator Percy for a good statement.

The CHAIRMAN. Senator Anderson?

Senator WILLIAMS?

Senator WILLIAMS. Senator Percy, I want to welcome you to the committee. I have just one or two questions.

Is your ultimate recommendation to complete federalization of the welfare plan and that the Federal Government take it over?

Senator PERCY. I am not willing to go that far in that direction. I feel that the States should absorb what they can. The States cannot probably absorb the amount that is being considered now and perhaps the Federal Government is going to have to absorb a larger part. I hope it will absorb those parts which will enable it to get a good return on its investment and I think the construction funds for day care centers is one area where that can occur since construction grants are not continuing grants. But I am not fully qualified to say how far the Federal Government should go. I always like to see, just as I provide for 25-percent State funds, even for construction, I always like to see local and State participation in any program the Federal Government has.

Senator WILLIAMS. This bill does move in that direction as you know, and as I mentioned to Senator Javits earlier, in your own State, the State of Illinois, we were furnished with the report that actually welfare recipients get little, if any, additional benefits under this

bill. The benefits go to the city and State. As you well know, for example, under this bill a welfare family of four with no income gets \$180 more under this bill. We will forget the medicaid and public housing, just talk about the cash benefits. But a person with \$1,000 income gets \$7 less, \$288 less if it is a \$2,000 income and progressively up, so in substance the additional benefits to the welfare recipients is zero. It is largely benefits to the cities and to the States where the Federal Government is absorbing a larger portion of the load.

Now, we are now discussing the extended provisions at this time which are not in existing law but speaking as far as the existing welfare plans today, and I agree with you that we need a reform of our existing system. Some of us were a little concerned with the description of the Secretary of HEW when he said that there was no reform in this bill in that no—they would have a grandfather clause providing that no one would get less and everybody would get the equivalent or more, and I thought maybe there might be some misunderstanding on the part of the welfare recipients and the public in general that there was reform. I think we need reform but reform is generally defined as taking away from someone something to which we think they were not entitled and that is not in this bill.

Senator PERCY. I would not want to put a litmus test on a plan such as this to whether or not recipients in my State received more or less under this plan. I think the need for reform is so basic that I feel we should move toward a program that we have proven can work fairly, as opposed to straight welfare, and that we should establish the principle now despite what may appear to be inequities.

Now, I think the provisions are inadequate. As a member of the Nutrition and Human Needs Committee I support supplementary food stamps to make up the inadequacy of a basic \$1,600 minimum. I would like to see us work away from the food stamps. I think in a sense they are degrading but in a sense we can wean ourselves away from that system and we will have to enrich the benefits as we go along. However, this year I hope we can take that basic gigantic step of reforming the basic system and going in principle toward family assistance programs and then as we go along, see how we can remove the inequities.

Senator WILLIAMS. Well, I agree with you, we need work incentives and that is what I think must be in this formula. As I pointed out, and I discussed this with you privately before, under this proposal here, a person earning \$7,000 in Chicago will have \$60 less than they would if they were only earning \$2,000. I do not think we can endorse a bill which has that disincentive to increase your earning capacity. And by the same example, a person earning \$5,000 would have \$866 more than the person would if they adopt training and increase their earning capacity a thousand dollars. In other words, if they increase their earning capacity \$1,000, from \$5,000 to \$6,000, they actually have \$866 less spendable income and that correction does have to be made and I think you would agree that we cannot have an actual penalty on work, that it must be an incentive where the more he works, the more he has, rather than to have a bill designed on the mathematical formula where the more you work the less you have.

Senator PERCY. A bill I have sponsored ever since I have been in the Senate provides for an increase in social security to encourage recipients to continue working. And here I am delighted the commit-

tee is looking in such detail and not accepting every statement that it is going to be an incentive until we see that it really is. I have asked the State of Illinois to submit to the committee and to me what they consider to be adequate incentives, taking into account our particular situation, and the very figures you point out, and they will do that just as promptly as they can put it together. I consider those the nitty-gritty detail of working it out. If we agree in principle that we are working toward a reform program of this type that has incentive for work, then I think we can work those details out and come up with a satisfactory plan now. I think we should say this is what it is going to cost and what we are going to find some way to afford it. But we are going to go ahead with the plan.

Senator WILLIAMS. On that point we are in agreement and I merely point these out because as you stated, we cannot correct the problem if we do not recognize it and once we recognize the problem and if there is need for correction, we can see if we want to work out a solution. But you do not solve it by just brushing it under the rug and talk in glowing terms about work incentives when in reality the formula does not carry it out. I think we have to examine this formula in detail and perhaps it was examined before it was sent down but at least these figures are in there and they cannot be ignored and I think all of us working together, we may have an answer somewhere down the line.

Senator PERCY. I would like to say that I find generally when I go back home and around the Washington community that there is a general impression that the minority members of the Finance Committee are fighting the President trying to block his program and I try to say, knowing the men as I do, that is not true at all. They want to make certain that we enact a program that will work, that will actually contain an incentive and not a disincentive, and I would think HEW would be very grateful if we found some loopholes and points in this program that will not fulfill our expectations and that they have gone back and returned with revisions in the program. We want to perfect it but I do not see any inclination, I hope I am right, to stop the program and not enact anything simply because there are some flaws and I hope that we can work with the same tenacity as the distinguished Senator from Delaware has on many other occasions to find the right answer and go ahead when we do find it.

Senator WILLIAMS. Unfortunately, we found the homework had not been done before the bill was presented, and so we have to do the homework in the committee. So, perhaps both the committee and HEW can learn something from these hearings.

Senator PERCY. I think of that as working in collaboration and cooperation with the committee. I hope that will be understood by the public.

The CHAIRMAN. Senator Percy, I am pleased to hear the fine statement you have, basically for the concept of workfare as a step beyond welfare. Now, welfare is something that we will provide for when we cannot do any better but you and I both agree that workfare is a better idea. That is what we are trying to do.

Senator PERCY. Absolutely.

The CHAIRMAN. Now, it has been somewhat amusing to me to see some of the press accounts indicate that this Senate Finance Committee

is a very conservative, reactionary group that does not take to the idea of improving on the welfare program. This committee initiated the work incentive program a year or two ago and I was gravely disappointed to find that the administration, and I am not just finding fault with this administration, it has not been in power long enough to completely wreck that work incentive program. It took the previous administration to start that procedure whereby all the efforts of this committee and this Senate to put people to work under that program had been frustrated, at least to about 99 percent frustrated, by the way the program has been administered. So, when we see someone trying to move in that direction we want to look at his program and ask him what makes you think that is going to work any better than what we tried to do? If we can find a way to make it work, I do not have any doubt we will find the votes to pass it, but the important thing is we do not want to come back 2 years later with the same frustrations we had with that program. We want to see these people working and where someone proposes something to us that we do not think is going to work we would like to see it changed so it will work.

I am particularly pleased to see you speaking in favor of this thing where you provide incentives for people to go to work when they are on welfare. Your predecessor, Paul Douglas, sat here and offered amendments year after year to try to let a person keep some of what they would earn by going to work and for the life of me I do not see how we can expect a welfare client to go to work when he cannot keep anything of what he earns any more than you can expect a businessman to stay in business if he is taxed 100 percent on what he makes or more than 100 percent. Most business people think if they are taxed a hundred percent of what they earn that is because the Government does not want them to do that and when we reduce a person's welfare dollar for dollar how can you expect him to feel any differently?

Senator PERCY. May I close on a personal note which I did not intend to make, but which I feel is appropriate since I feel so deeply about the importance of what you are doing and since I want to help any way I can. There is an inclination on the part of many people to believe that welfare recipients do not want to work, that they would rather sit home. I would rather say my own personal experience is simply not along that line. When our family was on relief and we received our food from a truck and an allowance to keep our electricity on, our family was just in the depths of despair. We all felt worthless. My mother did, my father did. Finally, the program came along under President Roosevelt, a work program. Make work. Leaf raking. My mother was a concert violinist and she was asked to play. She got the same money, she got the same allowance. She got \$90 a month for going to play in the Illinois Symphony Orchestra. The difference was she had dignity. We found some way for the children to be taken care of and she played for all the schoolchildren in an orchestra filled with unemployed musicians. All of them felt a sense of dignity and pride. Suddenly the world had not ended for them. They were needed and wanted and schoolchildren all over the State of Illinois were enriched through music that they never would have heard otherwise.

That was a leaf raking program of work and I remember when election time came she voted for Franklin Roosevelt and my father asked

why. I remember my mother saying he fed me. It was a very personal experience.

Over the years I have worked with the impoverished in Chicago and I have gone on occasion to welfare recipients' homes with Mr. Swank, the Director of Public Aid. A very small percentage of these people want to stay home. They want to work if they can and when they get a job and get dignity they feel like my mother did.

I have talked to these women on jobs. They have a sense of dignity and pride that helps them to be better mothers. They come home refreshed, not tired, and they have a sense of dignity that you cannot give a woman any other way.

I am pleading with the committee to find a way—there ought to be a way to guarantee work for everybody in this country. People are lying around in hospitals. They cannot get any attendants. There are thousands of women who could be equipped to become nurses aides. We can solve the problems of middle income America and give them better medical attention if we can take thousands of these women and train them. This is a program of great emergency and I really implore this committee to work as tenaciously as you are at what I consider absolutely must legislation.

The CHAIRMAN. I agree with you. Let me tell the kind of thing we do not want to do. We do not want to do the type of thing I am going to relate to you. When President Nixon was running for office he said he wanted to have black America have a piece of the action. I am well aware of a case right here in Washington, D.C., of a very fine Negro woman who with her husband is trying to run a small business. They are trying to get someone to work for them. She really feels she cannot afford to pay more than \$2 an hour. So, she tried to prevail upon someone to go to work for her at \$2 an hour. They find some Negro mother and offer her the job. The mother is ready to take the job but she calls her social worker who says do not take the job, you can make more money on welfare.

The cost of workfare does not bother me in that particular instance. In that one case I would be willing to pay the welfare money, and let her receive the wages too, but I think we would be in better shape if we had been able to provide the cash for the children and provide all the opportunities for employment to the mother. This is not degrading work; it's in an air-conditioned establishment with pleasant surroundings. I would think it would be better to pay the woman, to subsidize the wage rather than to leave this other person working with her husband in their establishment trying to get ahead, unable to get help, working 18 hours a day because they cannot get help, with the welfare buying them away from an industrious couple trying to make their small business go. You agree with me, I can tell by the nod of your head, that there is a frustrating experience, where someone is trying to run a small business and cannot get people to work for them because the welfare is outbidding for them.

Senator PERCY. I would like to see us be as tough as we can be on the work requirements for welfare recipients and I was condemned as being hardhearted when I came out for it. I do not think it is being hardhearted. In the end it is compassionate to give people a chance to stand on their feet and to give them dignity.

I would like to be as tough as we can in requiring work but you cannot require it if you do not have the physical facilities to take care of those children.

The CHAIRMAN. Thank you very much.

Senator PERCY. Thank you, Mr. Chairman.

(Senator Percy's prepared statement follows:)

TESTIMONY OF HON. CHARLES H. PERCY, A U.S. SENATOR FROM THE STATE OF ILLINOIS

DAY CARE FACILITIES CONSTRUCTION AMENDMENT

Mr. Chairman, other members of the committee, I appreciate the opportunity to appear before you this morning in order to testify on behalf of the Day Care Facilities Construction Amendment to H.R. 16311.

The Family Assistance Plan is designed to move aid recipients from dependency to stable employment at a living wage. The Plan accomplishes this objective, in part, by requiring the heads of all households receiving assistance to register for training, vocational rehabilitation, or employment. This provision applies to female-headed families without at least one child under the age of six. The provision does not apply to such families with at least one child below this age, although these women will be encouraged to register voluntarily.

Obviously, if these women are to be required to register or are to be encouraged to do so voluntarily, some provision must be made for the care of their children. This follows from the simple proposition that a woman cannot be expected to leave her child unattended at home or to wander in the streets while she is trained and begins to work.

Thus, if the intent of the work provision of the bill is to be fulfilled, the bill must provide for adequate day care facilities. This is confirmed by the experience gained during the operation of the experimental Work Incentive or WIN Program. For example, during November, 1969, a total of 1700 mothers or other caretakers, 31% of those contacted, could not be referred for enrollment in the WIN Program for the sole reason that adequate child care arrangements were not available.

H.R. 16311 recognizes this problem and, in fact, the bill provides persons eligible for child care with five basic options. If they have income, they may make their own arrangements and exclude the costs of child care from their reported income. Or, they may arrange to have the child cared for in their own home or in the home of a friend or relative and have the Federal Government pay for the cost. Or, they may have the child cared for in a family day care home which would have a small group of children cared for in someone's home. Or, they may have their child cared for in a group day care center. Or, finally, they may, through a vendor payment system, choose among available day care programs, or in some cases, organize their own programs.

Although the government will establish reasonable standards as to the manner in which Federal funds can be used for each of the options I have mentioned, these standards will mandate enriched day care, including educational activities, health and social services, only for the last three options. The expectation is, therefore, that a large number of parents will initially select the first two options, but will switch to one of the last three when they understand that to do so will offer their children a greater number of advantages.

Given these facts, it would appear that some provision must be made for the care of a large number of children. While the exact number of children is unclear, testimony received by this committee, indicates that approximately 500,000 mothers with children who range in age from 6 to 17 will be required to register for work and that approximately 800,000 mothers with at least one child under 6 will be encouraged to register. Based upon an average of 2.5 to 3 children per mother, we might expect as eligible for day care anywhere from 1,250,000 to 1,500,000 children of mothers required to register plus some percentage of the children of mothers with at least one child under six who voluntarily register to be eligible for day care.

If these estimates are fairly accurate, given the intent to encourage the use of developmental day care to be provided, in part, by group day care centers, some provision must be made to provide facilities for these children. The bill, as revised, recognizes this and empowers the Secretary of Health, Education and Wel-

fare to make grants to or contracts with any public or non-profit private agency or organization to pay part or all the costs of providing child care facilities. These grants or contracts are to be utilized to acquire, alter, remodel, or renovate existing facilities, or when it is not feasible to use or to adapt existing facilities, to construct facilities for day care.

There are a number of features of the section of the bill authorizing construction which disturb me.

First, the bill provides that before new facilities are to be constructed, the Secretary must determine that it is not feasible to use or adapt existing facilities for use as child care centers. However, the bill does not in any way alter or relax local code requirements governing day care facilities. It has been my experience that there are many existing structurally sound, dry, and well-ventilated and lighted facilities, such as those possessed by churches and Sunday schools which are suitable for use as child care centers, but which cannot be so used because of excessively stringent local codes. Since the bill does not provide for changes in these local codes, I believe the Secretary will find that the cost of remodeling these existing facilities to conform with what are, in some cases, unreasonable codes, will be prohibitive. Allow me to cite but one example from my own state of Illinois. Five years ago, Reverend Pierce of the Chicago Temple-First Methodist Church in Chicago influenced his board of trustees to spend approximately \$50,000 to build a day care center on the fourth floor of the church building. This beautiful facility which could have provided care for at least 25 children of mothers who worked in downtown Chicago, was denied a license because the ten square feet per child of outdoor play space required by the local code was not available.

As this example indicates, if the bill is not amended, the Secretary will be required to construct new facilities, which will also be excessively costly due to the need to conform to these same code requirements, while perfectly safe existing facilities remain unused. I, of course, believe that we must safeguard the lives and the health of our children, but I do not believe that in this instance our desire to do so necessitates the excessive expenditures required to comply with local code requirements which are, in some instances, almost ludicrous.

The Chairman of this committee, the distinguished Senator from Louisiana, Mr. Long, has offered a bill, S. 4101, which aims at remedying the problem caused by these local codes and I particularly commend that portion of his bill to the committee.

Second, assuming that some construction will be necessary, the bill does not specify the amount of funds that are to be made available for construction. However, we may estimate, from the figures available, that construction funds will be limited. Before the bill was revised to include authorization for construction, the cost of day care including personnel, training, and research was estimated to be \$386 million for the first year of operation. This estimate was not changed after the bill was revised to authorize construction. Given the Administration estimate that 450,000 children would receive child care in the first year of operation at a per capita cost of \$800 for a total cost of \$360 million, the amount remaining for construction will be very small indeed.

My amendment is designed to remedy this defect. The amendment would specifically authorize the expenditure for construction of \$45 million for the first year, \$49.5 million for the second, \$54.45 million for the third, and \$59.895 for the fourth. The figure of \$45 million would build 500 day care centers at the average cost of \$90,000 per facility. The increased figures for following years reflect a 10% inflation and construction cost escalator for each subsequent year which is based on past experience. In view of the fact that it costs approximately \$90,000 to build one facility for 40-60 children, this is a modest authorization for a construction program. However, because of our economic condition and the already great projected cost of family assistance, I think the authorization is helpful without being excessive.

These funds would be available to finance 75% of the construction costs. I believe that this level of federal support is sufficient to provide an incentive for local efforts to construct child care facilities. I believe deeply in the principle of local commitment to safeguard the integrity of federal expenditures.

A third reason for my concern about the construction provision of the bill involves the absence of specific guidelines for the expenditure of construction funds. Thus, the bill lacks guidelines to ensure the equitable distribution of funds

to states and localities and the bill fails to establish criteria for evaluating requests for funds. My amendment is therefore also designed to remedy these defects.

The amendment establishes a formula for the allocation of funds to each state. Basically, for the first year of operation, a transitional period, the amendment would distribute funds to each state on the basis of the ratio that the number of children under 7 in the state receiving AFDC bears to the total number of children under 7 in the entire country receiving AFDC. After the first year, the ratio would be determined upon the basis of the number of children under 7 receiving family assistance. The number of children under 7 was chosen because local code requirements are most stringent for day care facilities for children of this age and under and thus it is most likely that more new facilities will be constructed for children of this age than for any other. Since some of the less populated states might not receive enough money to build even one center under this formula, the amendment contains a provision stating that no state shall receive less than \$100,000.

The amendment further specifies the criteria which the Secretary is to apply in determining which grant application to fund so as to ensure the expenditure of funds in the areas of greatest need. These criteria include a consideration of:

1. the number of low income working mothers, of mothers engaged in job training and of mothers receiving welfare in the area in which a project is to be located;
2. the availability within the area of opportunities for mothers to secure employment or to participate in job training programs;
3. the increase, if any, required in the number or capacity of day care facilities in the area to meet the need for day care of the mothers in the area who are employed or in training programs or who could be employed or placed in training programs;
4. the extent to which there are buildings available in the area that could be remodeled for day care centers.

In sum, my amendment would completely revise the construction provision of the bill. It would establish specific authorizations for construction funds for four years. It would establish a formula to ensure equitable distribution of these funds to the various states on the basis of the greatest need. Finally it would establish specific criteria to be used by the Secretary in deciding which projects to fund.

Mr. Chairman, I believe that the day care provision of H.R. 16311 is important. It is important because child care is essential if female-headed families are to be assisted in an attempt to end their dependence upon family assistance. It is also important because enriched or developmental child care provides a means of helping to "break the cycle of poverty." Without it, the objectives of the bill could fail. Thus, I hope that the committee will give this provision its most careful consideration and attention.

The CHAIRMAN. Our next witness will be Mr. Leslie Ovre, executive director of the Public Welfare Board of North Dakota.

STATEMENT OF LESLIE O. OVRE, EXECUTIVE DIRECTOR, PUBLIC WELFARE BOARD OF NORTH DAKOTA

EFFECT OF FAP ON NORTH DAKOTA

Mr. OvRE. Mr. Chairman, members of the committee, I am Leslie Ovre, executive director of the public welfare program in North Dakota. I have been working in public welfare for more than 36 years.

I am pleased to have the opportunity to testify before your committee today on H.R. 16311, the Family Assistance Act of 1970. It is not my purpose to specifically support or oppose the passage of H.R. 16311 as it was originally, as it has been amended or as it will be further amended, nor am I able to discuss its effects on any State other than North Dakota. My remarks will be confined to some of

the provisions of the bill which will have a direct effect on the State I represent.

A political code was adopted by Dakota territory in 1877, 12 years before statehood, which contained a section providing for support of the poor. Following the enactment of the Social Security Act, a little more than 35 years ago, our present public welfare program came into existence. The ability to work and the availability of work have always been factors of eligibility for public aid in North Dakota. We have always been concerned with equity and uniformity of treatment of those in need.

For more than 20 years, North Dakota has officially and unofficially recommend to the Federal Government that all needy families be treated equitably, that consideration be given to the unemployed and the underemployed. We have not been able to provide the needed financial aid for those families but we have provided direct services and referrals as our resources permitted. We have kept many families together by providing high quality preventive and rehabilitative services. Our program has not perpetuated poverty or encouraged dependency. For many years the average length of stay on the AFDC program was 2.7 years. This is, of course, now increasing because of the recent change in Federal law.

We certainly endorse the concept of providing needed aid, money and services to the working poor. These families have too long been neglected.

It may be necessary in some States to develop a system of paying people to go to work. This has not been true in North Dakota, and it is not true at the present time. For more than 30 years employment in North Dakota has been the major alternative to the receipt of AFDC by needy families. Appropriate education and training have been made available, if appropriate, and have been provided by the public welfare program as well as by the North Dakota State Employment Service, and in some instances by the Vocational Rehabilitation Administration. Many eligible AFDC mothers have asked for help in securing employment instead of receiving AFDC.

We were somewhat handicapped for years by the restrictive policy in the AFDC program prohibiting any earning exemption. For approximately 25 years North Dakota has, with State and county funds, assisted these families—the unemployed and the underemployed—with needed medical care and services, even though they were not recipients of AFDC. North Dakota has consistently ranked in the top third so far as the amount of AFDC payment is concerned, and has consistently ranked in the bottom third so far as the percentage of children receiving AFDC. This has been due primarily to the comprehensive services provided through our program and the stress on employment when that was practical and available. The average length of stay on our AFDC program has been consistently low. In the past we have been able to assist many families to move from the AFDC role into private employment.

During the past few years we were able to exempt \$20 of the total net earnings as employment expense, and the balance of the earnings was deducted from the budgeted need. The amendment regarding exempt earnings, which took effect July 1, 1969, has increased our caseload. We are now required to exempt the first \$30 of earnings plus

one-third of the balance. This has had the effect of inviting AFDC mothers to clear through the AFDC program before going to work and, in most instances, has not made it possible for us to close the AFDC case. As a result we have an increasing AFDC caseload.

Before the requirement that we exempt a considerable part of the earnings we were able to place many AFDC mothers in employment and terminate assistance. We now close very few cases because of earned income. The family assistance program requires that the first \$60 plus 50 percent of the balance of net earned income be exempted. Under this proposed arrangement we will close very few cases as a result of earnings. The idea of paying an individual to go to work had never really occurred to us in North Dakota. We have perhaps a different work ethic in North Dakota than obtains in many other parts of our country.

The FAP provides that the first \$60 of earned income shall be exempt, plus 50 percent of the balance of earned income. This amount provides more than an incentive for going to work, in North Dakota, at least. It provides an outright bonus. We strongly recommend that there be a reasonable maximum on the earned income exemption. We strenuously object to the provision that the earned income be used to reduce the family assistance payment to a greater extent than to reduce the supplementary payments. We will, of course, strongly recommend that the earned income be first used to reduce the supplementary assistance payments and then applied to the family assistance payment.

The crediting of unearned income is not too well spelled out in H.R. 16311. We have some misgivings in this area, but since we do not know exactly what the bill provides, we cannot intelligently comment on it.

In the area of services, North Dakota for 30 years has recognized the value of comprehensive services of the highest quality. During the past 10 years particularly, North Dakota has developed an enviable social service program. This has saved considerable money, both for the State and for the Federal Government. More important, our comprehensive, preventive, protective, and rehabilitative services have made life more worth while for many individuals and families.

We highly endorse the provisions of the bill which provide for accountability in the area of social services. We have strengthened, and are continuing to strengthen, our ability to measure the effectiveness of social services and become more accountable in this area. Measuring the effectiveness of social services requires more than simple monitoring.

At the present time society has an open end obligation to provide needed services. We believe that the recommendation found on page 472 of the President's budget will prevent North Dakota from accomplishing what H.R. 16311 intends. During the past 30 years we have found in North Dakota that opportunity for employment is sufficient for many individuals. We have also found that opportunity alone is not sufficient for many individuals, but that a mixture of opportunity and services are needed. Carefully structured and controlled services are needed to have the desired effect.

We have found that in order to engage successfully in employment the person must be both physically able, and psychologically able, to work. Physical rehabilitation is frequently more easily accomplished than psychological rehabilitation. It is also more dramatic and can be

more easily measured. Complete rehabilitation to be effective must include an expanded social service program.

In the area of employment it is becoming more difficult for mothers of young children to find suitable employment. This situation has tended to increase our AFDC caseload. So long as mothers who have a skill cannot find employment and must apply for AFDC, it will be difficult to reduce our AFDC caseload by providing training for other mothers. It appears that there are simply not enough jobs available.

It is extremely difficult to determine North Dakota's fiscal responsibility under the current Family Assistance Act and other bills pending in Congress. Various figures and estimates are available. We are aware of section 501, "Saving Provision", of H.R. 16311. The wide publicity given the Family Assistance Act and its generous work incentive provisions will induce many families currently ineligible for AFDC to take advantage of the provisions of H.R. 16311. The statutory minimum of \$110 per month for adults will make more adults eligible for aid. Limitations proposed in the medicaid program will affect the number of, and amount of, payments to the aged, blind, and disabled.

H.R. 16311 appears to provide a penalty for the high pay States and financial relief for the low pay States.

Since North Dakota ranks low—38—in average per capita income, we object to the single matching formula in the supplementary payments provisions of H.R. 16311. Low per capita income States who are also low pay States perhaps have no objection.

If the family assistance program is enacted without further amendments, the additional cost to the State of North Dakota per year will conservatively amount to \$1,700,000 of State money. This will mean a 20-percent increase in our current expenditures of State funds. This includes \$365,000 supplementary payments, \$300,000 ABD, \$900,000 additional medical assistance costs, and \$135,000 work training costs.

Other bills and proposals now being considered would increase our costs of providing preventive, protective, and rehabilitative services by approximately \$540,000, and State financial participation in bonus food stamps will cost the State approximately \$360,000, or an additional \$900,000 per year. The State cost would, therefore, be increased at least \$2,600,000.

The required coordination in the process of administering the family assistance program will be time consuming. There will be Federal involvement by the Department of Health, Education, and Welfare, the Department of Labor, and the Department of Agriculture. In North Dakota we will also get involved with the Department of Interior, the Bureau of Indian Affairs. Also involved will be 50 sovereign States and other jurisdictions.

Assistance payments may be made through the family assistance plan and supplementary payments by the States. The State may elect to have the Federal Government include the supplementary payment in the family assistance payment. It may then be necessary for us to make appropriate audits of the Federal Government.

The State will be responsible for providing appropriate services to move the family from dependency to nondependency. This will be difficult under the complete separation of assistance payments from social services, especially so with two levels of government involved.

In North Dakota we are structured and staffed to administer the

family assistance program but the administrative matching provision does not encourage us. It seems unfair that the Federal Government is more willing to administer the family assistance program in North Dakota, by creating duplicate facilities, than to contract with the State to do the jobs at less cost to the Federal Government.

That completes my testimony, Mr. Chairman, members of the committee.

Senator ANDERSON (now presiding). Questions?

Senator HARRIS. Thank you, Mr. Chairman.

We appreciate your testimony. I am just wondering about the statement about the length of stay on welfare and the number of cases increasing, and the results you testified to of increasing the earnings exemption. I wonder if you might go into that. You say the average stay in welfare has been 2.7 years in the past.

Mr. OVRE. That is the average length of stay on AFDC, Senator Harris.

Senator HARRIS. That is getting longer?

Mr. OVRE. Yes; it is.

Senator HARRIS. Do you have any idea how much longer?

Mr. OVRE. This provision of the bill, of our program, in exempting the first \$30 or a third of the balance of earned income came into effect July 1, 1969. Prior to that time we were better able to manage the closings of our AFDC families based on earnings. For example, the average AFDC payment to a mother with three children in North Dakota was probably around \$300 a month. Formerly if she secured employment at about \$400 a month, we were able to close her case when she became self-supporting. She was happy and so were we.

Since July 1, 1969, she must earn about \$630 a month before she becomes ineligible for AFDC, and the wages in North Dakota are not large enough, not high enough to provide many mothers with earnings of more than \$400 or \$500 a month.

As a result, we have an increased caseload.

Senator HARRIS. How much welfare would she be entitled to if she were earning that much money?

Mr. OVRE. If she went to work and found a job at \$400 a month right now, she would be eligible for about \$115 a month for AFDC to supplement that.

Senator HARRIS. While the length of stay on welfare has lengthened and the number of cases has increased, have AFDC payments decreased?

Mr. OVRE. Somewhat. With the day care expense it has increased.

Senator HARRIS. Sir.

Mr. OVRE. The total cost has increased including day care costs.

Senator HARRIS. Is that because of the day care?

Mr. OVRE. Yes.

Senator HARRIS. Do you think that the increased number of cases and the lengthened time on receiving AFDC has anything to do with the fact that unemployment has gone up generally in the country during the past year?

Mr. OVRE. It has—yes; it has now. It is more difficult for the AFDC mother to find employment now than it used to be, even with our help as well as with the help of the employment service.

Senator HARRIS. You have a rather good payment in relation to other States, as I understand it from your testimony. There has always been the comment that people move from one State to another in order to get welfare. That particularly, of course, becomes a question now with the residency requirements having been relaxed. Do you have any information as to how long the average applicant for AFDC in North Dakota has lived in the State prior to applying or what percentage of the applicants for AFDC have lived in the State 1 year or less at the time of application?

Mr. OVRE. In North Dakota we are constantly losing population each year. This residence—the change in the residence requirements, the abolition of the 1-year residence requirement we formerly had, has not affected our AFDC caseload at all as far as I know. We may have lost more than we gained. There are families who have left North Dakota and are now transferred to another State. I think overall we have lost more than we have gained, Senator.

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

Senator ANDERSON. Senator Jordan?

Senator JORDAN. Just one question. You say that this bill appears to provide a penalty for the high-pay States and financial relief for the low-pay States. I understand that North Dakota is a high-pay State.

Mr. OVRE. Yes, sir.

Senator JORDAN. Would you recommend that this committee give some consideration to introducing a factor that would take into account the degree of effort—

Mr. OVRE. Yes, sir, Senator; I certainly would.

Senator JORDAN (continuing). That a State performs in meeting its obligation here?

Mr. OVRE. Yes, sir; I certainly would.

Senator JORDAN. Thank you. That is all I have.

Senator ANDERSON. Thank you.

Mr. William Dimmick is our next witness.

STATEMENT OF WILLIAM A. DIMMICK, PRESIDENT OF THE HEALTH AND WELFARE PLANNING COUNCIL OF MEMPHIS-SHELBY COUNTY, TENN.; ACCOMPANIED BY PAUL SCHWARTZ, DIRECTOR, DIVISION OF SOCIAL WELFARE, MEMPHIS STATE UNIVERSITY; AND MOSE PLEASURE, JR., ASSOCIATE EXECUTIVE DIRECTOR OF THE HEALTH AND WELFARE PLANNING COUNCIL

Mr. DIMMICK. Honorable members of the Senate Committee on Finance, I am William A. Dimmick, president of the Health and Welfare Planning Council of Memphis-Shelby County, Tenn. With me are Paul Schwartz, director, Division of Social Welfare, Memphis State University and Mose Pleasure, Jr., associate executive director of the health and welfare planning council. Mr. Schwartz is on my left, Mr. Pleasure is on my right.

A brief historical statement is in order to place this testimony in proper perspective. A welfare subcommittee of the planning council's division of community development began work on an alternative to the present welfare system in response to President Nixon's an-

nounced intention to introduce welfare reform legislation. Subsequent study and debate included all segments of the population of Memphis adopted the results of this study and debate as the Council's official and Shelby County. The planning council's board of directors adopted the results of this study and debate as the council's official position on welfare reform. This official position is bound under the title "Concepts for Dignity", copies of which we are pleased to leave for the further consideration of the committee.* "Concepts for Dignity" goes into great detail in pointing out 40 points which we consider basic to welfare reform.

The Health and Welfare Planning Council was then encouraged by Shelby United Neighbors, our local United Fund, to seek a statewide base for study and debate. At the request of the United Funds and Community Councils of the four major urban areas in Tennessee, Brigadier Luther A. Smith, president of the Tennessee Conference on Social Welfare, commissioned Paul Schwartz of Memphis State University to prepare a statement for study which was mailed to over 6,000 health and welfare professionals and volunteers. At its annual meeting in Nashville the TCSW voted to appoint a representative to join The Health and Welfare Planning Council of Memphis in testimony before this committee. Mr. Schwartz is that appointee. I take pride in pointing out, therefore, that in addition to the kind invitation of the Senate Committee on Finance, our testimony here today is the result of the hard work and warm support of a significant cross section of the people of the State of Tennessee.

We take great pride in the fact that through the efforts of Mr. Cliff Tuck, director of Coordination for Shelby County, our welfare positions received warm recognition and consideration by the National Association of Counties. A number of position points in our presentation were incorporated in the NACO welfare positions. In this way the efforts of Tennesseans have gone quite beyond our borders.

We are present, also, because it is a privilege and a duty to lend assistance, as small as it may be, to you who shoulder the ultimate responsibility for reforming the presently inadequate system of public welfare. We share with you this moment of tremendous opportunity and challenge in our Nation's history. We share with you this moment during which our glorious national dream can begin to become reality indeed for more of our people. We stand with you at the threshold of a new American era—an era ushered in by the establishment of a minimum income floor guaranteed as a right to those for whom our opportunity structure does not function properly.

This revolutionary new concept has the potential for becoming the basis of genuine reform in public welfare. We salute our administrative and congressional leaders, past and present, whose commitment to social justice and human welfare has brought us to this day of great promise. Our presence here is based on the real hope that the family assistance plan will produce the welfare reform which we all seek. We applaud this body for leading the Nation to the realization that public welfare is a national issue. As partners with our esteemed administrative and congressional leaders we come to present recommendations which we hope will assist in achieving our common goal. The basic premise upon which our position is built is that welfare

*See p. 1595.

reform is needed to help people get off the welfare merry-go-round. There is a brief paragraph not included in the text before you which I would like to add to our text.

The paragraph is this.

The reason for welfare reform in the first place is that we must now make it operate to get people out of poverty rather than perpetuate the cycle of poverty. In order to achieve this reform, we must guarantee two basic things. First, a basic minimum income floor guaranteed as a right to those in need, and second, a comprehensive array of social services to serve as bridges out of poverty.

While the two basic guarantees are inseparable in our judgment, we tend to stress bridges out of poverty as a very essential element.

This is the end of the paragraph and I will be glad to provide the reporter with a copy of it.

I would like now to address ourselves, then, to the adequate income floor. By adequate income floor we mean a level at or above some reasonably established mark of basic impoverishment. Our recommendations, which we view as basic to the achievement of an adequate income floor, are:

1. That the minimum income floor should be set at \$3,600 for a family of four. This basic level can be flanked by two subsequent measures which tend to progressively reduce the overall cost of financial assistance.

2. The national food stamp program should be eliminated and supporting appropriations reallocated to provide for the high-income floor. Food stamps might be used for individual emergency situations instead of an ongoing solution to impoverishment.

3. Congress and State legislative bodies should raise the minimum wage to \$1.75 per hour in order to place approximately 10 million jobholders above the threshold of impoverishment.

4. Both the basic income floor for welfare recipients and the minimum wage rate should be adjusted annually based on any significant increase in the consumer index.

5. The working poor without children should be covered (with the understanding that jobs covered by the minimum wage law is the best solution to this particular poverty problem). Single adults who work or are unemployed should also be included.

6. Old-age assistance, aid to the blind, and aid to the disabled legislation should provide the same eligibility requirements as social security, with a minimum floor of \$200 per month for a single person (over 62 years for aged; any age person for blind or disabled), and \$350 per month for a married couple.

7. Benefits for the aged, blind and disabled should have an automatic cost-of-living increase based on the consumer index as suggested for welfare recipients.

Now, to address ourselves to bridges out of poverty. The success or failure of an adequate income floor, in achieving the goal of the elimination of poverty, will depend on the strength and effectiveness of the bridges out of poverty built into the welfare program. A comprehensive array of social services must be provided for all recipients who need them if this goal is to be accomplished. Only adequate, effective and forthright services, of broad scope, can produce the orderly translation of the status of poverty into the status of productivity.

We strongly urge the creation of these bridges out of poverty as an integral part of, and not divorced from, the welfare package.

1. Of highest priority, in this regard, will be the availability of free day care services for working mothers. Day care should be expanded, provided on a 24-hour basis, and enriched by the incorporation of Headstart concepts. Organized groups, religious, and otherwise, could make giant steps toward providing these services if the proper incentives were offered.

2. If mandatory job and training requirements are retained in the family assistance plan the public sector, including private public contractors, should be made "employers of last resort," with training and salary support financed from Federal funds.

3. To assist in controlling the population explosion, additional financial incentives should be provided for recipients who voluntarily decide not to have more than one child per parent (perhaps \$250 additional per year; a family of four would receive the minimum floor of \$3,600 plus \$250, or \$3,850 per year). This provision should be included only if through income tax reform an equal tax credit were made available in the same manner to nonrecipients.

4. Of crucial importance to building and maintaining bridges out of poverty is the participation of local citizens, especially the recipients themselves, at all levels of planning and administration of the welfare program. This item cannot and must not be given short shrift.

5. The family assistance plan should have a scheduled phasing out of State funds until there is a complete Federal takeover of the cost of welfare in 10 years.

Such a plan will redeem the American dream for many who can have little or no hope without it. Such a plan will give those of us who are more fortunate even more reasons to be proud that we are Americans.

We have with purpose in regard for your time made a brief statement. We thank you for your time with us, your efforts in behalf of all the people of our land and the world, and we respectfully request your further consideration of the "concepts for dignity." We offer ourselves for any service to which you may call us.

Thank you.

Senator ANDERSON. Any questions?

Senator JORDAN. No questions, thank you.

Senator ANDERSON. Senator Harris?

Senator HARRIS. Father Dimmick and Mr. Schwartz and Mr. Pleasure, I am immensely impressed with your statement, but, more than that, with how it was prepared. Is there anything like this going on anywhere else in the country, where there has been some attempt to get the local people together to concentrate on coming up with some ideas on welfare?

Mr. PLEASURE. We do not know anything like it.

Senator HARRIS. It is the first I have heard of it.

Mr. SCHWARTZ. I understand something like this took place in California but whether that was only limited to Government functionaries or the broad citizen phase I do not know.

Senator HARRIS. I wish that same sort of process could go on all over the country. As you know, having just been in the process of developing these recommendations—and it goes without saying that

I think they are right on target; I think what is said, Father Dimmick, about a minimum income floor guaranteed as a right are very important words; I think what you say about the level of income and recommending, instead of food stamps, except in emergency situations, raising the level, is good; Senator McGovern was here yesterday before this committee and said he would be quite happy with that kind of suggestion.

I am very pleased with what you say with regard to participation of local citizens in the program and with your recommendations about federalization of the welfare system so that it will be taken over as a Federal program. I think that must be done for a lot of reasons.

There are so many myths about welfare. You and I know we would not like to, as they say, "be on relief," but, somehow people assume that poor people do or that they just do not have the ambition that the rest of us have.

How can we dispel a lot of these myths about welfare, do you think? Is there a better way than what we have done?

Mr. DIMMICK. Maybe my colleagues would like to—

Senator HARRIS. Mr. Pleasure, do you have any ideas?

Mr. PLEASURE. The process that we took this through over a full year and a half—this was not done overnight—the process we took this through, we think, is a valid process and when the well motivated volunteers that you can find in any community are given an opportunity to take part in this, they may begin by being turned over, but they are exposed to something that becomes an educational process for them. The community becomes educated. This kind of education process—

Mr. SCHWARTZ. This includes welfare recipients.

Mr. PLEASURE. The Memphis Welfare Rights Organization was right in the middle of this. Sometimes it becomes abrasive but it was good experience for everybody and out of it came what you heard. This is theirs. This is no professional job. This is the result of the process we took this thing through. It is a beautiful thing. It is time consuming, it can be frustrating, but it is fundamental to how a democracy works.

Senator HARRIS. From the standpoint of those who are not themselves recipients of welfare assistance, did you find in this process some of them changed some of their ideas about welfare?

Mr. PLEASURE. Absolutely; yes, sir.

Mr. DIMMICK. We were utterly amazed, we should say, maybe utterly is too strong a word to use, but when our "Concepts for dignity", when we were working this out and finally had the paper ready to present, there was no major opposition to its adoption. There were some questions and I would say minor modifications on part of the wording of it but because the people involved had been through the process of thinking about these, I think, therefore, they were ready—well, these were their ideas, shall we say—they were not ready to accept somebody else's ideas but they had grown along with these.

Mr. SCHWARTZ. May I say this essentially was how we attacked the stereotype of happy dependents on welfare, the person who would rather sit there than get out.

I think there are two points I would like to add to what was said. One is I am under the impression—I may not be accurate—that a

services package attached to this bill involves development of service areas programs in various States in order to create various service packaging including adoptions and family counseling, and so on. If the process whereby these service area programs were developed went through a similar kind of process, I think we could literally involve hundreds of thousands of citizens from various walks of life in the process of getting acquainted and undergoing the various attitudes changes referred to.

The second point, the effect of an adequate welfare program surrounded by work opportunities and work incentives and surrounded by adequate services would produce a situation in which thousands of people would be leaving welfare for the productive area and that would be the best public relations for all of us in the world and the best interpretation.

I think everyone is touched sitting here and hearing a Senator tell about when he was on relief and touched by the fact that he is now a Senator. A program of moving people out of welfare is the best thing we can ever achieve and I think we join all America in this thing.

Senator HARRIS. I agree with that. The thing that struck me some years ago in talking about welfare is that, though they do not realize it, people receiving welfare assistance and those who are taxpayers are saying the same thing about welfare. They do not hear each other say it, but they both say it is a failure, that it traps people in poverty, that it perpetuates dependence. If we could somehow listen to each other, we would find out we are on the same side. More people now realize that welfare as it now exists is not working.

Mr. SCHWARTZ. The opportunity for this process, however, exists in so many segments of this bill. The creation of day care facilities on local level has to be supported by boards and groups of citizens. And it is this kind of involvement, I think, that would parallel this and really produce a changing view and I would feel, we all would agree, having lived through this year and a half, that involvement is the best way.

Senator HARRIS. I appreciate that very much, Mr. Schwartz and Father Dimmick and Mr. Pleasure. You have helped not only with your testimony but with the idea of how it came up.

Senator ANDERSON. It has been a fine statement. Thank you very much.

Mr. DIMMICK. Thank you very much. We are indeed grateful to you. (The document referred to previously "Concepts for Dignity," follows:)

CONCEPTS FOR DIGNITY

RECOMMENDATIONS OF THE HEALTH AND WELFARE PLANNING COUNCIL OF MEMPHIS AND SHELBY COUNTY, TENN. FOR REFORMING THE U.S. PUBLIC ASSISTANCE SYSTEM

We, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and to our posterity, do ordain and establish this Constitution for the United States of America.

The Preamble to our Constitution is still the most cogent statement of goals ever formulated for a nation. That we are in yet another cycle of ferment toward achieving these goals is testimony to their continuing dynamism and relevance. It is this dynamism and relevance which brings the United States to the very point of making the "goals of America" relevant to *all Americans*.

To this end the Health and Welfare Planning Council of Memphis and Shelby County, Tennessee has sought to be and to become one of the major *places* where Mid-Southerners can voluntarily formulate plans for social policies and programs. "Concepts For Dignity" is a result of that process. A *Welfare Task Force*, appointed as an *ad hoc* sub-committee of the Community Development Steering Committee, has been at work for more than six months on these proposals. The Board of Directors of the Health and Welfare Planning Council adopted the forty Welfare Reform Positions as Council policy for testimony before the Senate Finance Committee and inclusion in the record of the committee hearings.

It is our belief that the involvement of people at the local level, people from all strata and all segments of the population, in the process of identifying and defining major social issues and problems and the development and initiation of proposals and plans intended to contribute to their solution is the only practical means for making the "American Dream" a national reality—for making the "goals of America" the goals for every *American*. The Welfare Task Force has given documentation to the utility of this concept. For spurring our faith and inspiring further exploration and innovation we give profound thanks to the dedicated volunteers—The Welfare Task Force, The Community Development Steering Committee, and the Board of Directors—who are the authors of "Concepts for Dignity".

MOSE PLEASURE, JR.
Associate Executive Director.

Community Development Steering Committee

Dr. Granville Davis, *Chairman*
John T. Fisher
Elias Goldsmith
Miss Elizabeth Jones
Reverend James M. Lawson
Leon Lynch
Dr. Joseph H. Riggs
Mrs. A. R. Scharff, Jr.
Clifford L. Tuck

Welfare Task Force

Clifford L. Tuck, *Chairman*
Mrs. Joseph H. Miller
Mrs. Patricia Vander Schaaf

Staff

Mose Pleasure, Jr.

INTRODUCTION

Much of the current debate about "Welfare" is confusing. It is difficult to determine whose welfare is at stake or exactly who is "on" welfare at any given time. Are the recipients of "Public Welfare" the true beneficiaries of the American general social welfare system? Or, do the majority of Americans enjoy a propitious general social welfare system at the expense of a minority for whom this system does not work? Up to now the answer to these questions have depended on the prejudices of the respondents. Now that such prejudices have become unconscionably costly luxuries we should be able to "tell it like it is". Let the following "Item" serve as introductory to the story which must be told.

As a teenager, Roger Atkinson lived with his parents in a Public Housing Development. Roger attended Public School and participated in the "reduced price" lunch program. After graduation he entered the Army. Upon discharge Roger retained his National Service Life Insurance. He enrolled in the State University, working part-time to supplement his GI Bill Stipend. Roger married a Public Health Nurse, bought a home with a GI Loan, and obtained an RFC Loan to go into business.

When Roger, Jr. was born in City Hospital the Atkinsons purchased a small ranch through the Veteran's Land Program. Payments on land placed in the Soil Bank speeded up the payoff of the mortgage. Roger's father and Mother retired to the ranch in real comfort on their Social Security Checks. REA lines supplied electricity for the ranch, the Federal Government gave assistance in clearing the land and supplying emergency feed, the County Agent showed him how to terrace the land, and the Federal Government built him a fish pond.

Roger, Jr. read books borrowed from the Public Library. The money saved for Roger, Jr. by his parents and Grandparents was insured by a Federal Agency. In Public School Roger, Jr. paid the less than cost price charged by the school for the federally subsidized lunch program. Roger, Jr. rode the school bus, played in municipal park, swam in the public pool, and became a member of Future Farmers of America. Roger, Sr. owned an automobile, so he favored State and Federal Highway Programs. He was one of the signers on a petition seeking Federal assistance in developing an industrial project to "help the economy of his area", was a leader in a move to get a new Federal Building, and went to Washington with a group to ask the Federal Government to build a great dam costing millions so that the area could get "cheap" electricity. He was also a leader in a move to get his specific type of business special tax write-offs and exemptions. Then one day, when he heard that it would require a larger share of taxes to provide substitute, supportive and supplemental goods and services for persons who live below the poverty index, Roger Atkinson, Sr. wrote to his Congressman: "I protest these excessive governmental expenditures and the attendant high taxes. I believe in rugged individualism; I think that people should stand on their own feet without expecting handouts. I am opposed to all socialistic trends and I demand a return to the principles of our Constitution and the restoration of States' Rights."

The picture is overdrawn and an extremely complex reality has been oversimplified, but the point is valid: like Roger Atkinson, Sr., the majority of Americans both accept and actively promote Public Assistance Programs. Welfare Controversy and opposition develop when "welfare" is narrowly construed to mean the scant few Public Assistance Programs other than the Local, State and Federal subsidies which benefit the majority and which are known by more acceptable names.

A recent poll indicates that the citizens of the United States are increasingly concerned about the conditions of their fellow citizens:

There is a marked increase in concern for the plight of America's disadvantaged over the past four years, according to a recently released Lou Harris Poll. The Harris Organization, which polled a cross section of 1,542 Americans last May, found Americans "increasingly conscience-stricken over the plight to the poor, the elderly and those subject to various forms of discrimination." A similar survey was conducted in 1965. Results of the two surveys were:

CONCERN FOR DISADVANTAGED

[In percent]

	1969	1965
Say they "often feel bad" over the way—		
Some people in the United States still go hungry.....	63	50
Older people have been neglected.....	52	35
American Indian has been treated.....	42	24
Some people in big cities still live in slums.....	37	31
Negroes have been treated.....	35	32
Some Jews have been treated.....	21	19
Some Catholics have been treated.....	15	14

Harris said the results "rather convincingly indicate that the rank and file of Americans are not without both guilt and compassion for the condition of the less privileged. If anything such sentiments have been on the rise." He said that current notions that the American public is "going sharply to the right" is a misconception in light of his findings.

The Health and Welfare Planning Council therefore determines that all Public Assistance Programs, under whatever name, must be structured to: 1) Assure individual dignity, 2) Provide individual economic security, and 3) Provide motivational inducements for individual improvement and advancement.

In September, 1969, the Nixon Administration introduced a surprising and bold welfare reform measure to the U.S. Congress entitled "The Family Assistance Plan". The measure is surprising in that it seeks to establish a national standard for welfare and it is bold in that it introduces the concept of a minimum level of subsistence for Americans as national policy for the first time in American History. A "Welfare Task Force" was appointed by the Planning Council and authorized to study the developing welfare reform legislation and recommend a policy position for reforming the National Welfare System.

Nationally, the characteristics of the victimized poor can be statistically described:

1. At the end of 1968 there were 25 million Americans below the poverty index (\$2.43 per day per person as indicated in the Heineman Report Recommendations).

2. Thirty-three percent of the poor are employed full-time, but earn annually approximately \$1,000 below the poverty index line.

3. Sixty-seven percent of the poor are white.

4. Thirty-three percent of the poor are black (includes Mexican-Americans, Puerto Ricans, Indians, etc.).

5. Forty percent of the poor are children under 18 years of age.

6. Twenty percent of the poor are over 65 years of age.

Statistics cannot adequately convey the abject hopelessness of existence in poverty. Poverty is best understood when fortunate Americans try to live for a week or two on a "welfare diet" or for longer periods with other types of privation typical of poverty existence. The tragedy of being in poverty can be strikingly summarized in a statistical statement, however: "Seventy percent of the nonaged heads of poor families worked for at least part of the year and most of those who did not work were ill, disabled, women with young children, or children."

In Memphis and Shelby County there were about 47,000 persons on some form of Public Welfare (narrowly construed) at the end of 1969, or approximately 6% of the total County population. Memphis and Shelby County, on the other hand, have 160,000 persons living on incomes below the poverty index line, or approximately 25% of the total County population. Memphis and Shelby County are second only to San Antonio, Texas as the worst metropolitan area in the United States in poverty density.

CONCEPTS FOR DIGNITY—HEALTH AND WELFARE PLANNING COUNCIL OF MEMPHIS AND SHELBY COUNTY, TENN.

WELFARE REFORM POSITIONS

(Positions not necessarily listed in order of importance.)

1. Name of legislation should be "Life Assistance Plan," rather than "Family Assistance Plan".

2. Since 10,000,000 jobs in the United States are paying less than \$1.60 per hour (less than poverty level), State and national legislative bodies should raise the minimum wage law to not less than \$1.75 per hour and extend law's coverage to all job classifications not presently covered.

3. Welfare should provide assistance of \$3,600.00 to a family of four and continue support payments until the family has reached a total unsupported income of \$5,500.00 per year (decreasing Federal support fifty-cents for every dollar earned to that point). Base allowance should be \$1,300.00 per adult and \$500.00 per child. Applicant income gained from irregular or infrequent sources should be exempt as a criteria for eligibility.

4. Must have a yearly adjustment based on consumer index (cost of living) increase. This increase should be figured from the previous year's 12-mo. average, and a separate check issued for the total amount of annual increase on December 1st, with percentage to be added to next year's monthly benefits.

5. Federal Government plan should require at least ninety-percent of State expenditures for welfare to continue as supplement to Federal guarantee floor during first two years, but provide for eventual funding totally by Federal Government. Example—

	Percent State share to continue	Percent State share to be picked up by Federal
Fiscal 1971-72.....	90	10
Fiscal 1973 (July 1, 1972).....	80	20
Fiscal 1974 (July 1, 1973).....	70	30
Fiscal 1975 (July 1, 1974).....	60	40
Fiscal 1976 (July 1, 1975).....	50	50
Fiscal 1977 (July 1, 1976).....	40	60
Fiscal 1978 (July 1, 1977).....	30	70
Fiscal 1979 (July 1, 1978).....	20	80
Fiscal 1980 (July 1, 1979).....	0	100

6. The Federal Government will absorb State share costs as indicated in item 5 formula if the State agrees to reallocate "saved" appropriations to education and manpower programs, especially for the poor (previous State increases in education and manpower budgets would be averaged for last three years to insure welfare dollars are not being used to take place of normal increases).

7. Working poor without children must also receive benefits, including single adults who are working or unemployed.

8. Mothers who are also heads of families should be aware of benefits, but not be required to work or register for training except at her own option, but should be encouraged to attend family planning, home management, and where needed, basic education courses established within this plan while children are attending school.

9. Persons required to register for jobs or job training should be placed in positions which have opportunity for advancement and to which they are satisfactorily motivated.

10. Minor members of families must be provided tutoring or other extra educational help where this need is identified.

11. Free day care provisions should be provided in the life assistance legislation and day care should be expanded to a 24-hour schedule and provide Head Start educational concepts; incentives should be provided to organized religion for providing these services. Quality educational standards should regulate all day care facilities.

12. Monitoring policy of life assistance legislation should provide incentive to train assistance recipients as para-professional monitors to provide income checks on an optional semi-annual and mandatory annual basis.

13. Supportive service within life assistance plan, such as employment and training, must be periodically reviewed and monitored by local and State citizen review committees consisting of substantial recipient participation and representation from other social-welfare and manpower organizations. Citizen review committees shall be responsible for determining suitable job criteria.

14. Some provision is needed to insure that students living away from family will receive direct payment under assistance.

15. Assistance plan must not be restrictive in the definition of family and be flexible, based on need.

16. Assistance plan should provide for orientation and continuing family planning education of local, State, and National welfare administrators, case workers, and counselors within the program. Welfare recipients should assist in conducting the orientation sessions.

17. Handicapped children should be eligible for additional benefits above normal welfare provisions.

18. The Federal Government should pay full benefit with a Federal check and the State should reimburse the Federal Government for its share of the benefit, rather than pay benefits in two separate checks.

19. Welfare services administration should be a county government responsibility with the local administrative costs being supported by Federal funds. Citizen review boards should review and recommend all administration personnel applications.

20. If mandatory job and training requirements are retained in the "family assistance plan," then the public sector, including private public contractors, will have to become "employers of last resort," with training and salary support financed from Federal funds.

21. Each county must have a centralized general assistance office, as a division of its welfare service administration office, to provide "emergency assistance" when applications are being processed for welfare benefits, or an applicant is not eligible for benefits under welfare reform legislation.

22. Special emphasis will be placed on manpower programs for the rural poor.

23. Welfare legislation must include provisions that provide for job development and training planning programs that anticipate projected changes in the job market.

24. Legislation must include provisions that will adequately staff, provide regulatory and review authority to cooperative area manpower planning committees for the purpose of effecting maximum coordination between State employment security offices and local private and public academic, employment and training offices and institutions.

25. When a welfare recipient is eligible for benefits from more than one agency, the agency providing the larger benefit will also provide the benefits due from

the other agency(s) in the same check, subsequently receiving reimbursement from the other benefit agency(s).

26. Welfare eligibility should be determined by: (a) Number of children (proof of dependency), (b) sources and amount of regular income (see item 3—sources and amount must be substantiated), (c) personal or real property should not be a criteria for determining eligibility only if not considered a "necessity of life."

27. Applicant eligibility can be verified by telephone (home visits should not be necessary).

28. A person residing in a non-welfare residence should be eligible for benefits if the applicant is not a legal dependent of a member of the household (verification through Internal Revenue Service).

29. Recipients of one form of welfare should be eligible to receive other forms of assistance equal to the amount of additional expenses encumbered by the recipient in meeting their required needs above and beyond those that would normally be provided by only one form of welfare (i.e.—handicapped, mentally retarded, etc.).

30. Additional "seasonal" benefits should be provided to recipients if the minimum level for a family of four is below \$3,600.00 per year.

31. Welfare legislation should establish a "special reserve fund" at the local level to meet immediate needs resulting from lost or stolen benefit checks (reserve funds should be Federal cost).

32. A National Citizen Review Committee should be established and structured the same as local and State review committees. This committee should establish what personal and real property should be classified as "necessities of life" and therefore exempt from consideration as assets in determining applicant eligibility for all welfare classifications. Legislation should require citizen review of this criteria at least once every three years.

33. Elderly retired citizens drawing welfare benefits and who are over 62 years of age should be exempt from taxation.

34. Elderly citizens should plan and regulate senior citizen benefit programs by serving as at least a majority of the membership of a citizen review committee whose decisions shall be considered mandatory upon unanimous vote, and advisory upon majority vote.

35. Old age assistance, aid to the blind, and aid to the disabled legislation should provide same eligibility requirements as social security with a minimum floor of \$200.00 per month for a single person (over 62 years of age for aged; any age for blind or disabled), and \$350.00 per month per married couple (couples marrying after receiving benefits should retain original benefits). The amount of assistance should be reduced in proportion to other income (i.e.—social security benefits, other retirement income, income from bonds, stocks, rental property, etc.). Seventy-five dollars per month per single person and one hundred dollars per month per married couple should be exempted from other income in this formula.

36. Aged, blind and disabled benefits should have a provision which provides the same type of automatic cost of living increase as suggested in item 4 of the welfare reform positions.

37. Real property value should be exempt unless property produces an income for any welfare recipient regardless of classification.

38. To assist in controlling the population explosion, additional life assistance "incentive" benefits should be made to recipients who voluntarily decide not to have more than one child per parent (perhaps \$250.00 additional per year incentive; family of four would then receive basic floor of \$3,600.00 plus \$250.00 incentive for a total of \$3,850.00 per year). This provision should be included only if income tax reform provides an equal tax credit in the same manner to persons who are not welfare recipients.

39. Welfare recipients of all classifications should be provided official identification cards.

40. The national food stamp program should be eliminated for welfare recipients and supporting appropriations reallocated to basic floors of new welfare legislation, either to increase the minimum floors or to absorb a portion of the increased welfare costs created by these higher floor positions. The food stamp program should be retained to assist needy persons who have emergency needs or are otherwise not eligible for welfare benefits.

RESOLUTION OF THE TENNESSEE CONFERENCE ON SOCIAL WELFARE, APRIL 24, 1970

Based on a careful examination of the Family Assistance Plan, the Tennessee Conference on Social Welfare finds it unacceptable. We further believe that it is irreparable by amendment. We therefore do not support it. We actively support positive alternative legislation which endorses the following seven principles:

1. Structural reform is no substitute for adequacy of financing sufficient to improve the situation of all those who depend upon it.
2. The level of minimum income assurance should be adequate in relationship to cost of living estimates.
3. The federal floor should be raised to the level of poverty through a series of transitional stages such as to (a) strengthen Federal standards, (b) protect the higher level of payment while raising the lower, and (c) maintain the level of state expenditures necessary to achieve these ends.
4. Benefits in kind and services extended to those aided by the plan should not be used to reduce assistance levels.
5. Welfare reform should be such as to move toward greater inclusiveness and away from categorical distinctions.
6. The legal and constitutional rights of recipients should be fully protected.
7. No improvements in the public welfare system should be such as to reduce the effectiveness of measures to prevent need or obscure the urgency of steps for improvement.

Senator ANDERSON. Mr. McGann. Jack McGann.

STATEMENT OF JACK MCGANN, LEGISLATIVE AIDE, LIBERTY LOBBY, WASHINGTON, D.C.

Mr. MCGANN. Thank you, Mr. Chairman. With your permission, I will now read my statement.

Mr. Chairman and members of the committee, I am Jack McGann, legislative aide of Liberty Lobby. I appear today to present the views of the Liberty Lobby's 23,000-member board of policy, and on behalf of the 240,000 subscribers to our monthly legislative report, Liberty Letter. Our board of policy has voted overwhelmingly in favor of more individual responsibility and less government. I am also authorized to speak for National Tax Action, which represents the 2,800,000 unhappy taxpayers of this Nation who belong to State and local tax protest groups affiliated with National Tax Action.

Liberty Lobby and National Tax Action cannot support H.R. 16311 in its present form, and urge a number of steps toward the goal of true welfare reform.

At the outset, we commend this panel for rendering severe criticism of the administration's original welfare reform proposal which, fortunately, was reassigning to the Department of Health, Education, and Welfare for further honing. After the perfunctory manner in which the House rushed to pass this program, it is comforting to the American people to have the more deliberative Senate as a safety valve with the best interests of the working people at heart rather than the expediences of the next election.

That the present welfare system is wasteful and mismanaged is a point on which we can all agree. The problem then is how best to undertake a viable and meaningful reform.

Solving a problem implies an elimination of the problem. This administration is committed to solving the welfare problem, so we must assume a presupposition of concerted effort to eradicate welfare wherever possible.

Lest Liberty Lobby be condemned for a cruel and heartless approach to the issue, let the record show that in some carefully defined areas public assistance may well be the only answer. The blind, the infirm, and the aged would most probably be found in the exempt group of worthy welfare recipients.

Let us then focus on those individuals that will not work while able or will not avail themselves of occupational rehabilitation. These groups provide the swirling controversy that begs for remedial action.

It is interesting to note these words of President Franklin D. Roosevelt, in a 1935 message to Congress:

The Federal Government must and shall quit this business of relief. Continued dependency on relief induces a spiritual and moral disintegration, fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit.

Despite being the architect of the New Deal, F. D. R. recognized the need for individuals to be responsible for their own welfare.

More than 30 years later, we were refreshed by candidate Richard M. Nixon, when he stated on August 9, 1968:

America is a great Nation, not because of what the Government did for the people, but because of what the people did for themselves. . . . But for those who are unable to help themselves . . . what we need are not more millions on welfare rolls but more millions on payrolls.

Some unaccountable transformation overtook Richard M. Nixon en route from candidacy to Presidency. The experts tell us that the added cost of welfare under the administration proposal would be \$4.4 billion and would increase the enrollees by 14 million persons. In Mississippi alone, 35 percent of the total population would become welfare recipients. It seems the Nixon administration thinks that it can spend the country into affluence rather than have it earn its way.

Only a short time ago the President vetoed two appropriation bills as being inflationary; one of these was aid to education. One wonders where the logic is as he continues to press for passage of this welfare chimera conceived in fiscal fantasy. Perhaps the administration was poorly advised on its efforts to overhaul welfare, or maybe it was demonstrating a false concern for sound monetary principles. In the words of columnist Carl Rowan:

Imagine someone telling you 20 years ago that a Republican President would ask the Federal Government to guarantee a minimum annual income to every family. You would have laughed your informant out of town. Especially if he told you that this Republican would advocate a welfare that covered 25 million Americans instead of 10 million, and cost \$10 billion instead of \$5 billion.

Where the money will come from. Early in 1970 we read in the papers that the administration was forecasting a budget surplus only to discover that there was a miscalculation and that the predicted surplus was suddenly transformed into a whopping \$3 billion deficit. Reduced to its simplest terms, it means that our Government is operating at a loss. That loss may reach \$8 to \$10 billion, according to Representative George Mahon, chairman of the House Appropriations Committee. The administration was quick to squelch any rumors of an income tax hike, but who among us is so naive as to place much credence in this sales puffing.

From an accounting standpoint we must realize that all expenditures of Government are a nonproductive overhead expense, and must be

held in due proportion to the income and productivity of the people, or we will have an economy in liquidation.

The Nixon administration has chosen to ignore that economic principle. For example, the administration appears to be spending as usual and the combination of high taxes and inflation appear to conscript the wages of the labor force. The State will provide the needed revenues, say the egalitarians. But who and what is the State? The French economist Bastiat defined the State as the great fiction by which everybody tries to live at the expense of everybody else.

Believing analysis of the past to be a valuable tool in guiding the future, let us now turn to the OEO welfare program in New Jersey. The administration at one point was fond of pointing to this pilot program as living proof that the proposed national plan could and would work. But, alas, only a few days ago before this very committee, testimony by the General Accounting Office showed that the OEO conducted program was carried out under somewhat less than laboratory conditions. It seems that errors in data collection were found which might lead to opposite conclusions than those drawn by OEO.

Also, there is the matter of the work-incentive program—WIN—whose ills have been duly highlighted by the chairman in his opening statement of August 4. A portion of this report bears repeating: In the first 21 months of the WIN, only 13,000 welfare cases have been closed, while during the same period 641,000 families were added to the welfare rolls—a ratio of 50 to 1.

The Washington Post of July 23, 1970, reported that the monthly welfare bill in the District of Columbia increased by 71 percent in 1970 over 1969. City welfare officials said that the increases were mainly due to liberalized policies that make it easier to qualify for and get relief, as well as new programs to locate the needy and steer them to the welfare office.

More than 200 years ago, Professor Alexander Tyler mused that:

A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves largesse from the public treasury. From that moment on, the majority always votes for the candidate promising the most benefits from the public treasury, with the result that a democracy always collapses over loose fiscal policy . . . always followed by a dictatorship.

To many, socialism sounds like a conservative scare word without much basis in fact. But by what other name can you refer to a transitional society which increasingly takes from each according to his ability and renders to each according to his need. The unvarnished truth of this new welfarism concept being espoused by the administration is a plan which takes a sharp turn toward this socialist principle.

Our Founding Fathers realized that a democracy was a poor form of government and that is why they established a Republic. "Let the people's will be done," cries the politician. Naturally people like getting something for nothing and will reward the politician who votes for large doles by returning him to office again and again. No wonder a skeptic was heard to remark that, "if a politician tries to buy votes with private money, he's a crook; but if he tries to buy them with the people's money, he's a great liberal."

The unhappy fact of this parasitic welfare plan is that as more and more are receiving public money, fewer and fewer will be providing it until diminishing returns set in and we become a classless society. Con-

ditions have reached such calamitous proportions that it now seems that if you want your father to take care of you, that is paternalism; if you want your mother to take care of you, that is maternalism; if you want Uncle Sam to take care of you, that is socialism; if you want your comrades to take care of you, that is communism; but if you want to take care of yourself, that is Americanism.

Repeatedly, Mr. Chairman, we hear the vociferous demands of the welfare rights groups complaining that they need additional relief so as to be able to live in dignity. Hear what Dr. Thomas Mathew, noted Negro neurosurgeon, says on that score: "Dignity can only be earned . . . Our grandparents had a guaranteed income—they called it slavery."

For a man to be totally free, he must have some measure of independence, and handouts from the Government only exacerbate his dependency, and correspondingly reduce his freedom. The theory of welfarism is that people prefer security to freedom; each advance of the welfare state takes with it another slice of individual liberty. As generations pass along, this concept of absolute right of guaranteed income becomes increasingly more difficult to turn back. As Churchill said, "You cannot unscramble an egg."

If we choose to permit socialism to gain control of our country, let us be prepared to accept the baleful consequences amply illustrated in Britain as the professional brain drain continues. Let us also look southward to Uruguay, a country which has more literacy and doctors per capita than the United States. Henry Hazlitt observes in his book *Man vs. the Welfare State*:

Uruguay's warning to the United States and to the world is that governmental welfarism, with its everincreasing army of pensioners and other beneficiaries, is fatally easy to launch and fatally easy to extend, but almost impossible to bring to a halt—and quite impossible politically to reverse no matter how obvious and catastrophic its consequences become . . .

As stated above, Liberty Lobby and National Tax Action cannot support H.R. 16311 in its present form, and we urge this committee to consider the following when reporting out a bill:

This country can ill afford to institutionalize welfarism if its goal is to eliminate it. We leave it to the experts to determine how costs can be cut and recipients reduced. A minimum wage is totally unacceptable at any level because anyone whose services are not worth that amount will be forced to join the ranks of the unemployed. Jobs should be provided for anyone willing to work. Any able-bodied man or woman who refuses to work or be trained for work must forfeit any public assistance. A commission should be formed to study welfare reform. Legislation reinstating the "man in the house" rule should be drafted.

Mr. Chairman, we will not survive as a nation if we trade our principles for a mass of old expediencies with new and fancy labels.

If our system fails, it will be because we developed something more deadly than the hydrogen bomb, and that is a philosophy—an idea—which promulgates that the individual is no longer responsible for his own welfare, or morally accountable for his own conduct.

Thank you very much for the opportunity to present our views.

Senator ANDERSON. Senator Harris?

Senator HARRIS. I have no questions, Mr. Chairman.

Senator JORDAN. No questions.

Senator ANDERSON. Thank you very much.
 Mr. MCGANN. Thank you, sir.
 Senator ANDERSON. Dr. Boggs.

**STATEMENT OF MRS. FITZHUGH W. BOGGS, REPRESENTING THE
 NATIONAL ASSOCIATION FOR RETARDED CHILDREN; ACCOMPANIED BY MRS. CYNTHIA STURDEVANT, DIRECTOR, WASHINGTON
 OFFICE**

Senator ANDERSON. Go right ahead.

Dr. Boggs. Thank you, Mr. Chairman. My name is Mrs. Fitzhugh W. Boggs and I am representing the National Association for Retarded Children of which I am a past president and am currently serving as chairman of its committee on governmental affairs. I am a volunteer. I am accompanied today by Mrs. Cynthia Sturdevant, who is director of our Washington office.

The Social Security Act touches all our citizens in some ways and touches the mentally retarded in many ways. You have our testimony before you which covers a few of the more salient points among the many which affect us in this legislation. One item was omitted from our testimony and with your permission, I would like to submit an addendum in the statement relative to our concerns about protective payments.

As Senator Harris said earlier, we tend to resolve the "notch" problems that concern us most frequently to the disadvantage of the poor. We also are concerned about "notch" problems—not ones created by steps in income but created because of arbitrary distinctions made—frequently against the mentally retarded—in terms of the classification of where they happen to be residing or what their condition is or what kind of services they seem to need.

There is a "notch" between medical and social care. There is a "notch" between public and private institutional care. These are of grave concern to us for a number of reasons.

This committee has also expressed great concern about incentives and disincentives, more particularly incentives and disincentives as they affect the individual's motivation to work. We are equally concerned about incentives and disincentives to States to do the right thing by the disabled and dependent members of our society.

In the past we have had in this act disincentives to the States to do the correct thing. We believe that some of these disincentives are continued and perhaps accentuated in the proposed legislation.

In the time available I cannot possibly touch on all the points contained in our testimony and I would like to speak, therefore, to two specific points, hoping that the others may also receive your attention.

First, I would like to speak to what we consider to be an inequity in the proposed provisions for the liability of relatives of people in the adult categories. The older people of this country have asked for the dignity of not being required to go to their children for support in their declining years. This request has been granted in the proposal passed by the House and in the administration's proposal. The older people are not asked to be legally dependent on their children. However, this simply accentuates the fact that parents are still permitted

to be required to be legally liable for the support of their disabled adult children ad infinitum.

What this really means is that people over 65 and also the older disabled, the majority of the disabled who are over 45 or so who might be dependent on their children, do not have to be dependent on their children. But the younger disabled individual may be required to rely on his parent and the parent may be forced to be liable for the support of the adult disabled child. This adult disabled child represents a major calamity in the family in which he is born.

We believe that this is an inequity and we believe that the responsibility provision should be rewritten in the manner that we have indicated in our testimony.

I refer to section 1603(a)(2), which expressly says that spouses may be held responsible for each other, parents of minor children may be held and parents of blind and disabled may be held responsible. We think that phrase should be removed.

Senator HARRIS. What was that phrase again?

Dr. BOGGS. In section 1603(a)(2) the language states what the resources of what relatives may be considered in determining whether the person is eligible. And this represents a revision over the present situation. It specifies that the only relatives of applicants whose resources may be considered are spouses for each other, parents of children under 22—this was an administration change in the House bill—and parents of the blind or disabled of any age. We believe that last language should be struck.

Senator ANDERSON. May I just break for a second? There is a roll-call going on. Some of us will answer it, others will remain here.

Senator WILLIAMS. Was your statement about done?

Dr. BOGGS. I would like to take up the second point, so it will be 5 minutes perhaps.

Senator ANDERSON. We will be back.

Dr. BOGGS. I am at your disposal, if you would like to recess.

Senator WILLIAMS. We will just suspend and we will come right back, if you will excuse us.

Dr. BOGGS. Thank you very much.

Senator WILLIAMS. We will be right back and then you can resume.

(A recess was taken.)

Senator WILLIAMS (now presiding). You can resume your testimony now.

Dr. BOGGS. Thank you, Senator.

The second point that I would like to develop has to do with the status of individuals who require some form of institutional care.

Prior to 1967, there was a complete prohibition for eligibility for public assistance under all circumstances for people who are in public institutions other than medical institutions and who are in any kind of mental or tuberculosis institutions. At that time that precluded any consideration of public assistance for persons who were disabled by mental retardation and who were in any such kind of institutions. These might be people who had they left the institutions would, however, have been eligible.

At that time the definition of mental institutions used by the Department of Health, Education, and Welfare covered all institutions for the retarded. When the Long amendment was passed in 1967, making

persons over 65 in mental institutions eligible for medical assistance, and so on, the Department, in response to what it said was congressional intent, redefined mental institutions to in fact mean psychiatric hospitals. The definition, however, excludes an institution for the mentally retarded—such as Stockley—for example. On the face of it, this seemed like a disadvantage and discrimination and we interpreted it as such; it had other concomitants that I will not go into but it has led to new problems that we now have in assuring appropriate residential care for retarded adults.

I think it important to understand that adults who are disabled by mental retardation are not all of the same kind and do not have all of the same needs. Some have rather complex physical disabilities associated with their mental retardation which requires skilled nursing care, for example, or even hospitalization. Others require the kind of protective, living arrangements which meet the definition of intermediate care as it appears in section 1121 of the 1967 amendments, but do not require continuing medical supervision.

Now, the effect of the present interpretation of the intermediate care provision, section 1121, combined with the prohibition against eligibility for people in public institutions other than medical institutions which it is proposed to continue in the new title XVI is to make the kind of "notch" which affects the eligibility of a person because of the way of his needs are defined or because of the facility that happens to be available to him, or its sponsorship, rather than on any essential characteristic of his.

Let me give you an example. There has recently been created in the city of Wilmington, Del., a facility called All Star House, with which you are probably familiar. This is a facility for mentally retarded young men, some of whom have been in the main public institution (Stockley) and who are seen as not requiring that degree of protection from here on in, but who do require a specialized living arrangement with special staffing to protect them because of their social inadequacies.

This facility has been brought into being by the All Star Foundation and the facility itself has been given to the State of Delaware to operate.

In my opinion, this facility is now going to be disqualified insofar as any residents in that facility might be concerned who would otherwise be eligible for disability assistance because it is a public institution. If the same institution had been placed under private auspices, however, the people in it would have been eligible, and the State of Delaware would have routed public assistance money with Federal aid into the private facility in support of these individuals, but they would be prohibited from doing so as long as the facility remains under public auspices.

This is a great injustice. We feel that the sponsorship of the institution should not be a determinant as to whether or not the Federal Government participates in the support of the dependent people in it. It is an injustice to the State. What is even more serious from our point of view, is that it puts fiscal pressures on the States, incentives, to do the wrong thing for people who need the care. It puts an incentive on them to displace this public institution in favor of the private sector.

In the case of mental retardation, where the majority of the accommodations are public now, this situation will put a premium on utilizing the private sector because the public sector cannot earn the Federal money. As a result we are going to inflate the demands on the private sector out of all proportion to the ability of the private sector to respond rapidly.

It means furthermore that individuals who are now in public facilities will be selected for out-placement by the States in accordance with their ability or nonability to earn Federal funds outside the public institutions, rather than on the primary consideration which should be what is the best place for the individual.

This is a very complex problem, I agree. The injustice, so far as the individual is concerned, of saying, "Well, the Federal Government will attend to your needs if you are in one kind of facility but not if you are in another" is quite patent from the individual's point of view. From the point of view of public policy we have additional problems, because it has become perfectly apparent that some public medical institutions for the retarded are collecting funds now—(legitimately from title XIX for certain individuals who are entitled thereto—I will not go into those that are being improperly collected but let us consider for the moment the ones which are collecting properly—and in many instances this money is just replacing State money previously spent for this purpose. This means that the maximum benefit to the retarded individuals in public medical institutions is not necessarily returning to them.

However, the fact that the States can claim Federal aid for a medical facility and not for a public medical facility favors the medical type of care, the medical model of care, over the social rehabilitative model of care, which is often the more suitable.

The resolution of this problem is not an easy one. But one proposal that we would offer for your consideration (without making it exclusive of other possible alternatives) would follow these lines: every disabled individual should be entitled to his basic board and lodging, the maintenance of kind of payment, the \$110 month, regardless of where he is. Then in order to avoid the States replacing State funds with Federal funds and not improving the service components to the disabled individual—and I am speaking of those disabled by mental retardation primarily—we should channel the additional funds needed for proper care and protection, social services to those in public institutions, as well as in private institutions and in noninstitutional settings in the community. Thus, the place of residence of the individual is not the critical factor in whether or not he receives service which meet Federal standards. The critical thing is his need, and the kind of service that will best minimize his disability.

Now, in this connection I might mention that under the vocational rehabilitation system, we have had no barrier to vocational rehabilitation services reaching people who are in public institutions and can benefit from them. Some of the State vocational rehabilitation agencies have assigned their personnel full time to public institutions to assist in the vocational rehabilitation program in those institutions and we have improved the discharge rate from the institutions.

We must also recall, however, that there are people in those institutions for whom vocational rehabilitation is not feasible but whose

own personal dependence can be minimized. They can be improved in self-care. They cannot only be made more comfortable and happier but actually less of a burden for the people who care for them. A person who can feed himself costs less to maintain than a person who has to be fed. Self-care services of this type are in the realm of social services—social rehabilitation, if you will, as distinct from vocational rehabilitation.

We have very little Federal leverage in these areas right now and I would urge that the committee come out strongly to indicate that persons who are disabled to the point where they need some specialized living arrangement—for example, some form of institutional care, whether 24 hours a day or part day, should be equally entitled to services which will improve their status and assist them to make the maximum of whatever potential they have for living a satisfactory kind of life within their limitations. We urge elimination of the notches which depend on the particular classification of the setting which happens to be most appropriate to the disabled individual.

The CHAIRMAN. Thank you very much.

Questions?

Thank you very much for a very fine statement, Doctor.

(Dr. Boggs' prepared statement follows:)

STATEMENT PRESENTED IN BEHALF OF THE NATIONAL ASSOCIATION FOR RETARDED CHILDREN, INC., BY DR. ELIZABETH M. BOGGS, CHAIRMAN, COMMITTEE ON GOVERNMENTAL AFFAIRS

SUMMARY

Mental retardation is the single most important cause of serious disability among our youth and young adults and hence is a significant cause of poverty; conversely certain concomitants of poverty have been shown to cause mental retardation. These latter include malnutrition in mother and young child, inadequate prenatal care, lead poisoning and related environmental hazards.

The National Association for Retarded Children is vitally interested in income maintenance for the disabled and for families with handicapped children; we are interested in social services to the handicapped and their families, and we are interested in intervening in the cycle of poverty as it may contribute to the perpetuation of mental retardation in successive generations.

NARC endorses the principles of welfare reform and urges action on H.R. 16311 in this session.

We have listed in our statement a number of specifics which appeal to us particularly. The following recommended changes deserve priority attention, in our view:

1. The concept of "family" should be extended to include the unborn child and his parents.

2. The Committee should clarify through its report the language of Section 430a (3) so as to interpret the requirement that projects "provide for various types of child care needed . . . and needs of the children involved" to mean explicit inclusion of appropriate provision for the handicapped children who will inevitably be part of the universe of candidates for day care.

3. For the sake of both consistency and equity, the language of Section 1603 (a) (2) should be amended by deleting everything following the word "child" and the definition of "child" should be the same as in Section 445(b), thus limiting parental liability for an adult disabled child. (Conforming change should be made in Section 1902(a) (17)).

4. Action on Parts A & B of Title XX should be postponed.

5. The Secretary should be asked to come up with a new and distinct social services plan for the disabled and handicapped which recognizes the health, rehabilitation, social services continuum for this group and does not produce "notches" based on some arbitrary determination that a service is or is not "medical" or is or is not "social" or "rehabilitative." This plan should be devised by persons knowledgeable about the needs of the disabled and should have universal coverage of this group as a goal.

6. Active federal support should be forthcoming for constructive institutional programs whose services are based on a social-rehabilitation model, in addition to those conceptualized on the medical nursing model.

7. There should be a clear incentive to States to exercise their responsibility for direct administration of programs of intermediate care (non-medical) as well as to utilize such care in the private sector.

8. The proposed amendment of Section 1121 which is contained in Section 402(10)(B) (page 134) of the Administration's revised bill, H.R. 10311 (excluding public non-medical institutions from reimbursement for "intermediate care") should not be adopted.

9. Limitations on eligibility of the disabled because of their institutional status which are contained in the proposed section 1610 of the Act (page 100) should be deleted. This latter is a carry over of a very archaic and obsolete provision of prior law and has no place in a "reform" bill.

10. As an alternative approach, let the individual retain entitlement to his basic maintenance (\$110 per month) and let the federal concern for his health and welfare be demonstrated by assured direct federal assistance to the states (and through them to approved private agencies) to develop and operate the full range of needed special services in institutions as well as in the community.

11. Federal participation in essential "hard" social services should remain open ended.

12. The Secretary should be bound, as the States are now, by "due process" in administering protective payments under section 406 and 1610; reasonable procedures should be established for assuring that recipients receive full benefits from any protected payments made on their behalf.

STATEMENT

The National Association for Retarded Children is a nationwide membership and service organization concerned with improving the lot of America's millions of mentally retarded children and adults, throughout their life span. It also seeks to promote prevention of this disabling condition through research and the prompt application of research findings.

Mental retardation is a significant cause of disability and hence of poverty; conversely certain concomitants of poverty have been shown to cause mental retardation. These latter include malnutrition in mother and young child, inadequate prenatal care, lead poisoning and related environmental hazards.

Mental retardation is the single most important cause of serious disability among our youth and young adults. This is true, notwithstanding the fact that the majority of those generally considered to be mentally retarded are able to enter the labor force, albeit at a relatively low level of earnings. Moreover, those whose impairment is sufficiently severe to prevent their full employment are not merely deprived of an adequate income on a day-to-day basis, but also, due to the early origin of their condition, they are unable to establish for themselves full entitlement in our systems of social insurance (public and private) by which most people protect themselves through hospitalization, unemployment insurance, and provisions for retirement. Income maintenance, social and rehabilitation services, medical costs are therefore a major concern to those of us who bespeak the cause of the mentally retarded.

Despite its chronicity, mental retardation is not an unmodifiable condition. Physical, social and vocational habilitation and rehabilitation have important roles to play in this field. Health and welfare services are becoming increasingly available both the retarded children and to adults, but this is merely a relative statement. These services are required not only by the very poor but by any family with a disabled child. Such a child and such a family is seriously disadvantaged even at income levels which would normally be considered adequate. We believe that appropriate social and rehabilitation (as well as medical) services must be available to all such families as a measure of tertiary prevention. In order to minimize the handicapped child's long term personal dependency and to relieve the extraordinary burden on the families. This burden is economic, emotional, and social.

The foregoing statements indicate why the National Association for Retarded Children is vitally interested in the improvement of various Titles of the Social Security Act. We are concerned with income maintenance for the disabled and for families with handicapped children; we are interested in social services to the handicapped and their families, and we are interested in intervening in the cycle of poverty as it may contribute to the perpetuation of mental retardation in successive generations.

ENDORSEMENTS

NARC endorses the principles of welfare reform and urges action on H.R. 16311 in this session.

There are a number of provisions in the administration's proposals with which we specifically concur and to which we wish to give affirmative support.

Among the specifics in the bills which we welcome are:

1. The extension of family assistance to intact families.
2. The move toward greater uniformity and equity in eligibility and levels of support.
3. The recognition that the care of an incapacitated family member, of whatever age, in the home, is justification for permitting the family head to remain in the home rather than necessarily to seek employment outside it.
4. The plans for extensive development of child care services with the intention to invoke the resources of a "wide variety of competent organizations."
5. The establishment of the \$110 a month floor under the adult categories.
6. The plan for subsidized adoptions of handicapped children.
7. The separation of the provisions for the service system from the provisions for money support.
8. The inclusion of certain institutional programs for adults under the heading of social services.
9. The designation of information and referral services and protective services as social services to be made available to all persons who need them without a means test.
10. The interdigitation of vocational rehabilitation services with "supportive" services in a way which will assure greater utilization of "rehab" by low income persons who have a handicap.

In this latter connection we might mention a study by Dr. Jack Tobias done under the auspices of one of our local member units (Association for the Help of Retarded, New York City) which showed quite clearly that mentally retarded youth from disadvantaged families were less likely to know about or be referred to vocational rehabilitation than were comparable handicapped young people from middle class families.

OBSERVATIONS AND RECOMMENDATIONS

You have invited our attention to H.R. 16311 The Family Assistance Act of 1970. It is difficult to consider this bill without referring to the closely related matters contained in H.R. 17550 and in the proposed Family Health Insurance Plan, particularly since eligibility for the latter will hinge on eligibility under FAP. Therefore we have found it necessary to cross reference these matters to some extent and hope the Committee will bear with us.

We find ourselves in agreement with most of the broad principles enunciated by Secretary Richardson in his presentations, but we also find that the Administration proposals are in certain respects deficient in carrying out those principles—

1. *Coverage of Children Before Birth:* Secretary Richardson wants FAP to be viewed as an investment in our children, yet the primipera, the woman pregnant with her first child, whether she be married or not, comes under FAP only after her child is born unless she chooses to join the household of an eligible relative who already has a child. It is especially important that this woman receive adequate prenatal care but she is not now eligible for medicaid and would not be eligible for Family Health Insurance. It is also important in the prevention of handicapping conditions that the infant be well cared for at birth and any defects promptly identified and treated. This will more likely be accomplished in a low income family if the family is already enrolled for Family Health Insurance. Furthermore, it is important that the expectant mother have access to appropriate social services, and that she have enough income to maintain her health and nutrition during pregnancy. *We recommend that the concept of "family" be extended to include the unborn child and his parents.*

2. *Attention to the Special Needs of Handicapped Children in FAP Families.*

We see a tremendous dual potentiality in the child care proposals contained in proposed amendments to Title IV. Its greatest potential in our area of concern lies in the possibilities for early detection and remediation of handicapping conditions and in the provision of enriched environment which will tend to foster maximum intellectual development. We know that these objectives are very much in the mind of the administrators who will be carrying forward the child care provisions.

There is, however, another important potential which may be overlooked but which we believe should also be realized under this section. It can be realized if the Committee so directs. We refer to the needs of handicapped children in poor families for specialized day care and other social services. Specialized developmental centers for children with mental and physical handicaps have been considerably developed in the past decade. These facilities could be expanded and extended to serve additional children from FAP families if Section 436 funds are permitted to flow in that direction along with social services and "medicaid" funds under Section 1005(a)(4)(B). It is important in this connection that regulations facilitate rather than hinder the incorporation of children from poor families into child care projects designed to minimize the physical or mental disabilities of non FAP children. In the field of the handicapped, particularly, it is inefficient to establish two segregated systems, one for the poor and one for the nonpoor. *We recommend the Committee clarify through its report the language of Section 436(a)(3) so as to interpret the requirement that projects "provide for various types of child care needed . . . and needs of the children involved" to mean explicit inclusion of appropriate provision for the handicapped children who will inevitably be part of the universe of candidates for day care.*

3. Divergent Provisions for Day Care:

We note with some concern that two different money streams with different mechanisms, criteria, and purposes are being proposed in HR. 16311 for day care. Since the Administration wants the governors to "consolidate" services and eliminate "fragmentation", it seems inconsistent to fund day care for children of working mothers separately (and without State financial commitment) when day care which has optimal child development as its object remains a part of the child welfare-social service system under State administration at lower federal matching. *We suggest that to avoid a costly dual system the Committee consider emphasizing that the Section 436 projects should be directed primarily toward resource initiation and development.* These projects should be targeted on areas most lacking such resources, but intake should not be limited exclusively to children of working mothers. Subsequent operational funding could well be channeled through Title XX, but with a 90-10 federal-state matching and an open end appropriation for children of working mothers as appears to be planned for other work-related "supportive" services. In any case we believe that all federally funded general day care and child development programs which are not administered by the Office of Education be cleared through Office of Child Development.

4. Removal of Inequitable Discrimination Against the Parents of the Adult Disabled and Blind.

We refer to Section 1603(a)(2) of Title XVI (dealing with responsibility of relatives) as it would be revised under the Administration bill. The phrase "or blind or disabled" should be deleted from the Section cited; and the age specification for children changed from 22 to 18.

We believe that in general the adult disabled individual should be seen as a citizen in his own right and that legal liability for his support should be limited to his spouse. We welcome the proposed changes which would move in this direction and which would bring the "relative liability" provisions of the proposed Title XVI more in line with the comparable provisions under Title XIX by eliminating liability of children for their aged parents.

Nevertheless, the administration's proposal to this effect only sharpens the discrimination which it continues against the parents of the blind and disabled. If the children of the aged are not to be mandated to support them, surely the parents of the adult disabled should and can be equally relieved of liability.

The numbers involved are fewer, although the individual burden can be greater and much more protracted. The option to relieve parents is open to the States at present and has been chosen by States whose total population exceeds 25 per cent of the country. It has not had a catastrophic effect on disability rolls. However, the fact that different States treat parental liability for the adult disabled differently is a source of inequity. If Secretary Richardson is consistent in his pursuit of nationwide equity he will want this issue resolved at the Federal level, in favor of the families which have suffered this extraordinary catastrophe.

The change proposed by the Administration raising to 22 the age of a "child" whose parents' resources can be considered in determining his eligibility for aid under the adult categories seems to us highly inconsistent. The provisions

of FAP clearly imply the expectation that a normal 18 year old will go to work and become self supporting unless he becomes a full time student, in which case FAP will continue to support him to age 22 if his family is eligible. In the case of those severely disabled within the meaning of Title XVI or Title II, relatively few will make it to college, and if they do they will be entitled to vocational rehabilitation assistance. There is no reason why parental liability for the non-college bound disabled person should extend beyond the age of presumptive emancipation, which everywhere else in the Act is set at 18.

We recommend, for the sake of both consistency and equity that the language of Section 1603(a)(2) be amended by deleting everything following the word "child" and that the definition of "child" be the same as in Section 445(b).

5. The Social-Rehabilitation-Health Services Continuum:

Especially for the handicapped and disabled the intermeshing and overlapping of health services, social services and rehabilitation services is inevitable and indeed desirable. However, we have traditionally approached the financing of these services by different and incompatible mechanisms. These mechanisms now interfere with smooth delivery systems. In health, middle income people can cover many expenses (but not the worst of them) through insurance and their poor counterparts have medicaid, on an open ended basis; vocational rehabilitation is free to the person with vocational potential, but social services are means-tested on a sliding scale.

Thus a handicapped person who is taught to comb his hair in a comprehensive physical rehabilitation center gets this service paid for as part of his in-patient hospital bill; the same person learning the same skill as part of "personal adjustment training" in a sheltered workshop on the way to a job would get it free, while the more seriously handicapped counterpart being assisted in "self care" in an adult independent living center would be charged on an "ability to pay" basis. The totality of social services needed by some handicapped people is considerable yet these costs remain outside the realm of coverage by insurance.

We view the new social services proposals and the trend to separate social services from income maintenance (both in terms of personnel responsible and in terms of eligibility) as very promising. Unfortunately past experience has shown us that what appear to be very progressive concepts in the broad terms of legislation usually turn out to be much narrower by the time they have been circumscribed by regulations and limited by appropriations. Our approach to Title XX therefore is one of cautious inquiry. Does it mean what it seems to say? And what about that Secretarial discretion? We find that there are other organizations with the same uncertainties, including some with long and responsible experience in the welfare field. It has been suggested that action on Title XX should not be rushed at this time, so that time can be given to further discussion and clarification. After all in many instances regulations implementing the 1967 amendments on services have been issued only in the last six months and only a few state plans fully exploiting these amendments have been approved so we are still finding out what they mean. "Separation" has just become the order of the day.

We therefore respectfully suggest that action on Part A of Title XX be postponed and that the Administration be asked to accept comments from the using public and affected agencies and to bring in revised proposals at the same time it brings in its forthcoming family Health Insurance plan.

We would like to see moves made toward a common coverage of health and certain social services which would otherwise be means tested under the general family health insurance umbrella, preferably on a capitation basis. In addition we believe in the concept behind vocational rehabilitation—i.e. that it is in the public interest to restore handicapped persons to as full a functioning life as possible and that the rehabilitant should not be penalized for his misfortune; we would like to see this concept applied also to rehabilitative and social services for the severely disabled and handicapped, both children and adults.

6. Separation of Social Services for the Disabled:

Secretary Richardson has announced that the FHI plan, to be unveiled no later than next February 15th, will cover only families with children. His reason, a valid one in our view, is that the problems of the adult categorical recipients are quite different from those of the usual family with young children. The same can also be said for the needed social services. It has been our observation that whenever "welfare" is discussed, whether as income maintenance or social services, the ideas expressed are predicated on the family-child model and that the social service needs of the "individual"—i.e. the aged, disabled or blind adult are

incompletely conceptualized and inadequately represented. This is strikingly documented in the background material supplied by the Department (dated June 17th, 1970) where it is shown that, by and large, the adult recipients receive only one fifth as much service as AFDC recipients yet on the face of it aging and disabled adults should be more in need of such assistance than AFDC families. The few follow-up studies that have been made on retarded adults in the community suggest the truth of this hypothesis. Very little is being done for assistance recipients and other chronically disabled persons to improve their functioning or to protect their interests. We, as an organization whose local units are deeply involved in providing some of these needed services to some severely disabled adults, on and off welfare, are acutely aware that very little public money flows in these channels except for institutional care—and even there very little is federal. In short very little federal leverage is being exercised in this field.

We recommend that the Secretary be asked to come up with a new and distinct social services plan for the disabled and handicapped which recognizes the health, rehabilitation, social services continuum for this group and does not produce "notches" based on some arbitrary determination that a service is or is not "medical" or is or is not "social" or "rehabilitative." This plan should be devised by persons knowledgeable about the needs of the disabled and should have universal coverage of this group as a goal.

7. The Social Component of Institutional Care:

The continuum above and the confusions surrounding the medical-social "notch" problem are well illustrated by the ambiguities concerning "intermediate care." Some see it as a form of nursing care less intensive than "skilled nursing home care." Others see it as "non-medical." The term "custodial" is creeping back into use. The idea seems to be that what is not "medical" is nothing except keeping body and soul together. Few people outside the field seem to recognize that "social and rehabilitative" services programs are the essence of what is needed by many moderately retarded adults, and other persons with developmental disabilities, and that such programs should be supported on their merits.

We very much need active federal support for constructive institutional programs whose services are based on a social-rehabilitation model, in addition to those conceptualized on the medical nursing model. The language of Section 1121 as originally passed in 1967 and the Committee's supporting explanation in its report led us to hope that we had found in the Intermediate Care Facility an idea which could be adapted to the needs of a certain group of adult retarded persons who need continuing social supervision, guidance and habilitation but who do not need continuing medical care. At present this idea is being tentatively implemented in a few states, where, within the options offered by federal regulations certain private institutions offering service to this intermediate group of adults disabled by mental retardation are being utilized by State agencies through the vendor payment mechanism authorized under Section 1121. However, we were dismayed to find that the HEW has been encouraged to assume that only private "non-medical" institutions may be so utilized and the same care offered under State auspices may not be paid for with federal participation nationally and state by state, on behalf of eligible clients in any public institution.

This offers a clear incentive to States to divest themselves of their responsibility for direct administration of programs of intermediate care (non-medical) and move toward purchase of such care in the private sector. This, we predict, will constitute a heavy pressure contrary to sound public policy. Sound policy calls for maximizing the efforts of both public and private agencies to produce the quantity and quality of care needed by various groups of disabled people. Arbitrary distinctions between "medical" and "non-medical" institutions and between "patients" and other disabled persons needing constructive care, and a policy which favors private institutions over public institutions, can only be counterproductive. In the present situation where at least 85% of the accommodations for disabled mentally retarded adults which could qualify as intermediate care facilities are in public institutions, inducements to States to use only private facilities will result in a flow of funds into a scarce market, forcing prices up, forcing a bubble type of expansion, and even possibly forcing transfer of publicly owned facilities into private hands. More importantly, it will force individual clients out of public into private institutions on the criterion of their ability to earn federal funds thereby, rather than on the primary criterion of where they can best be served. There will also be pressure to qualify public institutions for the retarded as "medical" institutions as far as possible. This will directly counter major efforts of our Association.

In this connection we wish to point out that, although there generally is no "medical" treatment for mental retardation per se in adults, many retarded adults have concomitant "medical" conditions which are ministered to in these institutions and which would qualify them as "patients" entitled to Medicaid.

We strongly oppose the proposed amendment of Section 1121 which is contained in Section 402(10) (B) (page 134) of the Administration's revised bill, H.R. 16311. We also strongly urge the deletion of the limitations on eligibility of the disabled because of their institutional status which are contained in the proposed section 1610 of the Act (page 100). This latter is a carry over of a very archaic and obsolete provision of prior law and has no place in a "reform" bill.

The disabled adult should be entitled to federal sharing in his basic maintenance costs (Title XVI) wherever he chooses to reside or may be forced by law or circumstances to reside. Above that he is entitled to health, social and rehabilitation services. Federal aid and leverage should be applied to assure that he gets the services he needs rather than penalizing him, or his State, because his needs are more "social" than medical.

The conditions in many institutions housing the retarded, both public and private, are still a disgrace to the Nation. This applies to both "medical" and non-medical units. Federal participation in costs of care can be used as a significant lever to upgrade the quality of care throughout the spectrum, but not if significant portions of the spectrum are excluded categorically from federal attention.

We certainly deplore the substitution of federal dollars for State dollars which results in little or no improvement of condition of the retarded under care. This is happening now in public "medical" institutions, as well as in private non-medical institutions. For example, in California it is estimated that only about 5% of federal funds claimed for medical care in public institutions was plowed back in improved care.

If the Committee wishes to continue to use the vendor payment approach to institutional care for the disabled, then such payments should be applicable to every eligible person in any institution suitable to him regardless of sponsorship.

However, we do offer the following alternative approach. Let the individual retain entitlement to his basic maintenance (\$110 per month) and let the federal concern for his health and welfare be demonstrated by assured direct assistance to the states (and through them to approved private agencies) to develop and operate the full range of needed special services in institutions as well as in the community. If the Department and Bureau of the Budget would give guarantees that adequate funds would flow through the various SRS mechanisms to guarantee a real impact on the quality and quantity of these services, we could withdraw our objection to the highly discriminatory and negative language contained in the Administration proposals. We will readily agree that such a forward step could be more productive than any system of reimbursement on a fee-for-service basis.

It should be borne in mind that the States are currently investing something of the order of \$1.4 billion dollars annually in subsistence, and in social, health and rehabilitation services for the mentally retarded, most of them with paltry little input from federal sources.

8. Consolidation of Human Services, Joint Funding, and Open Ended Funding:

As an organization which for twenty years has been speaking on behalf of a group of people who are exceptionally in need of comprehensive health, education, social and rehabilitation services, NARC has long advocated mechanisms for coordinating such services, particularly at the point of delivery. Advocacy is not a new idea with us. We are very sympathetic to Secretary Richardson's visions of the neighborhood multi-service center, provided those with atypical needs find therein the specialized kind of help they require.

It appears, however, that Part B of the proposed Title XX is defective and premature as a vehicle to this end. Such an important proposal should not be tacked on to "social service" legislation with a mandate that "social service" be the core of any step toward consolidation, along with an exclusion of "Medicaid". Rather a proposal to assist states to reorganize human services along more rational lines should be debated on its own merits. These merits should include:

(a) neutrality among the various HEW contenders, rather than a bias toward social services making them "more equal" than other components; funding out of the office of the Secretary would symbolize this neutrality.

(b) prior rationalization of HEW's own eligibility requirements and funding philosophies.

(c) a clearer differentiation between the objectives of resource development and income subsidy; recognition that if "medicaid" is excluded, other means-tested "fee for service" systems should be excluded, or vice versa.

We recognize that it is impractical to "consolidate" open ended and closed end grant programs and that programs which are basically income maintenance in purpose must be open ended. Dr. James Shannon has rightly pointed out that "medicaid" is such a program, and its exclusion from "consolidation" is therefore justified. However, there are certain social services which fall in the same category.

The principle of joint funding is sound. We wish to point out that recommendations on this point were made as long ago as 1962 by the President's Panel on Mental Retardation. We have long recognized the need for the administrative reform of which Part C of Title XX represents a first step.

We recommend that federal participation in essential "hard" social services remain open ended for the time being.

We recommend that action on Part B of Title XX be deferred pending perfection of this plan and prerequisite changes in HEW's own program guidelines and regulations.

We recommend that HEW be authorized and encouraged to develop sound flexible joint funding mechanisms for its own programs as a precursor to "consolidation" at the State level.

We recommend that HEW be asked to present a general plan for relaxing the "single state agency" requirements of its many federal-state programs to permit governors to regroup their human service systems, bearing in mind that "consolidation" can not mean a monolith with no substructure.

9. Protected Payments:

Proposed Section 416(a)(2) replaces present provisions in Section 406(b) providing procedures for payments to a protective payee. The new section 1610 substantially carries forward the provisions of the present section 1605 on the same topic. By contrast the changes in Title IV appear substantive; all references to a fair hearing have been omitted; the supporting explanation by the Department emphasizes procedures for choosing the payee but does not consider the problems of assuring that funds are used for benefit of the entitled persons particularly when the payee is not a member of the same household.

We agree that determinations in this matter are best made administratively and that procedures and regulations should be comparable to those applying under Section 205(j) (appointment of representative payees for social security beneficiaries). However, instances have been reported to us which suggest that abuses do occur under Social Security and we would not like to see them enlarged upon under Titles IV and XVI. At the same time we do not want to see disproportionate administrative time devoted to this concern.

We recommend that the Secretary be bound, as the States are now, by "due process" in making protected payments under Sections 406 and 1610, and that reasonable procedures be established for assuring that recipients receive full benefits from any protected payments made on their behalf.

The CHAIRMAN. Now, the next witness will be Ted Watkins speaking for Watts Labor Community Action Council. Is he here? Ted Watkins.

(A communication received by the Committee from Mr. Watkins follows:)

WATTS LABOR COMMUNITY ACTION COMMITTEE,
August 24, 1970.

COMMITTEE ON FINANCE,
U.S. Senate,
Washington, D.C.
(Attention of Tom Vail, Chief Counsel.)

HONORED GENTLEMEN: I am sorry to advise you that I am unable to testify before your Committee at the present time. As Project Administrator of the Watts Labor Community Action Committee, I do not want to jeopardize one of our critical funding sources—namely, private foundations.

The Tax Reform Act of 1969, Page 29, section 49-45 D and E, makes it illegal for any organization receiving support from private foundations to, in any way, influence legislation or legislative bodies. I am sure that the Committee members

are very much aware of this legislation and can appreciate the need for my declining to participate in your hearings on Welfare Reform.

If however, I could be of assistance to the Committee as a private individual, with no connection to my activities with the Watts Labor Community Action Committee, I would of course be happy to cooperate.

Sincerely yours,

TED WATKINS,
Project Administrator.

The CHAIRMAN. I will call the next witness. Lawrence Spieser, director of the Washington office of American Civil Liberties Union. Is he here? Lawrence Spieser of the Civil Liberties Union.

Then, that concludes this morning's hearing. We will meet again at 10:00 o'clock tomorrow.

(Whereupon, at 12:30 o'clock p.m., the hearing was recessed, to reconvene at 10:00 a.m., Thursday, August 27, 1970.)

THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, AUGUST 27, 1970

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

The committee met, pursuant to recess, at 10:15 a.m., in room 221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Ribicoff, Williams of Delaware, Bennett, Curtis, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. The first witness for this morning's session is Harold W. Watts, director, Institute for Research on Poverty, University of Wisconsin.

Is Mr. Watts here? Will you proceed, sir?

STATEMENT OF HAROLD W. WATTS, DIRECTOR, INSTITUTE FOR RESEARCH ON POVERTY, UNIVERSITY OF WISCONSIN

Mr. WATTS. Shall I proceed?

The CHAIRMAN. Yes.

Mr. WATTS. I am grateful to this committee for the opportunity to appear here and express my views on the Family Assistance Act of 1970.

I have been intensively concerned with the problem of welfare reform for more than 5 years, as a research economist for the Office of Economic Opportunity, as director of the Institute for Research on Poverty at the University of Wisconsin, and as a principal investigator of the graduated work incentive experiment being carried out in urban areas of New Jersey and Pennsylvania. I have also followed the development of the Family Assistance Act from the earliest stirrings up to the bill that is before you today.

I am pleased to note that the bill as revised under the urging of this committee shows correction of some of the defects I noted in my testimony before the Ways and Means Committee on November 13, 1969. Most importantly, there has been a recognition of the incentive effects of all tax and subsidy programs that bear upon poor families and steps have been taken—or promised—that will make self-support uniformly more attractive than dependency. Much of the secretarial discretion on pivotal issues has been removed. The movement toward a unified Federal administration of cash benefits has been given stronger encouragement.

Finally, the formulas for Federal reimbursement of State supplemental benefits have been improved and clarified. I will, in view of the extensive statement already in the record of the Ways and Means

hearings, confine my remarks to several important remaining issues.

The first of these is the level of the tax on earnings that is implicit in the Family Assistance Act. It remains very high when one considers its combination with food stamps, medical benefits, public housing aid and, for some, State supplemental benefits.

We do not have a sound basis for evaluating the effects of very high implicit taxes on motivation of self-support. Until we do, it seems prudent to avoid the extreme levels.

I would propose that an overall ceiling be included which would insure each family eligible for family assistance that the total benefits, both cash and in-kind, which that family would receive at zero income will never be reduced by an amount greater than half of the total income the family earns by its own efforts. As it now stands, combinations of programs can result in reductions that leave the family with much less than half of the fruits of their efforts, with as little as 25 or 30 percent in fact. I believe that such rates ought to be avoided as we move cautiously toward a policy of equitable assistance for the working poor.

One major change is proposed in the revised bill—elimination of the Federal mandate for supplementation of benefits for unemployed fathers, families headed by an unemployed father. This was done to remove a “notch” at the point, which is typically usually 35 hours per week, where a father is no longer unemployed according to regulations.

It should be understood that the notch was moved and not removed. For now the bill proposes an equivalent added benefit for families whose unemployed father deserts them. Again, no one can say with authority how many more female-headed families this will produce. But, I believe it is always unfortunate to place a premium of family instability. In the long run we must look toward raising the general family assistance benefits so as to eliminate or drastically reduce these supplemental bonuses and the consequent discouragement of responsible parenthood.

For those States which now operate AFDC-UP programs, there should be some provision against abrupt termination of benefits if the State chooses to discontinue the program. The rolls could be closed, followed by a scheduled reduction of benefits over 1 or 2 years. Without such provision there will be a great deal of distress and a very heavy burden on the emergency funds of State and local governments. We have had some recent direct experience with this in Wisconsin since the UP was removed in July.

Also, the revised bill proposes a more stringent work test. The penalty for noncompliance has been raised, and the standards of suitability have been weakened.

While I recognize and share the objective of these provisions, I would also caution against the capacity for mischief of the policy itself. In periods such as the present one, the economy simply is not generating enough jobs. While it is always possible to find persons who will not accept bona fide offers of “good” jobs, most of the poor are eager for them, and even more so when the periods of labor demand are short.

It is all too easy and hardly unprecedented for coercive powers such as the ones in this bill to be used to exploit and even perpetuate

the existence of a large group of ill-paid and infrequently employed workers.

A similar caution applies to the training provision. There is no evidence that public manpower services and/or training programs which provide genuine opportunities for increased earning power require coercive powers in order to be used. The problem is that such programs have rarely been seen. We have mainly judged such programs by their cost and not by their results, and many of the programs in that category have lacked participants. But I believe that we risk a monumental waste of time, money, and effort if essentially coercive powers are used to populate programs that do not enough evident merit to attract trainees or clients.

Finally, I would like to express my strong support for the general thrust of this program. Our policies toward the poor have gone much too far down the road of discrimination against the working poor. A part of that inequity is redressed here. It is unfortunate that prior claims on our budget prevent a more substantial movement toward that goal. This program combined with programs offering improved education opportunities, both operating in an economy that is capable of using all who want to work, offers our best chance for eliminating poverty.

I have not included here further discussion of the experimental project in New Jersey. Mr. Wilson and Mr. Kershaw have, I believe, given you a good summary. I am, of course, more than happy to discuss it with you if that should be your pleasure.

Again, thank you very much for the opportunity.

The CHAIRMAN. Any questions, gentlemen?

Senator CURTIS. Mr. Watts, do you endorse this part of the proposal that would pay a welfare benefit to the fully-employed working poor?

Mr. WATTS. Yes, I do.

Senator CURTIS. And you are aware that there are about 10 million people who are on welfare now and that this could raise the number of welfare recipients in the Nation to a possible 24 million?

Mr. WATTS. Yes, sir.

Senator CURTIS. In that connection, I notice a sentence in your last paragraph:

"It is unfortunate that prior claims on our budget prevent a more substantial movement toward this goal."

Then in reality, you really favor a larger bill, do you not, than the one that the Nixon administration has recommended?

Mr. WATTS. Yes, sir, I do.

Senator CURTIS. About how much larger?

Mr. WATTS. Roughly twice as large in terms of cost.

Senator CURTIS. Twice as large?

Mr. WATTS. Yes.

Senator CURTIS. In other words, you favor a bill instead of being 4.1 or 2 or 3 or 4 billion, 8.5, something like that?

Mr. WATTS. Yes, sir.

Senator CURTIS. Instead of the figure of \$1,600, what would you place it at?

Mr. WATTS. Probably close to the \$3,000 level.

Senator CURTIS. Close to \$3,000?

Mr. WATTS. In fact, I do tend to include the food stamp benefits, which these people will be entitled to, which does raise somewhat the \$1,600 cash benefits.

Senator CURTIS. Do you know anybody who is for this program who is not anxious to see it raised right away?

Mr. WATTS. Yes.

Senator CURTIS. You do?

Mr. WATTS. Yes. Several.

Senator CURTIS. I will not ask you to name them.

Mr. WATTS. Pardon?

Senator CURTIS. That is all.

Senator WILLIAMS. Mr. Watts, your present employment is with the Institute of Poverty Research for the University of Wisconsin, is that correct?

Mr. WATTS. Yes, sir.

Senator WILLIAMS. And that is operating under a Government grant that was proposed, that was sponsored and financed by HEW for the purpose of promoting this plan and the New Jersey experiment, is that correct?

Mr. WATTS. It is the Office of Economic Opportunity.

Senator WILLIAMS. So in effect, you are being indirectly paid by the taxpayers to invoke this proposal, have a built-in interest on it?

Mr. WATTS. I would correct it, Senator; it is OEO rather than HEW, otherwise it is correct.

Senator WILLIAMS. That is correct, it is OEO but the taxpayers are paying.

Mr. WATTS. Yes, sir.

Senator WILLIAMS. I just thought we would clear up your employment status.

No further questions.

The CHAIRMAN. Well, thank your very much, sir.

Our next witness will be Mr. Robert McManus, director of the Nebraska Department of Public Welfare.

Senator CURTIS. Mr. Chairman, I would like to welcome to the witness stand the Honorable Robert McManus. He is our director of public welfare. He is knowledgeable and I think he will be able to help us a great deal. I have read his statement. He will give us some important information concerning the impact of this bill upon the States and particularly upon the State of Nebraska.

STATEMENT OF ROBERT McMANUS, DIRECTOR, NEBRASKA STATE DEPARTMENT OF PUBLIC WELFARE

Mr. McMANUS. Good morning, Mr. Chairman and Senators.

I also am the director of administrative services for the State of Nebraska, and I am here at the express wish of Gov. Norbert Tiemann.

The State of Nebraska generally supports the Family Assistance Act. There do continue to be significant areas which are of great concern to us. I am not going to read this statement which you have in front of you, but I do want to emphasize some very specific points that I think are extremely important to States such as Nebraska, and we are not alone. There are many States similar to us.

We are concerned, our chief area of concern is the limitations contained in the hold-harmless provision. We were violently opposed to the bill prior to the installation of the hold-harmless provision because of the tremendous impact that we could foresee on the State general fund tax load. We have changed our thinking, but we feel that the hold-harmless provision does not go far enough.

The 1967 amendments introduced to the Social Security Act, the provisions of earned income disregards have an impact which is tremendous in our State and those States such as ours which are on the primary formula.

I would remind you, gentlemen, there are two formulas in for computation in the Social Security Act, a primary formula and an alternate formula. The large States such as Illinois, New York, California, Connecticut, and others are on the alternate formula. The impact of the disregards in the State of Nebraska has been one to increase the caseload very, very dramatically, and increase the cost per case, the payment per case.

Now, interestingly enough, this increase in the cost of the case is entirely, under our present setup, at the expense of the State itself. We feel that since the hold-harmless—excuse me, since the disregards came into effect at the end of 1969 fiscal year that the hold-harmless provision should be made based on the 1969 fiscal year.

We feel that the base year for computations in the Family Assistance Act should be on the basis of 1969, not 1971.

There are further points that I want to make. The hold-harmless provision does not consider the administrative costs. The programs are going to increase, we know this. We know that the medical assistance program is going to increase, the AFDC program is going to increase, and we recommend that the hold-harmless provision include assurance to the States that other program increases resulting from the enactment of the Family Assistance Act be included, and to also hold these increases harmless to the State.

We feel that the provisions of the act give the Secretary far too much latitude in making determinations as to the levels of Federal participation. No State, certainly not Nebraska, can effectively determine what their costs are going to be with the provisions the way that they are.

Such secretarial discretion should be reworded in the act to give the States a more definite idea of funding, funding that would be available, and an exact basis upon which to determine the State's efforts required to support the program.

We feel further that the closed-end appropriation for administration, training, and social services is not realistic. We feel that any reference to closed-end appropriations relating to an open end and unpredictable workload should be an open-ended appropriation, and allow the States to control within the State appropriation the efficient and effective operation of the program.

The States are interested in efficiency in the operations of these programs, and believe me, Senators, we have been working very diligently at trying to establish adequate controls within the limits of the statutes.

In the State of Nebraska and other rural States, the requirement to separate social service and administration is not a practical one. In

some of our more rural counties, this would require, under the terms of the act the way it is presently worded, duplicate and in some instances triplicate staffs where there is a workload not commensurate with that type of staffing.

We feel that this should be rewritten to give the States discretion in these areas.

The manpower and training funding will increase State costs. At the present time Nebraska provides 20 percent of the operation of the work incentive program in two counties. Under the terms of the act as they are presently worded, the cost to the State would increase significantly.

We recommend that the 10 percent be related to the hold-harmless provision contained in the income maintenance section of the family assistance plan. Additional costs for such a manpower program should not place an additional burden on an already overburdened State tax base.

Mr. Chairman and Senators, I appreciate the opportunity to come and talk with you. I had another statement in my written statement that I deleted. I would just like to modify that and say that the costs should not be underestimated, and the effects should not be overestimated.

We feel that this is a forward step, it is a step in the right direction, but we must recognize that it is going to cost money and we must recognize that it is not the end-all and the answer to all of the social problems of the country.

Thank you very much, Senators.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. McManus, do you have an estimate as to how much added costs would be placed on Nebraska immediately if the revised bill were put into effect?

Mr. McMANUS. Well, because of the tremendous costs of administration, which we cannot actually determine, we think that the cost to the State would be somewhere between doubled and tripled unless a proper hold-harmless provision is included.

Senator CURTIS. You mean that your total budget for public welfare would be doubled on enactment of this bill, State budget?

Mr. McMANUS. Yes, sir; without hold-harmless.

Senator CURTIS. Not just your cost of administration, but the total amount of money that the State spends?

Mr. McMANUS. That is correct, sir.

Senator CURTIS. As you and I well know, we are a small State, populationwise, perhaps as well as national wealth. What are we spending out of State funds for public welfare?

Mr. McMANUS. The total cost of our budget, the appropriation was \$36.6 million for the biennium. The actual costs are running about \$44 million. We will have—

Senator CURTIS. State funds?

Mr. McMANUS. State funds.

We will have somewhere in the area during the present biennium of possibly a \$4 to \$7 million deficit.

Senator CURTIS. So it will be around \$44 million?

Mr. McMANUS. Excuse me, I gave you an incorrect figure. It is running \$42.4 million at the present time.

Senator CURTIS. \$42.4 for a biennium?

Mr. McMANUS. That is correct.

Senator CURTIS. That is State funds exclusive of Federal funds and local funds?

Mr. McMANUS. That is correct.

Senator CURTIS. And it is your estimate that these various portions in the bill which you have called attention to would double that load?

Mr. McMANUS. Yes, sir.

Senator CURTIS. And maybe more.

Mr. McMANUS. This is a questionable thing, Senator, because we cannot predict accurately the way the bill is written what the actual impact will be.

Senator CURTIS. Well, that leads to my next question. This obligation on the State, it would not be a one-time obligation but under the bill it would be a continuing obligation for more money.

Mr. McMANUS. That is correct.

Senator CURTIS. Another question:

Are you able to predict what those added costs will be, are they certain and definite?

Mr. McMANUS. No, sir; we are not.

Senator CURTIS. Is that one of your objections?

Mr. McMANUS. That is, sir; very definitely. This is one of our main objections, that we cannot predict, we cannot foretell what our tax burden is going to be as a result of public welfare.

Senator CURTIS. I think, by and large, that perhaps welfare is as well-administered in Nebraska as any place because we do not have the problems of such large areas of population and other things.

Has the welfare load gone down in recent years?

Mr. McMANUS. No, sir. In the past 2 years it has increased significantly. We feel that this is largely due to the effect of the income disregards. We are opening cases and we are getting younger caseloads, younger mothers and smaller families, and the cases are not being closed because of the income disregards.

Senator CURTIS. I think the committee understands what you mean by income disregards. There may be others following the record who do not.

What do you mean by an income disregard?

Mr. McMANUS. Well, any earned income that is earned by a recipient or teenager in the family, the first \$30 of their income is disregarded.

Senator CURTIS. For each individual?

Mr. McMANUS. Yes. For the mother—all of the income of the children up to 18 years old who are in school or training is disregarded.

Senator CURTIS. For each individual in the family?

Mr. McMANUS. Yes, yes. Then one proceeds to establish what their income is, what their available income is in relation to their budgeted need, and the payments consist of the difference between the net income and the budgeted need.

Senator CURTIS. Does it work out something like this: If an applicant had three dependents and zero income and resources, you would determine what their budgeted needs are and if it was within the limits, they would get that, is that right?

Mr. McMANUS. That is correct, within the limits of the statutes.

Senator CURTIS. Under the old law, whatever income they had would be subtracted and you would pay them a difference?

Mr. McMANUS. That is correct.

Senator CURTIS. Now, by an income disregard, the Congress has said in the law that you shall disregard a certain amount of earnings for each head of the family, is that right?

Mr. McMANUS. That is correct.

Senator CURTIS. And one-third of the balance?

Mr. McMANUS. Yes.

Senator CURTIS. Now, that was passed by the Congress in the hope and expectation that if welfare recipients would get a chance to earn something that they could keep, it would induce them to earn more and to strive for fuller employment and better employment and eventually get off of welfare. You say it has not worked out that way.

Mr. McMANUS. In the State of Nebraska, the result is that the caseload has increased, and we are not closing cases, so that the levels of earnings, generally speaking, are such that in the jobs, the levels of their capability are such that these people continue to remain on welfare, although their own standard of living and their available money is increased. So it has not had the effect of decreasing the caseload. It has had the opposite effect, of increasing the caseload and keeping people on welfare a longer period of time.

Senator CURTIS. You made some reference to younger applicants. Would you elaborate on that just a little bit?

Mr. McMANUS. Well, there is a pattern that is starting to become discernible where the average age of the applicant is becoming younger, and we think that what this is caused by, but we are not sure of this at this time, is the effect of this earned income disregard that younger people are starting to come on.

Senator CURTIS. In other words, there might be a mother who has a couple of youngsters who are earning some money which is disregarded, and she gets \$30 and then a third over that. Would it appear then that the applicant is sort of saying "Well, this is the way it is provided, we are entitled to that" so they just apply and receive the welfare and continue to receive it as a matter of course, and they do not use that right to earn uncounted income as a means of getting off relief?

Mr. McMANUS. That is it, Senator.

Senator CURTIS. I think you have given us some very valuable information because this is one of the basic facts that we have to consider, whether or not we should extend welfare benefits to the fully employed people. We can add 14 million welfare recipients by a vote in Congress and a stroke of the pen by the President. But it takes a lot of doing to ever retire that many people from the welfare rolls by any means of training, work requirement or incentive.

That is all, Mr. Chairman.

Senator BENNETT. Mr. Chairman, may I ask a question? I would like to follow up this disregard. I am very much interested in it.

Is this the way it works? Here is a person who is just on the border. If they earn \$10 more without the disregard, they go off welfare. But when you put the disregard in you put them way down below the border because you take off \$30 for each worker, plus 30 percent of

their earning so that, while they may be earning, let's say \$200 a month, but when you calculate the disregard the record shows that they are earning \$170 a month minus one-third of the \$200 or—

Mr. McMANUS. Minus one-third of the balance, of the \$170.

Senator BENNETT. One-third of the \$170, which is about \$55, so they are only earning about \$125 a month actually. And somebody points out to them that they can get on welfare and still have that much margin before they get to reach the point where they would be taken off welfare.

Is that not the way it works?

Mr. McMANUS. That is correct, Senator.

Senator BENNETT. So it makes them, even though they might actually be earning enough to take care of themselves, by law they are far short of that necessary amount and, therefore, a greater number of people qualify.

Mr. McMANUS. So that, using your same example, Senator, they would be getting, let us say, \$55 and \$30, \$85 payment in addition to their \$200 and it would become, their true income would then become \$285.

Now, it does another thing, and this is the point that I was trying to stress earlier, it has an impact on other programs. This also qualifies them for the food stamps. It also qualifies that family for medical assistance under the title 19 program. So that impact is across programs, it is not just one program.

I am not saying that this is bad, Senator.

Senator BENNETT. I just wanted to get it clear mathematically.

Mr. McMANUS. All I was pointing out was trying to show what the arithmetic does for the State taxpayer.

Senator BENNETT. I wanted to get the mathematical pattern straight in my own mind and on the record.

Mr. McMANUS. Yes.

Senator BENNETT. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. McMANUS. Thank you, Senator.

(Mr. McManus' prepared statement follows:)

PREPARED STATEMENT OF ROBERT D. McMANUS, DIRECTOR, NEBRASKA STATE
DEPARTMENT OF PUBLIC WELFARE

Mr. Chairman and Members of the Committee on Finance of the United States Senate.

NEBRASKA SUPPORTS FAMILY ASSISTANCE ACT GENERALLY

The Family Assistance Act, H.R. 10311, as revised by the Administration on June of 1970, has been improved in many respects and is generally supported by the State of Nebraska. There do continue to be areas which are of concern and on which my comments today will be addressed.

"HOLD HARMLESS" PROVISION NOT ADEQUATE

The provision to "hold harmless" increased costs to the states with a base year of 1971 is not the best approach to nor the *intent* of this Act. The provision to "hold harmless" an Act whose premise is an "income strategy" must take into consideration *current programs* of the Social Security Act containing what we consider to be income strategy provisions. This income strategy was initiated in the 1967 Amendments to the Social Security Act and mandated the exemption of the first \$30 plus one-third of a family's earned income. This strategy has *not* resulted in a reduction in caseload but has increased caseload more

rapidly than in any previous two-year period. Nebraska recommends that the "hold harmless" provision either be worded: (1) to gradually decrease state participation in the Income Maintenance programs with the goal of eventual Federal take-over of the funding for the Income Maintenance programs; or (2) to establish a base year prior to the implementation of the 1967 Amendments containing similar income strategy provisions.

"HOLD HARMLESS" DOES NOT CONSIDER ADMINISTRATION COST

It is further recognized that the "hold harmless" provision does not reflect administrative increases that will take place resulting from the enactment of national eligibility requirements such as income levels, resource limitations, age requirement for AFDC children, income disregard in the adult programs, and redefinition of permanent and total disability. It is obvious that these national standards will increase the cost of the state's Medical Assistance program and increase caseload. To administer such programs it will also require additional staff. Nebraska recommends that the "hold harmless" provision include assurance to the states that other program increases resulting from the enactment of the Family Assistance Act be included and to also hold these increases harmless to the state.

SECRETARIAL DISCRETION NOT ACCEPTABLE

Other provisions in the Family Assistance Act also require clarification. These relate to family eligibility, Federal participation in assistance for the adult categories, the wording relating to supportive services, child care and the closed-end Social Service administration. The Act provides the Secretary with discretionary power to establish the rate of participation by the Federal Government above \$65 average payment for the adult categories. The Administration has indicated that the Secretary will use this discretionary power to control expenditures in the adult categories. However, a state will not be able to determine the level of Federal participation in the adult categories if such limitation either is not stricken from the Act or a definite maximum written into the Act. The Secretary is further given discretionary power to determine the Federal financial participation in supportive services, child care, and other sections where the wording "up to" a percentage will be the Federal share of a given expenditure. Such Secretarial discretion should be reworded in the Act to give the states a more definite idea of funding available and an exact basis upon which to determine the states' effort required to support the program.

CLOSED-END APPROPRIATION NOT VALID

The Social Services Amendment to the Administration's revised and resubmitted Family Assistance Act contains a closed appropriation for administration, training, and Social Services. In the Family Assistance Act, states will be required to administer a program for an unknown population and number which could conceivably double a work load of the state. It is recognized that the states' caseload could double, but there is proposed a limitation on Federal participation in the cost of administering this program to 110% of expenditures during a base year. It is inconceivable to expect a state to control administration when the state in fact has little or no control over the numbers of persons eligible to receive aid and assistance. Any analogy to closed-end administrative appropriations to the Social Security Administration is totally invalid because the administrations of the two programs are not comparable. Nebraska recommends that any reference to closed-end appropriation relating to an open-end and predictable work load also be an open-ended Federal appropriation and allow the states to control within state appropriation the efficient and effective operation of the program.

SOCIAL SERVICE SEPARATION NOT PRACTICAL

There appears to be no requirement that the state implement a Social Service delivery system in the Family Assistance Act. In the Amendment titled, "Grants to States for Individual and Family Services and Consolidated Health, Educa-

tion and Welfare Plans," an attempt was made to separate an Income Maintenance program from a Social Services program. On the surface this appears to be a valid administrative separation and lends itself to the identification of funding for the two segments of the Public Welfare program. However, it is an arbitrary segmentation of service to people and a split-off with one agency dealing with a part of a person and will further split the delivery of *help to people* in need of aid and assistance. It must be realized that in many rural counties in Nebraska such a separation will require separate staffs. The result will be: (1) inability of the state to realize Social Service funding, or (2) Social Services will be provided in rural counties without Federal reimbursement for the services provided.

RECOMMENDATION FOR COMBINED STAFF

It is recommended that the Family Assistance Act be revised to delete the requirement that states establish separate administrative units for the provision of Social Services. As presently written, this Act could require the establishment of a system for delivering family assistance to the working poor, another staff to provide state supplementation, and a third staff to deal with Social Services.

MANPOWER AND TRAINING FUNDING WILL INCREASE STATE COSTS

Section 447 deals with the Manpower Training and Rehabilitation Services, requiring an administrative effort by the state of 10% of the cost of program operation. Nebraska presently provides 20% of the cost of the operation of the Work Incentive Program in two counties: Douglas and Lancaster. The Family Assistance work and training requirement will require 10% state effort for a greatly expanded caseload, including the working poor, at a cost to the state far exceeding the current 20% now required under the state's Work Incentive Program contained in Title IV of the Social Security Act. It is recommended the 10% be related to the "hold harmless" provision contained in the Income Maintenance segment of the Family Assistance Plan. Additional costs for such a Manpower Program should not be placed as an additional burden on an already over-burdened state tax base. It is recognized that any new program will have certain attributes to aid its passage. The State of Nebraska is of the opinion that the existing Welfare Programs, although labelled a failure, have in fact done their job of providing assistance to thousands of people in need. The present system should not be overcriticized as is the current vogue in attempting to sell the Family Assistance Plan. To assume that the Family Assistance Act will resolve all of the problems that the present system is accused of not solving is merely to *over-state* and an attempt to *over-sell* a program which could provide a very important basis for social improvement but not the total solution to the many complex social problems existing today. The Administration, in attempting to get passage of this Act, will under-estimate the cost of this program, as was the case when Title XIX of the Social Security Act was passed. This under-estimation of cost is the reason Nebraska is so very concerned about administration projects and the very limited "hold harmless" provision contained in the Act.

I will be happy to answer any questions at this time.

The CHAIRMAN. The next witness is the Honorable John Parkin of the Wisconsin State task force on welfare payments, and Mr. Parkin is to be accompanied by Representative Merrill E. Stalbaum, Representative W. A. Johnson, Mr. Merton Ehrlicke, city welfare director, Mr. Edward J. Hallen, county welfare director, Mr. Kenneth Schrickler, vice president of the Washburn County Board of Supervisors.

Senator BENNETT. Mr. Chairman, before these gentlemen begin we have a vote in 5 minutes on the floor of the Senate just for your information.

The CHAIRMAN. Would you proceed, sir.

**STATEMENT OF EDWIN J. HALLEN, COUNTY WELFARE DIRECTOR,
 GEORGE E. RICE, DEPUTY CORPORATION COUNSEL, MER-
 TON EHRLICKE, CITY WELFARE DIRECTOR, AND KENNETH
 SCHRICKER, VICE CHAIRMAN, WASHBURN COUNTY BOARD OF
 SUPERVISORS**

Mr. HALLEN. Mr. Chairman, we are very appreciative of your permitting us to appear here today.

For purposes of correcting and perfection of your record, I am not Mr. Parkin, I am Edwin J. Hallen, County Welfare Director. Mr. Parkin is not here, Mr. Stalbaum is not here, Representative Johnson is not here. But I am accompanied by Mr. Kenneth Schricker, Mr. Merton Ehrlicke, Mr. George Rice, attorney, and two other folks from Milwaukee County. I will explain this so you know that it was not recklessly done by saying about 2 days ago a legislative emergency occurred in our State where the legislative members listed on both your witness list and on our 14 member memo were not permitted to come. So again subject to your objection, Mr. Chairman, I will not read every word of the 14-page memo but refer to the two page summary of that memo which I believe each of you have, because I beg of you to let one or two of my fellows take some part of the time I would have been allowed.

We mentioned in the summary job training. For us it is a very troublesome area for several years but especially beginning with the inception of the WIN program. So far as we can find now within our own agency or attached to it by reference to other agencies 32 different working payment programs, one of the complaints we have on the local level, and I must speak on that term even though I represent our legislature, is the variety and complexity of programs which does contribute to an excessive cost in welfare, increased staff and so on because with each program comes the proliferation of men and materials and regulations and so on.

We recommend then one training program under one agency because they are all for people in the end anyway.

Mr. Rice may want to talk to you more thoroughly about food stamps and surplus commodities programs on the local level and I will leave that just a moment—also about the treatment of fathers.

Again subject to your objection, Mr. Chairman, if I could just make some comments about both the Family Assistance Act and all current welfare programs. Again from a local point of view it is we who do the work, try to carry out your mandates here but we have been left out of any policy determination or participation in decisions as to programs partly because of the one statement which the Congress includes in the preamble to every program, and I quote roughly exactly: "This program shall be supervised by a single State agency."

We are very much alone on the local level and if it is possible here in Congress to insert a statement saying that a single State agency shall be responsible to you or to HEW but with 90-day lead time permitted those of us on the local level and with participation possibly with the concensus of concurring opinion, before a program is mandated.

Mr. McManus has just told you many of the same things I would have, and I feel as strongly about them as he does, and especially now, prediction of costs. Some of the proposed projections of FAP were based on the 1960 census which is completely out of touch with reality today, and especially with respect to the medical assistance program. That program has already gone beyond us both on the local level and on the State and indeed under the Federal level. I think it might not have been if we were permitted 4 years ago to say, give us 2 years to study this thing while we continue with the program which then cost me one-half as much as it is costing us today.

May I introduce Mr. George Rice. He is an attorney of Milwaukee County.

Mr. RICE. Mr. Chairman, I will have nothing to say at this time because the Milwaukee County delegation will speak separately, if we may, after the vote.

Mr. SCHRICKER. I am very interested, Mr. Chairman, in the food stamp and the surplus programs that you are discussing here in this program.

We feel very strongly in Wisconsin that these programs are very good. In the rural area we find that the surplus program works very well for the low income people. Those are the ones who are not on aid.

They are underemployed people rather than unemployed, and this program works very well and we would hope that you would consider leaving option and both programs in the plan.

We also have a deep concern, I have, for the situation in the stamp plan where we find in many of our larger cities in the State of Wisconsin criticism of our State for the lack of providing the proper amounts for food allowances. Yet, we find in some of our cities, that only 50 percent of the recipients are participating in the stamp plan, and I think that that is a grave concern.

I think there ought to be some local rules where something could be done about that, and I would ask you distinguished gentlemen, as you consider your vote on this to very carefully look at the State impact that it would have on the State taxes of each State.

I am very concerned about any further rise in cost of administration. I think that we have far too many programs, as Ed spoke about, under different titles.

I just do not feel that administration should be going up at the rate that it is.

Thank you very much.

Mr. FHRICKE. Mr. Chairman and distinguished gentlemen. I would like to bring to your attention the vendor voucher payments in regard to recipients on welfare.

At the present time the categorical aids allow, the Congress allows 10 percent of the total caseload to be permitted in the voucher and/or vendor payment. I think that this should be changed to more flexible option with the administrators of the various programs, especially in the AFDC. The main opposition to the vendor and/or voucher payment has been it takes away the dignity of the client. I happen to come from a city that is on a unit system of relief, and I have seen AFDC

families evicted by the sheriff and my office being called to help them out because there were no funds available after the AFDC check has been spent.

I believe that we should not take away the right of the people to handle their own money, who know how to handle it but we certainly must maintain the dignity of the family and keep them together, those who mismanage their funds, and I urge you to give the States more flexibility in the vendor and voucher payment.

Thank you.

The CHAIRMAN. Thank you.

Mr. RICE. I think our allotted time, Mr. Chairman, has expired and I do not want to overstay our welcome unless—

The CHAIRMAN. If you want to add something to what they said, I will be glad to hear you.

Mr. RICE. Just a few words.

I think, Mr. Chairman, that some consideration should be given to the supplemental payment required under the program in terms of the States in view of the fact that the U.S. Supreme Court in April ruled that before you could terminate benefits you had to have an impartial hearing, and during their course the benefits must continue.

As a matter of fact, on May 25, 1970, the U.S. Supreme Court remanded a case back to the northern district of Illinois which involved a situation entailing the reduction of benefits where the district court judge in that instance held that a fair hearing must be required in terms of any reduction.

Now, if this program does expand from a potential of 7 plus million AFDC recipients to a possible 22 or 24 million people, you can see the situation in terms of the States from the supplemental benefits standpoint, and I think that constitutionally it would be possible for the Congress to provide the exception that in the supplemental benefit field that the fair hearing would not have to be necessitated or required in order to terminate benefits or to reduce benefits because if the program expands, it will become an intolerable situation for State and local government.

I think also that the administrative options could be improved on. I recognize the administration has made some improvements but I believe whatever State option or whatever State elections in terms of an option the administrative expense should be handled in the same manner by the Federal Government without any detriment to any State which elects to administer the supplemental benefits themselves.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, gentlemen.

(The statement in full and a subsequent letter of Mr. Hallen to the Chairman follows:)

PREPARED STATEMENT OF THE WISCONSIN TASK FORCE ON WELFARE PAYMENTS

Mr. Chairman, my name is John Parkin. I am a Wisconsin State Representative and vice-chairman of the Wisconsin Task Force on Welfare Payments. I am also immediate past chairman of my county board of supervisors.

I am here representing the Task Force in order to present its comments on the proposed Family Assistance Act of 1970, and am accompanied by several other members of the Task Force who will be available to answer questions if the Committee desires.

The Wisconsin Task Force on Welfare Payments is a bipartisan committee composed of legislators and public members, and was created by Chapter 432,

Laws of 1969, with the specific charge to "try to improve the welfare program, find a better way of using the funds of the recipients, help the recipients of welfare to obtain employment, and maintain a continuing process of education for welfare recipients." Consistent with this goal, the Task Force has made a study of the Family Assistance Act as it applies to the efficient administration of a state welfare program and to the furtherance of the objectives with which our Task Force is charged.

JOB TRAINING

The proposed Act emphasizes manpower services, training, employment, child care, vocational rehabilitation and related supportive services. The Task Force agrees that these services are essential in order to train an individual for employment so that the objective of restoring the family to the state of being self-supporting, independent and useful to its community can be attained.

Although the Task Force favors the emphasis placed on the work incentive and job training aspects of the bill, it feels that the job training programs must include provisions for realistic administration and evaluation. An effective job training program must prepare recipients for jobs that exist in the community, that provide for the likelihood of job advancement and that will pay an adequate wage.

The Welfare Task Force would like to share some of the experiences Wisconsin has had with the present job training programs in order that some of their defects might be eliminated in the proposed manpower programs to be developed under the Family Assistance Act.

Presently, many of the job training programs are duplicative. Testimony before our Task Force by public welfare recipients indicated that often a recipient went through not one but several training programs and still remained unemployed at the completion of the training programs. In Milwaukee alone, according to one report presented to the Task Force, there are 20 manpower programs for the disadvantaged in which a public assistance recipient might be enrolled. Almost all of these programs are substantially or wholly federally funded. For these 20 programs, there are at least 10 different local sponsors and to date, the only apparent coordinating attempt has been through the area Cooperative Area Manpower Planning System (CAMPS), which serves chiefly as an advisory group and depends upon voluntary information from member agencies. As of August 1, 1970, the only full-time coordination position in Milwaukee for CAMPS was vacant. Lack of coordination not only results in duplication of job training programs, it also often leaves both the social worker and the recipient bewildered as to which program will serve the recipient's needs best.

Two independent studies of manpower programs in Wisconsin have been presented to the Task Force and both have concluded that major problems in programs are the lack of both coordination and standards for measuring the effectiveness of the programs. The Milwaukee Citizens' Governmental Research Bureau, which recently evaluated the Milwaukee manpower programs, concluded that there is only limited cooperation between agencies and a definite lack of overall planning and assessment of results.

Even if the individual training program is evaluated, such evaluation is usually done by the agency itself. Self-evaluation is of limited use, especially when one considers that each program is competing with all the others for federal funds. The usual statistics collected by the individual training program in its self-evaluation include little data other than the number of persons served by the program. A person is considered "served by the program" when referred to or contacted by the agency. Few, if any, statistics seem to be available on the potential number of persons in need of the program, and on how many are served by more than one program. Similarly, little information is available on how many successfully complete the program and what definition of success is used. If successful completion means the trainee has obtained employment, it is important to know how long he remained employed and if this is the type of job for which he was trained. The Work Incentive Program (WIN) is an example. The Task Force learned in this program that contact with a trainee is terminated three to six months after initial employment. The number of such terminations is the standard used for success. No data is kept on whether the job was related to the training received or on how long the persons continued in employment.

In order to eliminate some of the defects that exist in the present manpower training programs, our Task Force recommends that those agencies responsible for administering training programs should be further responsible for the evaluation and follow-up of the employment of all participants.

Our Task Force feels that such evaluation and follow-up is essential if the training programs for the disadvantaged are to achieve their goal of restoring the individual to a contributing status in the community. This goal—in the opinion of the Task Force—is the most important of all the criteria for success.

Many of the training programs have as their objective the elimination of the need for public assistance. At least in the case of the WIN program this objective is not being met. After successful completion of the WIN program, few persons are making enough to completely eliminate the need for AFDC grants, when allowance is made for tax deductions and the \$30 plus one-third incentive. Statistics presented to the Task Force indicated that the average AFDC grant in Wisconsin for persons obtaining employment under the WIN program was \$224 per month and that the average wage after completing the WIN program was \$431 per month. This family is still eligible for a reduced grant until its gross earnings reach \$580 per month.

Evaluation and follow-up of the individual training programs and state coordination of these programs will help to contribute to their effectiveness. This, however, is not enough. The Task Force also recommends that all job training programs be administered by a single agency at both the state and Federal levels. This would allow for administrative efficiency because individual programs providing the same service would no longer be competing with one another.

In addition to agency evaluation, coordination and review of the individual job training programs, the Task Force recommends that Congress also review and evaluate all federal welfare and employment programs with the intent of eliminating those which are least effective and coordinating and consolidating those which are most effective with due regard for local administration and policy control. Evaluations from the various states should be given due consideration. However, under the present Federal funding system, only Congress is in a position to select between and among competing programs.

VENDOR/VOUCHER PAYMENTS

In addition to its recommendations on the manpower development programs proposed in the Family Assistance Act, the Welfare Task Force is also here today to make recommendations relating to effective administration of an on-going assistance program. It feels due attention must be given to alleviating the real difficulties encountered in the administration of assistance cases where there is a demonstrated mismanagement of funds. Although the Task Force supports the general concept of an unrestricted money payment, it believes that rigid adherence to the concept ignores the practicalities of administering a program in which some of the recipients are not capable of handling money grants. Any public assistance program must be flexible enough to allow for effective handling of this type of case. Both the present AFDC program, as well as the proposed FAP program do not provide workable alternatives to the money grant where there is a demonstrated mismanagement of funds.

The protective payee provision was envisioned as an alternative to the money grant for these cases. Both the present and proposed programs contain such a provision, but the Wisconsin experience has been that it is completely unworkable. The Wisconsin Department of Health and Social Services and local welfare directors have indicated in testimony before the Task Force that it is difficult if not impossible to find persons willing to serve as protective payees. With no other alternatives, these mismanagement cases continue to plague welfare directors.

Although this problem is a small one in terms of the percentage of recipients who mismanage their funds, it is a significant one in terms of meeting the needs of the families who are repeatedly evicted and whose utilities are disconnected for non-payment. An assistance program must also provide means for meeting their needs.

To give the Committee insight into this problem, the Task Force cites Milwaukee County as an example. As of July 1, 1970, there were 491 active cases where there had been a demonstrated mismanagement of funds, primarily because of failure to pay rent or utilities. The Task Force emphasizes that these were cases with a *demonstrated mismanagement of funds*. These recipients were placed on a limited voucher payment only after administrative review indicated a consistent pattern of non-payment. This was done primarily because of the practical problem that local assistance officials cannot leave a family out in the street even if the cause for eviction was their own failure to pay rent. The local

welfare department, therefore, found itself authorizing double payment of rent and utilities—the first payment with AFDC funds and the second payment with strictly county funds. This is a completely unsatisfactory situation. Because the AFDC program allows only for an unrestricted money grant or a protective payee in a limited number of cases. Wisconsin enacted legislation which allows for voucher payment in these situations from state and county funds. This is neither economical nor equitable for the state and local agencies. The Task Force recommends, therefore, that the agency administering the assistance program be permitted to use a limited voucher and/or vendor system for rent, fuel, utilities and other needs for those families where there has been a demonstrated mismanagement of welfare grants. This would tend to avoid evictions, make housing more available for welfare recipients, and preserve the unity of families.

FOOD STAMPS/SURPLUS COMMODITIES PROGRAMS

There are many ancillary programs designed to help welfare recipients to use better the funds available to them. Many recipients do not utilize these programs, however, and this is yet another practical problem in the administration of any assistance program. The goal of both the food stamps and the surplus commodities programs is to increase the food budgets of recipients. Testimony before the Welfare Task Force by officials of the Wisconsin Department of Health and Social Services, which is the supervising state welfare agency, pointed out that the Family Assistance Act assumes that recipients will be buying and using food stamps. To ensure this end, the Act contemplates an increase in the amount of the food stamp bonus and also provides for a permissive check-off for food stamps. A larger bonus probably will cause an increase in the use of the food stamp program. This is consistent with the Wisconsin experience. Since March, 1970, when the food stamps bonus was increased, the number of persons on assistance purchasing food stamps has increased notably. For example, during the period from January through June, 1970, the number of assistance recipients using food stamps increased 36%.

The theory underlying the increased bonus in food stamps is that if the bonus is made large enough, eventually almost universal participation in the program will be achieved. However, in Wisconsin the average bonus paid per person increased by 140% for the January to June period, while the percentage of welfare recipients participating in the Milwaukee County food stamp program increased by 13% from 55% to only 68%. Although an increase in the amount of bonus appears to increase the usage of the program, the recent Wisconsin experience suggests it may be very difficult to increase the bonus sufficiently to ensure universal participation.

The Task Force is encouraged by the results of the recent liberalization of the food stamp bonuses. Nonetheless, it feels that the benefits to be derived from this program are so great that the program should be utilized by all recipients. The Task Force, therefore, recommends that the participation in the food stamps and/or surplus commodities programs be made mandatory for all recipients with the decision as to which program is to be used left up to the option of the local governmental unit administering the program and the individual recipient.

Although the Task Force realizes that the focus under the Family Assistance Act is on the bonus to be provided through the food stamp plan, it recommends continued availability of the surplus commodities program as an alternative to the food stamp program. This recommendation is made on the basis of the experience of the various Wisconsin counties. As of September 1, 1970, all counties are expected to be participating in one of the two programs—40 counties are in the food stamp program and 32 are in the surplus commodities program. Presently, a county can have only one of the two programs and it must choose between them. The Task Force feels each county should be able to have both programs so that whichever program best meets the needs of the individual recipient will be available.

RECOVERY OF PAYMENTS

Another aspect of administering an on-going public assistance plan which concerns the Task Force is the recovery of payments. In the interest of economy and equity, any assistance program should allow for recovery of assistance payments from those who are responsible for support and have the available means. The primary responsibility for support of dependents rests with the family unit. Public assistance is provided only after this responsibility cannot or is not met.

Public assistance does not repeal a family's responsibility, it merely assists when the responsibility cannot be met.

Parents are responsible for their children. It is this principle upon which a support payment is ordered in cases of divorce, legal separation, or established paternity. The enforcement of such parental support is especially difficult for welfare recipients. AFDC statistics based on a 1967 sample of AFDC cases nationwide, showed 74% of the fathers were living away from the home. These fathers should meet the responsibilities of support if they have the available means. Each state has variations on the methods of enforcement of support. The Wisconsin experience with enforcement of support for welfare recipients—which I am sure is not unique to Wisconsin—has been that it is difficult to locate the absent father and to enforce support orders. In an effort to improve the collection of support, Wisconsin has established a state location service within the Department of Health and Social Services which serves as a statewide center for information regarding the whereabouts of missing persons who are liable for support. This service has been in operation since January, 1970. In the first six months of operation, there have been 513 requests for location information from various counties. It is noteworthy that since the initiation of the location service, five counties which had not used the limited services provided previously by the Department requested address information. It appears that the counties feel this service is useful.

Nonetheless, despite the usefulness of the state location service, it alone is not the answer to solving the state's enforcement of support problems. About 40% of the names for which addresses were obtainable had out-of-state addresses. Wisconsin's experience has been that once an individual charged with support is outside the state, it is difficult, if not impossible, to enforce these orders through the Uniform Reciprocal Enforcement of Support Act. This Act relies upon the cooperation of the state in which the father resides and that state often stands to lose from enforcement of the support responsibility. The Task Force has, therefore, concluded that the only solution to this out-of-state problem is the Federal enforcement of the support responsibility through a fugitive fathers act.

The provision in the proposed Family Assistance Act which provides for cooperative agreements with courts and law enforcement officials in conjunction with a unified locator service will not meet the needs of out-of-state enforcement. The State of Wisconsin already has a locator service. What Wisconsin needs now is Federal sanctions to enforce support responsibilities. When there are Federal sanctions, the joint effort that will be possible between the Federal agency and the local enforcement agency will eliminate the obstacle now posed by the resistance of the states to enforcement of an out-of-state court's support order.

The Task Force feels that the major responsibility for enforcement has been and should continue to be with the states. Wisconsin has accepted this responsibility and the Task Force is presently studying additional ways to improve its state enforcement system. However, state support enforcement systems can only do so much. In addition to active state enforcement, states need the added Federal assistance which would be available through a Federal fugitive fathers law.

The principle of public assistance is that any individual who does not have sufficient resources to meet his needs will receive help. On this basis, AFDC supplements a mother's support payment if the support payment is not sufficient to meet the family's needs. The father's responsibility for support, however, is still primary. It is for this reason that the Task Force supports strict enforcement of support based on available means and the enactment of a fugitive fathers act. Based on the same principle, the Task Force supports recovery of non-cash assets upon the recipient's death or sale of the property. Many applicants have certain non-cash resources which are disregarded in determining eligibility for assistance. These resources are normally disregarded because they are deemed essential to the applicant's maintenance. For example, when an applicant owns a home, it is usually a disregarded resource. It is beneficial to allow the recipient to remain in his home while he is on public assistance. However, the home represents a real financial resource to the applicant. Under old age assistance, a lien is placed on the property, to attach upon death or sale of the property. The Task Force feels that disregard of this resource until death or disposal allows both for the most effective use of this resource at the time of the recipient's need and also insures the minimum expenditure of public funds.

Under old age assistance, the amount of recovery under the lien program for 1969-70 was \$1,604,822 (55% returned to Federal Government, 29% to the state and 16% to the counties). This is about 8% of the total Old Age Assistance grants for the year. This, however, represents recovery for payments made to the recipients over several years. Although this is a relatively small amount in

terms of the overall expenditures for old age assistance, it is a savings of at least that amount to the taxpayers. Each dollar collected reduces public expenditures by a like amount. Under the proposed Family Assistance Act, no such lien may be imposed against non-cash resources of family assistance recipients. The Task Force, therefore, recommends that in the interest of economy and equity, the states be allowed to have discretion to legislate relative to claims and liens under the Family Assistance Act.

POLK COUNTY DEPARTMENT OF SOCIAL SERVICES,
Balsam Lake, Wis., August 31, 1970.

Re H.R. 10311.

Senator RUSSELL B. LONG,
Chairman, U.S. Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: This is to again indicate deep-felt appreciation for permitting the expression of a midwestern view-point at your committee hearing at 10:00 A.M. last August 27. You were uncommonly kind in permitting me to forego the reading of the fourteen page summary of the Wisconsin Welfare Payments Task Force (a legislative creation) which you had undoubtedly read in favor of my expression of a few viewpoints from a local level. I merely wanted at this time to re-affirm some of those convictions because it is at this very grass roots level where the huge complaint about the "welfare mess" originate and it is we who deal with them.

We feel strongly about several points which I believe the Senate as a whole could attend since they create the laws which your committee then appropriates funds for implementation. We suffer from a lack of participation in planning or pre-planning, modifications of current programs, and financial planning. We suffer from a multiplicity of programs and are absolutely convinced that one category of human being would suffice since all are aimed at a human being in need. I mentioned to you the complexity of trying to be familiar with the technical detail of thirty-two different work and training programs and I assure you that your request for a delineation of these programs will be honored. We suggest that one program under one agency ought to suffice, without adding to the qualification of "need" other qualifying factors which only confuse and require the addition of staff.

As to the discretion reserved to the Secretary of H.E.W., it is impossible for that gentleman to possibly know the needs and characteristics of all of the various states let alone their political subdivisions. In implementing some of his reserved regulatory power, changes in financial reimbursement and programs have occurred at various times of the year which has not only caused confusion among staff, but nearly always result in financial deficits to those of us on the county level. I will keep this letter short because I know that after four or more months of public hearings, you must have become nearly fatigued with the variety of complaint or representation, and I do not want to add further to that burden.

I only wish that we who take our jobs and services to people and financial responsibility seriously could have had much more time with you and your fellow members, because we could have shown you in some detail many places where savings of money could be made which would actually result in better service to both taxpayer and client. If the suggestion of Senator Ribicoff is accepted, we would be pleased to have at least our county, if not the State of Wisconsin, become one of the testing grounds for a new plan. I have no authority from either the legislature nor our task force to make such a representation, but I do believe that they would be receptive to such a suggestion unanimously.

I feel so strongly about the need for welfare reform, that I offer whatever assistance I can be to you. Again, please accept our gratitude for giving us those few moments on August 27.

Sincerely yours,

EDWIN J. HALLEN, *Director.*

The CHAIRMAN. The next witness will be Mr. James Peter O'Brien, who is supervisor of administrative services, Milwaukee County Department of Public Welfare.

STATEMENT OF JOHN PETER O'BRIEN, SUPERVISOR OF ADMINISTRATIVE SERVICES, MILWAUKEE COUNTY DEPARTMENT OF PUBLIC WELFARE; ACCOMPANIED BY GEORGE E. RICE, DEPUTY CORPORATION COUNSEL; DANIEL F. CASEY, MILWAUKEE COUNTY SUPERVISOR; AND JOHN R. DEVITT, ASSISTANT CORPORATION COUNSEL FOR MILWAUKEE COUNTY

Mr. O'BRIEN. Mr. Chairman and Senators, I am accompanied at the table today by Mr. John R. Devitt, assistant corporation counsel for Milwaukee County, Mr. George Rice, deputy corporation counsel, Milwaukee County, in charge of elective programs, and Supervisor Daniel F. Casey of Milwaukee County.

We appreciate the opportunity to appear before you to present our appeal and we are breaking this into two portions. I will take the portion relative to the administration of the food stamp program, and Mr. Devitt will undertake the Federal criminal misdemeanor law applicable to any parent who abandons his child and leaves the State as a fugitive father.

What we are seeking is the ability to be allowed permissive home rule, to allow the county or local unit operating a Federal food stamp program to make this program automatically applicable to all families with dependent children receiving public assistance without the loss of Federal reimbursements for such assistance.

We have found that 40 percent of the AFDC families do not avail themselves of this program. This affects approximately 12,000 persons, the majority of which are children under 18 years of age.

We can increase their purchasing power if they subscribe to the food stamp plan.

By doing this automatically we believe we can match a need with an available resource. We note that section 465 of the proposed bill allows for the recipient to choose to request a withholding for the food stamp plan. We believe this does not go far enough as we have found, as we stated before, that in many cases the choice is made not to use the program.

There are mandatory requirements regarding schooling of our youth to insure educational growth. We look upon the automatic application of the food stamp plan to insure nutritional growth.

The unique part of this is that a person who does not participate in food stamps cannot feed the family for less than what the initial costs of the food stamp purchase would have been originally, and when you add the bonus that the individuals receive that allows them to meet the rising costs as best they can, we know that all parties would be aided by this.

We believe Federal reimbursement should be allowed to us if we embark on this program.

Many private agencies have come to us with the same opinion. What we need is a recognition by the Federal Government that this is one of the many ways to solve the current welfare dilemma.

Thank you.

The CHAIRMAN. Proceed.

Mr. DEVITT. Mr. Chairman, and members of the committee, I would like to, before starting my portion of this program, to express my appreciation, our appreciation, to the Senator, the chairman of the

committee, and the staff for this opportunity to appear and present our testimony. But I would also like to express our public thanks to our own senior Senator from Wisconsin, William Proxmire, for his interest in supporting our request to present oral testimony before this committee.

We have come here from the beer capital of America not to talk about beer but about babies and their support.

In exhibit G of our testimony is a letter from our late beloved director of public welfare, Joseph Baldwin, indicating that 26 percent of our caseload of the present aid to families with dependent children program stems or is from the direct cause of abandonment. The other causes are divorce and illegitimacies.

Those three causes account for about 80 percent of our program.

Now, under the leadership of supervisor Daniel Casey, who is seated at my left and who is chairman of the county task force on fugitive fathers, we have developed a rather sophisticated method of collection of welfare obligations. But we feel that the present welfare administration system stifles local incentive and initiative for recoument of welfare funds.

We feel that in the mobility of American society we are powerless at the State level to try to dig out the absconding father who leaves the State or hides within the State and does not support his children and instead throws their support upon the taxpayers.

Many of these people are so-called weekenders, where they on the surface desert their family, come back for weekend visits, but they let the taxpayers of the U.S. Government support their children instead of doing the supporting themselves.

Twenty-six percent is a rather substantial portion or percentage of welfare funds.

We are not here to ask for a hand-out but for a helping hand in tightening up the administration of welfare at the local level.

Now, the bulk of the welfare caseload stems from marriage problems. If I might inject just a note of humor one of our Supreme Court Justices was asked why they did not perform marriages and his answer was, "I guess that marriage is not a Federal offense," but in all seriousness, we will say that the bulk of our welfare problems, of our welfare caseload stems from marriage problems of which abandonment is probably the foremost, and we need the help of the Federal Government in enacting a law such as Congressman Davis of Wisconsin has introduced into the House, such as Senator Ervin of North Carolina has introduced into the Senate, in prior Congresses which will make it a Federal offense for a father to leave the State and abandon his children.

We think that the Federal Government and the U.S. Senate should develop a positive family policy for our Nation, and if it is an offense for a person to take a car across a State line, we think it is at least eminently as important that the abandonment of children and leaving State lines should be made the same type of Federal offense.

We are not asking for a felony but just for a criminal misdemeanor. We would hope if this were enacted, we could use the Federal probation system to its maximum. We are not interested in incarcerating these people but have them go to work and contribute to the support of their children so they will not be on the taxpayers' backs.

I might add one of our other exhibits is a very detailed letter on this subject to Mr. Montgomery of the Department of Health, Education, and Welfare from Mr. Rice, who is my colleague at my direct right, and I commend that to the committee's attention.

I thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett will chair this meeting while I go vote and I will be right back.

Thank you very much, gentlemen. Does that conclude the statement of your group?

Mr. CASEY. May I make a statement?

The CHAIRMAN. You proceed. Take charge.

Senator BENNETT. Yes.

Mr. CASEY. Mr. Chairman, as chairman of the Milwaukee County Task Force to collect welfare funds from what we call fugitive fathers, I find that in developing a collection system, No. 1, we do not have the wholehearted support of the Federal Government. It seems that the Federal Government which supports probably 50 percent or more of the welfare program, does not support a collection program. There are funds that are collectible from these husbands. You know the AFDC program is the biggest one, and from the statistics we have in Milwaukee County, 50 or 60 percent of the families on AFDC do have husbands or fathers who are someplace. They are not out of the country or deceased. They are someplace and probably working and perhaps supporting another family, but what we are concerned about in the collection program is locating these people.

We have developed—with our computers—a system of keeping tabs on men who are not making their payments, and we are tapping them on the shoulder the moment—let's say 30 days after they are not current. This is a new system for us, and there is no recognition as far as support on the Federal level at the present time. But the big problem that we face then in our program is to find these people.

At the local level we are developing a skiptrack tracer type of arrangement. However, on an out of State level we find it very difficult to locate these people and, because the Federal Government has not indicated a real concern and because our efforts to have a national fugitive father law passed, because these efforts have not been fulfilled, we find that once one of these, a father abandons his family and leaves the State, that it is very, very difficult for us to locate him without the resources of the Federal Government, the FBI, and so forth.

I would hope, that in the development of a family assistance program that the Federal Government would be just as concerned about the resources that are available or collecting from these fathers as they are about doling out the benefits to the recipients.

Thank you.

Senator BENNETT. Have you used the IRS Locating Service?

Mr. DEVITT. We have, Senator Bennett, and the results have been very negligible. The results have been very slow and come back to us in trickles and by that time many of the men have left where they then were and cannot be located.

We have also used the Social Security Locating System.

Mr. CASEY. The social security data are 9 months to a year behind and many of these people are very mobile.

Senator BENNETT. Since IRS only gets an annual report, they may be only 9 months to a year behind.

Mr. CASEY. If we want a good collection procedure, we have got to be current, we have got to be on top of it.

Senator BENNETT. I think this is an important addition to our record and I am sure we will take it into consideration when we consider the bill.

I am not sure offhand what Federal resources we can turn to which would be more current.

Mr. CASEY. Our hope would be that a fleeing father would be as much of a criminal in the eyes of the Federal Government—

Senator BENNETT. A fugitive.

Mr. CASEY (continuing). As someone who steals a car and crosses the State lines.

Senator BENNETT. We will have the 10 most wanted fleeing fathers. [Laughter.]

Mr. CASEY. We have some cases with \$8, \$10 and \$15,000 in a year at the present time.

Senator BENNETT. Yes.

Thank you very much. I was not here for the rest of your testimony but I assume that that completes it.

Mr. RICE. May we have a minute or two to just add a few ideas to the record to reflect our whole viewpoint.

Senator BENNETT. All right, sure.

Mr. RICE. We feel that the existing program, even with the most recent amendments advocated by the administration in early June still set forth some demonstrable inadequacies. For example, the program has been advanced along the lines in terms of the need for uniformity, and even to a certain degree simplicity.

One has only to examine the program, as you gentlemen have, over the past several months since May, and I am sure you appreciate that instead of simplicity in some areas you have a greater fracturing or fragmentation of programs. You have the administration of FAP, you have the administration of the supplemental benefits in most States.

You have the new reorganization of the categorical aid program in terms of aid to the adult, you have the new social services plan advanced by the administration in early June as an amendment. You have the hiatus on medicaid in view of the fact that the administration has indicated that it commands further study and that before February 15, 1971, a bill would be sponsored in the Congress. What that bill will be, whether it will be a proposed family health insurance plan, as originally indicated, or a continuation of medicaid bothers us on the local level because we are expending today, as Mr. Hallen previously indicated, almost as much for medical assistance as we are for the categorical aid programs.

In addition, we have employment registration, which means, as I have indicated, six or seven different areas here, separate offices, separate administration, additional redtape. We think, therefore, that the plan is not a simplified plan but a more complex plan.

The disturbing thing is, of course, the uncertainty about medicaid, whether medicaid will continue or a health insurance plan will be

structured so as to make uniform medical benefits throughout the country for even the working poor.

A further consideration which we think merits your attention is the basic benefit of say, a family of four of \$1,600. Our county believes, and most of the counties throughout the State of Wisconsin, that the basic benefit should be tailored to a specific figure, and I am not necessarily advocating \$1,600, or higher than \$1,600, but that each State should have an adjusted, and periodically adjusted, basic benefit based upon the specific cost of living in that particular State, and I think that is a matter that you might consider in your deliberations and arrive at a proper figure and whatever the lowest cost of living State is, it is to be built up from there.

In that way, every State and every person who is eligible within the State for the benefit would be treated uniformly throughout the United States.

I do not believe it would add any additional costs to the program if you were to restructure the basic \$1,600 for a family of four.

We also believe, as Mr. Hallen has previously indicated, Senator Bennett, when you were out, you had to leave the room for a rollcall, that local government should have a greater partnership role in the administration of this plan.

We have had the categorical aid program now since 1935, 35 years. We have been a partner in county government, but we are a very limited partner. We must fund the program, but when it comes to policy and regulation, we have nothing to say whatsoever.

We feel, at least, that when it comes to the supplemental benefits imposed upon the majority of the States, that we should have a joint partnership with the Federal Government in terms of what that policy and regulation shall be.

In the original bill and even in the amended versions, there are over some 100 delegations of authority through the Secretary of Health, Education, and Welfare. We recognize these delegations must be made in any big piece of legislation. But we believe in the supplemental benefit field which will expose the State to a tremendous potential, none of us knows what it may be in several years, that at least in that area there should be a joint partnership in terms of administration.

We recognize that when the Federal Government, on the basic benefit, comes forth with the entire funds that that should be reserved entirely to Federal administration and Federal policy.

We also believe, finally in conclusion, that under the bill, even with the amendments, that there may not be sufficient leadtime to implement the bill in the event that Congress, the second session of the 91st Congress, was to pass it, for the simple reason that most legislatures next year will be faced with very severe budgetary problems like yourself.

In addition, they will be faced with the problem of reapportionment of all the congressional districts, and the reapportionment of their own Houses and, as a result, they may not be able to get at an elaborate piece of legislation like this. So that if it was to become law, we believe that an additional time should be allowed so that perhaps it can be implemented either January 1, 1972 or July 1, 1972, so that the States can properly adjust to the legislative and administrative.

I thank you very much.

Senator JORDAN. What you say makes a lot of sense. Do you believe that the total welfare load should be nationalized, taken over by the Federal Government?

Mr. RICE. My county board, Senator Jordan, has officially gone on record, they have become so disenchanted, our Milwaukee County is a population of 1.05 million roughly. Our welfare budget annually now approaches \$120 million. Our AFDC caseload is now in the vicinity of 11,500 cases and growing at the rate of 2,000 or 2,500 cases a year.

We have become disenchanted for the simple reason, as I indicated before, we are a partner in this arrangement since 1935, but we are a limited partner, with nothing to say whatsoever in terms of policy and regulation and, on the other hand, we, our local officials, get all the complaints and all the grievances from the citizenry, and that is why our county board believes that it is beyond our fiscal capability at present to continue, and believes that eventually it will all have to be federalized.

Now, we recognize that there are limitations in the national Congress in terms of budgetary considerations and deficits and so forth and, therefore, our position, in all candor, may be unrealistic at this point. But if this program is to be expanded, and I concur with the statements of Senator Curtis and many learned people have hypothesized that this program in 2 to 3 years may cover 22 to 24 million people, and if the incentives do not work, then we are all in difficulty, and especially on the local level, and that is why we believe that if the Federal Government wishes to reorganize this thing, they should really take it over, fund it completely, administer it completely and take the responsibility for it completely.

That probably departs from a position that we had many years ago, and I recognize that in Wisconsin many rural counties hold a different position. They believe that local control, local home rule, provides for a better and a more efficient form of administration.

I would think in your respective States, both Senator Bennett and Senator Jordan, that that feeling probably prevails, too, that local control will demonstrate a more responsible type of administration.

Senator JORDAN. Thank you, sir.

Senator BENNETT. Senator FANNIN.

Senator FANNIN. Thank you, Mr. Chairman.

I am just wondering about the statement you made on the job training or the problems you have as far as the employment program is concerned. Do you find a great deal of duplication?

Mr. RICE. Senator FANNIN, I do not have the expertise in this area, but Mr. Hallen, who is a welfare director and who serves on the Wisconsin task force, indicated in his testimony that there were some 33 different programs. This was on the basis of a very intensive study completed by the Wisconsin Public Expenditure Survey, a taxpayer group of great renown, and his feeling was, and the feeling generally of the task force was, that this proliferation of programs, manpower programs, has gotten completely out of control where the left hand no longer understands what the right hand is doing and, therefore, he advocated only one program; you have a reorganization of manpower programs, and one substantial sound program, be created and administered locally.

Senator FANNIN. Others have had similar experience and I was wondering, since there has been an in-depth study made, is that study readily available?

Mr. RICE. Yes, sir, our task force can provide you with copies. I think you will appreciate that it is a very excellent, very reliable,

very well documented study, and I am certain that our chairman of the task force can provide every member of the Senate Finance Committee with a copy.

Senator FANNIN. Mr. Chairman, I think it would be very helpful if we had that.

Senator BENNETT. Certainly we should have a copy for the staff. If you have them and if they are all printed and are readily available, we will take about 20 copies.

Mr. RICE. Yes, sir, we will make arrangements that they will be mailed so that everyone will have them.

Senator BENNETT. Mail them to the committee staff and they can distribute them.*

Senator FANNIN. Thank you.

Senator BENNETT. I tried to shut you off a couple of times and I will not do it again.

Is there anything else any of the four of you have to say?

Thank you for your contribution.

(The prepared statement with attachments of the preceding witnesses follows. Hearing continues on p. 1668.)

COUNTY BOARD OF SUPERVISORS, MILWAUKEE COUNTY,
Milwaukee, Wis., August 19, 1970.

THE HONORABLE CHAIRMAN AND MEMBERS OF FINANCE COMMITTEE,
U.S. Senate,
Washington, D.C.

HONORABLE SENATORS: It is a distinct privilege that two representatives of Milwaukee County have been granted permission to testify before your committee on August 27th, 1970 in favor of two amendments which our county wishes to propose to Bill No. H.R. 16311, The Family Assistance Act of 1970.

Each of our spokesmen will address your committee on one principle point and urge that the proposition so presented be incorporated into the revised version of the above bill which your committee may recommend to the Senate. In accord with the committee's request, the summary of these two points is as follows:

1. Present federal laws and/or regulations governing the administration of public assistance at the state and local levels should be modified or clarified so as to allow permissive "home rule" authority to any of the 1794 counties and cities operating a federal food stamp program as of July 31st, 1970 whereby such food stamp program could be made automatically applicable to all families with dependent children receiving public assistance without the loss of federal reimbursement for such assistance.

2. The provisions of Bill No. H.R. 7972, introduced in the 91st Congress by Congressman Glenn R. Davis of Wisconsin on March 3rd, 1969, which would make it a federal misdemeanor for a parent to move or travel in interstate or foreign commerce to avoid compliance with court orders for support of children, or similar legislative provisions, should be incorporated and made part of Bill No. H.R. 16311, The Family Assistance Act of 1970.

In closing, it is also a pleasure for me to inform you (as may be more specifically noted from exhibits attached hereto) that the State of Wisconsin through its Commission on Interstate Cooperation by formal resolution strongly supports these two propositions.

On behalf of the citizens and taxpayers of Milwaukee County as well as the County Board of Supervisors, let me earnestly urge your thoughtful and serious consideration of these extremely meritorious propositions.

Respectfully submitted,

GERALD H. KOPS,
Supervisor, 15th District.

*The material was received and made a part of the official files of the committee.

TESTIMONY OF MILWAUKEE COUNTY IN SUPPORT OF TWO WELFARE REFORM AMENDMENTS TO BILL NO. H.R. 10311, THE FAMILY ASSISTANCE ACT OF 1970, WHICH AMENDMENTS RELATE TO GREATER "HOME RULE" FOR COUNTIES IN ADMINISTERING FOOD STAMP PROGRAM AND A FEDERAL CRIMINAL MISDEMEANOR LAW APPLICABLE TO ANY PARENT WHO ABANDONS HIS CHILD AND LEAVES THE STATE

STATEMENT OF JAMES P. O'BRIEN, SUPERVISOR OF ADMINISTRATIVE SERVICES, MILWAUKEE COUNTY, WIS.

Mr. Chairman and Senators, my name is James P. O'Brien, Supervisor of Administrative Services, Milwaukee County Department of Public Welfare. Among my responsibilities is the administration of the Food Stamp Program in Milwaukee County. I have been in this position for three years.

We are appreciative of the opportunity to appear before your honorable committee regarding Bill H.R. 10311.

Milwaukee County Government is the sole agency for public welfare in our community. Our 1970 budget is over two hundred million dollars with .41¢ of each dollar to be spent for welfare payments or related institutions. We have participated in as many Federal programs as possible to avail our citizens of all the assistance that can be obtained. The Milwaukee County Board of Supervisors have recommended certain changes relative to the Federal Food Stamp Program as pertains to recipients of Aid to Families with Dependent Children (see attached Exhibit A).

In pursuing the objectives of the above resolution we received the endorsement of the Commission on Interstate Cooperation. (See attached Exhibit B) This body of legislators of the State of Wisconsin recognized the benefit that would accrue to the youngsters on Aid to Dependent Children through the nutritional value of increased purchase power through utilization of Food Stamps.

Milwaukee County has been very successful in the administration of the Food Stamp Program. Liberalization of bonus distribution of Food Stamps and educational efforts have aided us in increasing the number of persons benefiting from the Food Stamp Plan. We realize that we are one small segment of the total population utilizing the Food Stamp Plan (see attached Exhibit C). However, the problems of Milwaukee County are merely a reflection of problems connected with other areas. The Food Stamp Program has an out reach capability that when coupled with proposed welfare reforms will afford the capacity to assist low income people in the most expeditious manner.

In the year 1966, approximately 4000 cases were handled on a monthly average, amounting to approximately \$2,300,000 total stamps distributed. The year 1969 raised this to 6600 cases average per month, totaling \$5,700,000. A recent change in the bonus allotment has resulted in a most liberalized plan and our projection indicates that in 1970 we will average 8500 cases participating for the Food Stamp Program and the total amount of stamps issued will be in excess of \$9,000,000 as per the listed table:

	Monthly average of food-stamp cases	Year cash total	Year bonus total	Yearly distribution of stamps
1966.....	4,000	1,600,000	700,000	2,300,000
1967.....	4,400	2,200,000	1,000,000	3,200,000
1968.....	4,900	3,000,000	1,500,000	4,500,000
1969.....	6,600	3,900,000	1,800,000	5,700,000
Projected 1970.....	8,500	4,400,000	5,000,000	9,400,000

TABLE COMPARES TOTAL NUMBER OF CASES RECEIVING AID TO DEPENDENT CHILDREN ASSISTANCE WITH NUMBER OF AFDC CASES PURCHASING FOOD STAMPS

1970	AFDC caseload	Persons in caseload	Food stamps-Purchases by AFDC recipients	AFDC recipients receiving benefit of food stamp plan
January.....	9,685	36,471	4,154	19,830
February.....	9,646	36,390	4,235	20,119
March.....	9,828	37,070	5,117	23,459
April.....	9,962	37,318	5,437	24,699
May.....	10,182	37,942	5,873	26,266
June.....	10,429	38,561	6,104	26,988

Our concern is that the persons who are currently on the AFDC rolls do not avail themselves of this program. We have instructed the caseworkers to discuss this with them and it is part of agency procedural indoctrination that the benefits of the program be discussed with the recipient in the hope that they take advantage of this program. However, we find, as per the previous table, that approximately 40% of our AFDC caseload does not participate in this program. These are the persons who find they are not able to stretch their budget for the complete month and are in serious problems regarding their budgeting. Local private welfare agencies recognize this and realize the consequences to the community and to the younger children. Many have registered their concern for a change in present operation. (See attached Exhibit D). We are concerned in Milwaukee County that our residents have as much help as we can possibly give them to help them purchase more nutritional foods for themselves as well as the thousands of children who are currently on our welfare rolls.

As late as June of this year we indicated that 38,561 persons were receiving AFDC Assistance and only 26,988 persons had been assisted through the purchase of Food Stamps. The freedom of choice that was allowed affected 11,573, the majority of which are children, who need the nutritional supplement that the Food Stamp Program affords. This concern has been echoed in public circles on numerous occasions. (See attached Exhibit E)

An individual with three children who is on the AFDC Program will spend more at the corner grocery store with a cash outlay than if she would be certified for the Food Stamp Program. Rising costs do not afford the recipient an opportunity to keep pace with the economy. Economists state daily that it costs more to buy food. A representative of the University of Wisconsin has expressed this very well in terms of the effect this has on an individual family. (See attached Exhibit F) The United States Department of Agriculture states that the family of four would have to spend \$118.10 per month on a low cost food plan. By using Food Stamps they are able to come close to this figure. Without, it is nearly impossible to maintain her family.

We believe it mandatory that Milwaukee County use all resources to assist our recipients. We must have this mother utilize the Food Stamp Program to increase the nutritional value of the meals in the home through better diet.

We request consideration of our request to make the use of Food Stamps mandatory for recipients of Aid to Families with Dependent Children without the loss of Federal reimbursement. This would be administered through a separate check issuance to recipient negotiable only for Food Stamps.

Because the word "mandatory" in the preceding paragraph is likely to be misunderstood, we wish to clarify our request by rephrasing it in the language of our introductory letter to your committee from Supervisor Gerald H. Kops. Accordingly, our first request is that present federal laws and/or regulations governing the administration of public assistance at the state and local levels should be modified so as to allow permissive "home rule" authority to any of the 1794 counties and cities operating a federal food stamp program as of July 31, 1970, whereby such food stamp program could be made automatically applicable to all families with dependent children receiving public assistance without the loss of federal reimbursement for such assistance.

This modification is necessary because if Milwaukee County would now embark on this method of food stamp administration, any money allocated by our local government for the purchase of such food stamps for the entire AFDC caseload would not qualify for federal reimbursement, according to attached Exhibit F-1.

In conclusion, our county's desired utilization of federal food stamps on an across-the-board basis for all families with dependent children receiving public assistance from the county becomes merely the matching of a known need with an available resource which would allow both the Department of Agriculture and the Department of Health, Education, and Welfare a better opportunity to achieve their goals—the assistance of the poor.

STATEMENT OF JOHN R. DEVITT, MILWAUKEE COUNTY ASSISTANT CORPORATION
COUNSEL, COURTHOUSE, MILWAUKEE, WIS.

Mr. Chairman and Senators, my name is John R. Devitt and I am one of the legal advisers for Milwaukee County with the title of assistant county corporation counsel. One of the responsibilities of our office is to serve as legal counsel for the county welfare department.

The preceding Milwaukee County witness, Mr. O'Brien, has indicated to you the tremendous amount of money which Milwaukee County has to expend in its current budget for welfare purposes. This amount exceeds \$97,000,000 for 1970. The remaining portion of our annual appropriations has to do with county facilities and services such as parks, expressways, sewers, courts, mail and airport, all of which have had to be financially curtailed in order that we might be able to carry the welfare load. We have made strides in our efforts to gain efficiency in the handling of the welfare program to make more effective the efforts of our social workers. We are continually streamlining our welfare and work relief program, eliminating needless paper work wherever possible. We have taken women from our welfare rolls and trained them to aid others in learning to run a home properly. We have not been remiss in our efforts to hold up our end, and we have come here to propose strengthening this bill in the two respects recommended both by the Milwaukee County Board of Supervisors and the State of Wisconsin.

Mr. O'Brien in his testimony has indicated the need for food stamp reform. We take note of the fact that Section 465 of the new text of H.R. 16311, as revised and resubmitted to this committee by the administration, makes provision for food stamp checkoff at the request of any person receiving family assistance. While this new provision is a step in the right direction, it does not go far enough to remedy the conditions which our previous witness outlined in his printed statement. Since one of the objectives of this bill is to insure that poor children are adequately fed, then the local governmental unit dispensing welfare allotments should be given the necessary administrative tools to accomplish this objective. One of these tools which the county is already allowed to utilize is vendor payments for medical or remedial care or necessary burial expenses. We here advocate that the vendor payment principle should be extended to the food stamp program so that county welfare authorities have the option of automatically extending the use of food stamps to all families with dependent children receiving public assistance from the county. This food stamp extension is administratively feasible, inasmuch as it could be accomplished by having a separate check negotiable only for food stamps issued and mailed directly to such families along with their regular periodic welfare check—the latter, of course, being reduced by the amount of the food stamp check. The welfare family with children could then redeem the food stamp check for food stamps at a convenient county food stamp station near its home. Thus all such welfare families would gain the bonus food supplies for their children which the stamp program provides.

Turning now to the proposal for a federal criminal fugitive father law, we might recall for the committee's information that the House-passed version of the Family Assistance Act of 1970 included a provision which would make the federal portion of welfare funds granted to families under the act a civil obligation owed by the father to the federal government. The intent of this provision was good but it would short-change the state and local governments in their efforts to recoup their share of the welfare dollar. In our opinion it would also prove to be the key unlocking an administrative Pandora's box to the eventual dismay of the staffs of federal district attorneys when they would attempt to collect the amounts due. At the outset we are glad to note that administration officials now seem to have receded from this unworkable portion of the act, and we shall make further reference to this new administration position later in our written statement.

Last year Milwaukee County succeeded in its effort to have the National Association of Counties (NACO) incorporate the proposal for a federal fugitive father law in its national county program. Our late county welfare director, the beloved Joseph E. Baldwin, played a key part in the fact presentation of this proposal to NACO when he pointed out that abandonment of families is the cause for 26% of our county's Aid to Families with Dependent Children caseload (see attached Exhibit G).

Public support for this proposal has also come from news media editorials (see attached Exhibits H and H-1). The State of Wisconsin has given unqualified endorsement to a fleeing father act both by a joint resolution overwhelmingly adopted by the 1969 legislature and a supplemental resolution approved by the Wisconsin Commission on Interstate Cooperation (see attached Exhibit I). The preceding 1967 Wisconsin legislature likewise approved a measure, Senate Joint Resolution 9 sponsored by the State Council for Home and Family, urging Congress to enact this much needed law. The State of Wisconsin has thus spoken

loud and clear on this subject and hopes that its plea in this regard will gain a sympathetic ear from this committee and from the United States Senate.

And as alluded to earlier in this statement, we found it completely refreshing to read in our local news media that the present secretary of the United States Department of Health, Education, and Welfare (HEW), in his testimony before this committee on Thursday, July 30th, 1970, advocated a federal criminal fleeing father law (see attached Exhibit J). We also would be remiss if we did not call the committee's attention to the very fine exposition on this subject composed by our colleague, Mr. George E. Rice, Milwaukee County Deputy Corporation Counsel, in the form of a six-page letter to a key HEW official (see attached Exhibit K).

Our last two exhibits respectively are the text of Bill H.R. 7072, relating to a federal fugitive or fleeing father law, which was introduced by Congressman Glenn R. Davis of Wisconsin in the 91st Congress, First Session, on March 3rd, 1969, and the transcript of a telecast on the subject of this bill featuring Congressman Davis (see attached Exhibits L and M). We in Milwaukee County are appreciative of his leadership among Wisconsin congressmen on this vital issue. At the same time, however, we would like to include in our accolades in this regard prior sponsors of similar measures, notably United States Senator Sam J. Ervin, Jr. of North Carolina, former Congressman Winfield K. Denton of Indiana, and Congressman John B. Anderson of Illinois.

May we therefore respectfully invite this committee to study the provisions of Bill No. S-2160 introduced by Senator Ervin in the 90th Congress, First Session, on July 25th, 1967, which is practically identical to the present Davis bill, and to endorse either one of these proposals for inclusion in any revision of H.R. 16311 which it may wish to recommend to the United States Senate?

In conclusion, may we specially point out that in proposing this legislation it is certainly not our intent that fugitive or fleeing fathers who would be apprehended under this law would be incarcerated. The main thrust of such a law would be the use of federal investigative authorities to locate and apprehend such persons, and to then use the facilities of the United States probation service to its maximum degree so that one of the prime terms of probation when granted to these misdemeanants would be for them to continue or procure gainful employment and transmit support money regularly to their families in other states. With the vastly increasing mobility of the modern American population, only a federal system is capable of coping adequately with this problem. It also behooves the federal government to establish as one of the essentials provisos of a positive family policy for this nation a standard both disavowing government permissiveness in regard to family disintegration, and declaring that a parent who flees the state where his or her children reside and fails to support them is every bit as much a federal criminal as the person who flees the state in a stolen automobile. With every confidence we appeal to the conscience of this committee to establish beyond doubt that through an enactment of such a fleeing father provision the security and future of our children are at least as important in the policy of this nation as the capture of car thieves and recoument of stolen autos.

EXHIBIT A

From the Legislative Committee

Be it Resolved, that the following recommendation of the Legislative Committee is hereby adopted:

(Item 1) *File No. 69-967*. Journal, December 16, 1969, pp. 1362-63.

A resolution by Supervisor Lippert relating to revision of the federal food stamp program, by recommending adoption of the original resolution with the following amended resolved clause:

File No. 69-967

By Supervisor Lippert

Whereas the Wisconsin State Legislature has recently reduced the state portion of aid in certain welfare categories resulting in considerable hardship to many welfare families in the Milwaukee area; and

Whereas one method which can be used more fully to overcome in part this hardship is by a greater participation in the use of federal food stamps; and

Whereas approximately only 50% of the recipients of the federally financed program of aid to families with dependent children presently participate in the federal food stamp program; and

Whereas if all such recipients would avail themselves of this federal food stamp program, they could increase their food budget by about 30%; and

Whereas at the present time in Milwaukee County the use of such food stamp program is only mandatory for recipients of the general relief program which is completely financed by the county, but not for recipients of the public

assistance programs because of restrictive federal laws and regulations applicable only to the latter programs; and

Whereas the federal laws and regulations for the administration of the food stamp program have also resulted in cumbersome procedures which indirectly deter eligible recipients of public aid from utilizing the food stamp program; and

Whereas federal social security reform legislation may also be needed in this area; therefore be it

Resolved, That the legislative and fiscal aid coordinating committees of this board take whatever steps are proper and necessary to have the federal government bring about desirable changes in the laws and regulations for the administration of the food stamp program whereby (1) a separate check negotiable only for food stamps could be issued directly to recipients each month, and (2) authority could be granted to the state and to the county board of public welfare to make the use of food stamps mandatory for recipients of aid to families with dependent children without the loss of federal reimbursement for such aid.

Fiscal Note

The subject resolution will not require an appropriation of funds or increase or decrease anticipated revenues during the current or any subsequent fiscal year.

OFFICE OF THE COUNTY CLERK

MILWAUKEE, Wis., *February 16, 1970.*

I hereby certify that the foregoing is a true and correct copy of a resolution amended and adopted by the Board of Supervisors of Milwaukee County, at an annual meeting (continued) of said Board held on the 10th day of February, 1970, signed by the County Board Chairman and County Clerk on the 11th day of February, 1970, and approved by the County Executive on the 16th day of February, 1970.

THOMAS E. ZABLOCKI,
County Clerk.

EXHIBIT B

THE STATE OF WISCONSIN COMMISSION ON INTERSTATE COOPERATION

RELATING TO AMENDMENTS TO THE FAMILY ASSISTANCE ACT OF 1970

Whereas the U.S. House of Representatives recently passed the Family Assistance Act of 1970 (H.R. 16311) and this bill is now before the U.S. Senate Committee on Finance; and

Whereas this legislation provides for a comprehensive change in the current system of welfare and other assistance payments to low income families of this nation; and

Whereas H.R. 16311, as passed by the House of Representatives, does not make it a federal misdemeanor for a parent to leave a state to avoid making child support payments and does not allow a county participating in the Federal Food Stamp Program to make this program automatic in its application to all families with dependent children, all provisions which are considered to be of extreme importance by this State and its political subdivisions; and

Whereas in spite of extensive cooperation by the States, the nonsupport of dependent children by fugitive fathers continues unabated and causes an ever increasing financial burden to the States and Federal Government; and

Whereas the Food Stamp Program on a voluntary basis has not succeeded in reaching a major portion of the low income families, especially in the more populous areas of the nation, in spite of the fact that this excellent program is directed toward providing the recipients with a more adequate and varied diet at a lower proportionate share of their monthly welfare or assistance payments: Now, therefore,

The Wisconsin Commission on Interstate Cooperation, meeting at the State Capitol on April 21, 1970, respectfully urges the U.S. Senate Committee on Finance to support the adoption of amendments to the Family Assistance Act of 1970 which would make it a federal misdemeanor for a parent to leave a state to avoid making child support payments and to give a county the authority to make the Federal Food Stamp Program automatically applicable to all families with children.

ERNEST C. KEPPLER,
Senate Majority Leader,
Chairman, Commission on Interstate Cooperation.

EXHIBIT C

U.S. DEPARTMENT OF AGRICULTURE,
FOOD AND NUTRITION SERVICE,
Washington, D.C., August 10, 1970.

HON. GLENN R. DAVIS,
House of Representatives.

DEAR MR. DAVIS: Mr. Galbraith has asked me to reply to Mr. John R. Devitt's letter of July 27, 1970, a copy of which was sent to you. Mr. Devitt inquired as to the number of governmental units on the Food Stamp Program and the Commodity Distribution Program.

This is to confirm the information provided to Mr. Devitt by Mr. Guy W. Carmack by telephone August 3, 1970:

Counties and independent cities operating a Food Stamp Program as of July 31, 1970-----	1, 794
Counties and independent cities operating a Commodity Distribution Program as of July 31, 1970-----	1, 144
Counties where part of the county operate a Food Stamp Program and part a Commodity Distribution Program as of July 31, 1970-----	49

Of the balance of the 3,129 counties and independent cities in the country, 127 were in the planning stage (114 for the Food Stamp Program and 13 for Commodity Distribution) and 22 were uncommitted for either of the family food programs.

This letter is directed to you at Mr. Devitt's request. A copy is being sent to him.

Sincerely,

HOWARD P. DAVIS,
Deputy Administrator.

EXHIBIT D

SOCIETY OF ST. VINCENT DE PAUL,
ARCHDIOCESAN CENTRAL COUNCIL OF MILWAUKEE,
Milwaukee, Wis., April 29, 1970.

To Whom It May Concern:

Voluntary agencies were hard pressed during the past winter due primarily to Welfare cuts. Had it not been for the Federal Food Stamp Program, and supplementary relief granted by some voluntary agencies, thousands of families and individuals would have suffered for lack of a balanced diet and could not have maintained minimum nutritional standards.

Unfortunately, far too many families eligible to participate in the food stamp plan failed to do so. It was estimated at one time last winter by the Director of Public Welfare in Milwaukee County that as many as 50% of A.F.D.C. families were not receiving food stamps. Liberalization of the food stamp program and educational efforts have been successful in increasing the number of families and individuals using the food stamp plan. Still there are far too many really poor families, most of whom needing the extra purchasing power for food, who are not under the program. These are people for the most part who need help with budgeting and have numerous debts. Money received in their welfare checks for food purchases is frequently used for other purposes. If the voluntary agency does not grant supplementary relief children go hungry.

If the County had authority to make the Federal Food Stamp Program automatically applicable to all eligible families, it would assure at least that the nutritional needs for the poor would be met. It is the practical thing to do and should succeed in bringing the food stamp program to the low people needing it the most.

CHARLES A. O'NEILL,
Executive Secretary.

EXHIBIT E

[Editorial]

Broadcast on WTMJ-TV by John McCullough at 10:25 p.m. Monday, March 9, and 12:30 a.m. Tuesday, March 10, 1970.

Broadcast on WTMJ Radio by Don Parcher at 10:15 p.m. Monday, March 9, and 12:05 a.m. Tuesday, March 10, 1970.

Broadcast on WTMJ-FM by Dave Adams at 5:40 p.m. Monday, March 9, 1970.

ANNCR: Milwaukee county officials are rightly concerned over the fact that only about half the welfare cases involving aid to dependent children are participating in the food stamp program. The federal government recently increased the worth of the stamps. Now a welfare mother with four children can obtain \$126 in food for \$50 cash.

The Milwaukee county board last month adopted optional resolutions by Supervisor James Lippert asking Congress to make participation in the food stamp program mandatory by such welfare recipients. One resolution asked that this be done by issuing food stamps with welfare checks which would be reduced accordingly. The other asked that two welfare checks be issued for each family, one redeemable only for food stamps and the other covering the difference remaining. The objective behind both proposals is to assure that there is no shortage of food on the tables of poor families. We prefer the double check method. For one thing it eliminates the possibility of loss or theft of the stamps sent through the mails. It also eliminates the dangers of holdups at stamp sale outlets where people now stand in line with cash in order to buy the valuable stamps.

Congress, in considering amendments to the Family Assistance Section of the Social Security Act, should adopt the mandatory, two-check system. By doing so, the Food Stamp Program may finally accomplish what it originally set out to do—provide fully for the nutritional needs of welfare family children.

This editorial is a statement of opinion on the part of the management of WTMJ-TV, AM-FM for the purpose of stimulating thought and consideration of matters which are of concern to the public. Any expression on your part will be welcomed. Address your comment to our Public Affairs Dept. Radio City, Milwaukee, Wis. 53201.)

EXHIBIT F

COOPERATIVE EXTENSION PROGRAMS,
MILWAUKEE COUNTY EXTENSION OFFICE,
Milwaukee, Wis., April 6, 1970.

Mr. HOWARD WINGREN,
Staff Attorney, Interstate Cooperation Commission,
State Capitol, Madison, Wis.

DEAR MR. WINGREN: Mr. Arthur Silverman, deputy director of the Milwaukee County Department of Public Welfare has asked me to write to you concerning the adequacy of the Food Stamp Program from the Home Economist's viewpoint.

The U.S.D.A. Food Stamp Program instituted in Milwaukee County in January, 1966, replacing the commodity foods program, was a nutritional step forward for low income families. The commodity foods list was made up of foods in surplus supply and did not represent a balanced diet which is essential to children's mental and physical growth and development, and the maintenance of good health in adults.

The food stamp plan allows for freedom of choice in the selection of foods. The Extension Home Economists assigned to work with welfare families have spent much of their time helping welfare clients learn the importance of nutritional standards and how to make intelligent choices in meal planning and food buymanship. Over two thousand clients have been enrolled in family living education courses sponsored jointly by the Milwaukee County Department of Public Welfare and the University Extension. In addition countless newspaper articles published in inner-city weeklies, radio broadcasts and t.v. shows have

dealt with the subject of nutrition and the availability and wise use of food stamps.

Although inflation has left its mark on the total community, the welfare client has had to drastically adjust her spending not only because of increased prices in the market place but also to absorb the welfare cut effective in November, 1969.

An A.F.D.C. family of 4 (a mother and three children, ages 6, 8, and 10) formerly received \$149 per month, today that family receives \$134 per month to cover expenditures for food, clothing, utilities, household and personal needs.

According to the Family Economics Review, published by the United States Department of Agriculture, a family of the composition would spend \$118.10 per month on a low cost food plan or \$151.00 per month on a moderate cost plan. As you can see, the moderate cost plan is out of the question and the client would spend 88% of her total grant to meet the low cost plan. This would leave her \$16.00 per month to meet all other family needs.

The Food Stamp Program permits this family to purchase \$106.00 worth of coupons for \$60.00 per month. This makes it possible for the client to purchase enough food to meet the low cost food plan and still meet other family needs such as clothing, utilities and household items.

I trust I have conveyed to you how important the Home Economist considers the Food Stamp Program. Should you have any questions, please do not hesitate to ask.

Sincerely,

(Mrs.) BARBARA S. RICE,
Extension Home Economist.

EXHIBIT F-1

STATE OF WISCONSIN,
DEPARTMENT OF HEALTH & SOCIAL SERVICES,
Madison, Wis., December 1, 1969.

Mr. JOSEPH E. BALDWIN,
*Director, Milwaukee Co Dept Public Welfare,
Milwaukee, Wis.*

DEAR MR. BALDWIN: Your letter of November 20, 1969 states that Milwaukee County feels that they could use vendor payments to purchase food stamps and deliver them to the recipients thereby getting bonus stamps for the recipient. This was not the intention of the legislation.

Your suggestion to use the legislation for the purchasing of food stamps had not been given any particular consideration. There apparently is nothing in the food stamp program that would prevent this method of administration. We would point out, however, that if we authorize the purchase of food stamps, it should include all four categories and not merely AFDC. We should also point out that the money used from the grant for this purpose would not be subject to federal reimbursement.

We will give further consideration to your suggestion and evaluate the effect this might have overall on our programs.

Sincerely,

WILBUR J. SCHMIDT, *Secretary.*

EXHIBIT G

MILWAUKEE COUNTY,
DEPARTMENT OF PUBLIC WELFARE,
Milwaukee, Wis., March 19, 1969.

Mr. VANCE WEBB,
*Chairman, NACO Welfare Committee,
Kern County Board of Supervisors, Bakersfield, Calif.*

DEAR MR. WEBB: At the NACO meeting in Washington, D.C., on March 3, 1969, the Welfare Committee listed the 14 points that were considered uppermost for study and possible legislative action. We in Milwaukee suggested a 15th point and you advised us to put it on paper and send it to you.

We believe that it should be a federal offense for a father or mother to abandon or desert their children. It is a federal offense for a person to steal a car and drive it across a state line. Is it any less for parents to desert their children?

In the last few years, the Uniform Reciprocal Support Act has become a very useful tool in dealing with abandoning parents. Under this Act, the courts in another state can act for the courts in a home state and extradition has become unnecessary. The abandoning parents can keep his job in the other state and make regular support payments for the children he has left behind or be punished. This method works well, *provided the abandoning parent can be located*. When he cannot be located, the URESA law is useless.

A look at Milwaukee County statistics will reveal the following reasons for eligibility for the bulk of the AFDC caseload:

	Percent
Abandonment -----	26
Divorce -----	25
Unmarried -----	29
Total -----	80

Although we have a very active program of obtaining support from divorced and adjudicated fathers, it is safe to conclude that in over 50% of the AFDC caseload, no support is forthcoming from absent parents. Expenditures for the AFDC program for 1968 amounted to \$17.9 million and at year's end there were 8,658 cases receiving a monthly amount. If fugitive parents could be compelled to contribute \$100 per month, expenditures would have been decreased by \$5.2 million during 1968.

Support payments made to the Welfare Department are shared with the federal government in the same proportions that are used in making the assistance grants. During 1968, in Milwaukee County the federal share of AFDC was 46.75%. The federal share of collections would thus have amounted to \$2.4 million. It would certainly be to the advantage of the federal government to support a law which would yield this kind of revenue.

The job of locating abandoning parents has been facilitated somewhat by making Social Security records available to welfare departments and courts. Experience indicates, however, that these records are seldom up to date and the abandoning parent has moved on before we catch up with him. We believe, however, that if his offense were federal, then the identification facilities of the FBI would be brought into play and a much more effective locator service would result.

Congressman Davis has introduced Bill H.R. 7072 which we believe will accomplish the desired purpose. NACO's help will be needed, however, in order to have this bill enacted. We earnestly solicit your help in obtaining NACO's support and will be glad to furnish you with any additional data that you may need.

Very truly yours,

J. E. BALDWIN, *Director*.

EXHIBIT H

[Editorial]

Broadcast on WTMJ-TV by John McCullough at 10:25 p.m. Thursday, April 17, and 12:20 a.m., Friday, April 18, 1969.

Broadcast on WTMJ Radio by Don Parcher at 10:15 p.m. Thursday, April 17, and 12:05 a.m., Friday, April 18, 1969.

Broadcast on WTMJ-FM by Don Parcher at 5:45 p.m. Friday, April 18, 1969.

ANNOR: Complaining taxpayers often don't realize that the same officials charged with doling out public relief are also working to plug the loopholes. Such is the case here in Milwaukee county. Officials here are trying to get a federal law passed in an effort to cut down the huge costs of aid for dependent children. If successful, it will save money for all of us. The proposal would make it a federal offense for husbands to cross state lines in order to avoid supporting their wives and children.

The state legislature, at the urging of Milwaukee county officials, has asked Congress to pass such a law. Representative Glenn Davis has introduced a bill which would subject convicted fugitive fathers to a fine of \$1,000, a prison term of not more than one year or both.

Last year 26% of the aid for dependent children in Milwaukee county—nearly 18-million dollars—was spent because these children were abandoned by their fathers. This figure could be reduced by more than five million dollars if fugitive fathers had paid \$100 a month toward the support of their children. The federal share of this savings would be nearly two and a half million dollars in Milwaukee county alone.

There are other compelling reasons for a federal law. Some mothers with abandoned children refuse public aid and manage to barely eke out an existence for themselves and their children. Furthermore, a man who abandons his family contributes to the nation's social and economic problems.

The full power of the federal government must be brought to bear on runaway fathers to force them to meet their responsibilities.

(This editorial is a statement of opinion on the part of the management of WTMJ-TV, AM-FM for the purpose of stimulating thought and consideration of matters which are of concern to the public. Any expression on your part will be welcome. The Milwaukee Journal Stations.)

EXHIBIT H-1

[Editorial No. 2386, Aug. 12, 1970]

FUGITIVE FATHER LAW—NEEDED MORE THAN EVER!

These are trying days in the office of County Executive John Doyne. He's working on the county budget. Unless wholesale trimming of expenditures can be accomplished . . . Milwaukee County residents are due for a whopping increase in taxes. In the past several years, John Doyne has managed to trim the spending without seriously harming county services. But, the job becomes increasingly difficult as costs rise. His biggest problem—money for welfare—up more than \$27,000,000.

Doyne was dismayed over the amount of money spent on the care of dependent children—the victims of divorce, abandonment and illegitimacy. As he said: "You just feel so sorry for those kids. They start out with a big fat strike before they even get going."

Through the years the fastest growing category of welfare has been Aid To Families With Dependent Children. The heartaches and financial costs brought on by divorce and illegitimacy cannot be solved through official channels. Such social dilemmas must be solved by the individuals involved. However, much more can be done about those fathers who abandon their families, reject their responsibilities and force taxpayers to pay for the upkeep of their children. There have been some crackdowns on these fugitive fathers locally . . . and some actions have been effective. Still needed, though, is a federal law . . . one that would guarantee prosecution of the runaway breadwinner . . . no matter where he might be found. The new head of Health, Education and Welfare, Elliot Richardson, is pushing hard for such a law. Although it won't alleviate the immediate high cost of welfare in Milwaukee County, long range benefits can be effected with a federal fugitive fathers' law. In Milwaukee County, 22% of the cost of Aid To Families With Dependent Children can be traced directly to runaway fathers. Although aid to these youngsters cannot be denied, more effective apprehension of the fugitive father can save taxpayers millions of dollars.

Watch the winners—Carl Zimmerman, Tom Hooper, Earl Gillespie, Ward Allen and Albert—6 p.m., 10 p.m., weekdays at noon—in color on WITI-TV6!

EXHIBIT I

THE STATE OF WISCONSIN
COMMISSION ON INTERSTATE COOPERATION

REQUESTING CONGRESS TO GIVE FAVORABLE CONSIDERATION TO H.R. 7972

Whereas the Wisconsin Legislature, by 1969 Senate Joint Resolution 16, memorialized the Congress of the United States to enact legislation "so as to authorize the release of needed information for enforcement of child support to county law enforcement officers, and to enact a federal law making child abandonment a federal misdemeanor"; and

Whereas the States, acting in their sovereign capacity through the National Conference of Commissioners on Uniform State Laws, in 1950 promulgated—and all 50 states later enacted—the Uniform Reciprocal Enforcement of Support Act. Wisconsin has further adopted, by Chapter 40, Laws of 1969, the improve-

ments in the Revised Uniform Act later developed by the National Conference; and

Whereas, in spite of these extensive cooperative efforts of the States the problems of fugitive fathers, and the resulting nonsupport of dependent children, continue unabated and contribute materially to the increasing fiscal pressure on the States and the Federal Government under the AFDC program; now, therefore,

The Wisconsin Commission on Interstate Cooperation, meeting in the Capitol at Madison on March 17, 1970, respectfully urges Chairman Emanuel Celler and the members of the House Committee on Judiciary to give speedy, and favorable consideration to House Bill H.R. 7972 by Congressman Glenn R. Davis of Wisconsin, "To make it a crime to move or travel in interstate or foreign commerce to avoid compliance with certain support orders, and for other purposes."

ERNEST C. KEPPLER,

Senate Majority Leader,

Chairman, Commission on Interstate Cooperation.

ELMER C. NITSCHKE,

Speaker Pro Tempore of the Assembly,

Vice Chairman, Commission on Interstate Cooperation.

(Adopted unanimously March 17, 1970.)

EXHIBIT J

[Milwaukee Sentinel, Friday, July 31, 1970]

WELFARE LAW WOULD AIM AT DESERTION

WASHINGTON, D.C. (UPI).—HEW Secretary Elliot L. Richardson proposed Thursday to make it a federal crime for a father to desert his home and cross a state line to make his family eligible for welfare payments.

At the same time, Richardson argued that most heads of welfare families want to work.

In a fifth and final day of testimony before the Senate Finance Committee on the bill, the Health, Education and Welfare secretary said the problem of deserting fathers who leave their families to be wards of the state would diminish if the administration's family assistance plan is enacted.

Intact families, for the first time, would be eligible for government assistance. Until now, welfare payments have gone almost exclusively to broken homes except for one small program covering 90,000 unemployed fathers.

EXHIBIT K

JUNE 2, 1970.

Mr. JOHN C. MONTGOMERY,

Special Assistant to the Secretary, U.S. Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. MONTGOMERY: At the outset you will recall I discussed with you several proposed amendments to the Nixon Welfare Reform Proposal when you appeared before the Wisconsin Task Force on Welfare Payments at its meeting in Madison on May 18. On that occasion I promised to forward to you several proposals which you and your colleagues might wish to consider in a proposed revision to be submitted to the United States Senate Finance Committee in the very near future.

Following your departure I was requested to submit a number of recommendations to the Task Force which I spelled out verbally and subsequently submitted a memorandum which further elaborated in specifically ten areas of recommended revision.

I would presume that the membership of the Task Force will arrange to testify before the United States Senate Finance Committee when we resume hearings and, therefore, I hesitate to intrude upon the areas which they will develop. However, there was one specific recommendation which I attempted to demonstrate to you and which I now will elaborate on to some degree.

You will recall that during your presentation the Chairman, Senator Johnson, expressed deep concern over the fact that the proposal embodied in HR 16311 failed to have any effective enforcement provisions in regard to the deserting

or non-supporting father. On the other hand you emphasized the fact that the Obligation of Deserting parents provisions contained within pages 32-33 of the enactment appeared to be an adequate remedy.

After some 20 years of experiencing law enforcement I am convinced that if the Federal Government is serious in underwriting an expansion of welfare programs in the family assistance area it is imperative that the Federal Government assume a major responsibility to correct and rectify what has become a national scandal.

Years ago, many of us recognized that the separate State sanctions controlling and governing the non-supporting or even abandoning parent were inadequate and as a consequence roughly 20 years ago the uniform reciprocal enforcement of support act was adopted. A number of states did not agree to a uniform enactment and as a consequence I recall a movement develop which resulted in a number of States adopting a uniform dependency act.

However, after a number of years the commissioners of uniform laws were able to prevail upon most of the States to adopt a uniform enactment and while this remedy is a vast improvement over the situation which existed some 20 years ago, it still has proved to be an adequate tool for a number of reasons. As you know, the migration and mobility of our population has vastly increased where some experts indicate that today the mobility factor is at least two to three times that which existed during or immediately thereafter World War II. So, also, the number of non-supporting or deserting parents has substantially increased and in adjusting it to the increase in population various criminologists today admit that the non-supporting or abandoning parent is probably three times in number as that which existed 20 years ago.

While it is true the Social Security Administration made available to law enforcement certain limited data on Social Security records approximately 20 years ago, we have found in actual practice that this plan, although improved upon in recent years, is not an adequate answer for the simple reason that it is quite easy to obtain another Social Security number and oftentimes due to the delay involved in recording the quarterly earnings the deserting or non-supporting father has moved on to another jurisdiction by the time the District Attorney is able to actually locate him. So, also, abandonment in non-support cases are treated differently in the various 3,000 counties throughout this nation and you, yourself, indicated the experience which you had in this area when you were the Director in the State of California. Therefore, it appears to us that by merely making the individual who has deserted or abandoned his spouse or his child or children, and where such parties have been recipients of family assistance benefits, indebted to the United States is by far the answer to this most serious problem.

The statistics of your Federal agency reveal that in early 1969, of the A F D C recipients—where the father was out of the home—38.07% or 630,600 fathers whereabouts were unknown. County Government today throughout the nation finds itself in a serious financial predicament because of its almost complete reliance upon the property tax structure. Thus, the District Attorney in most counties do not have the financial resources to either locate or even extradite non-supporting or abandoning fathers, especially if they seek refuge in some distant jurisdiction where they may be additionally protected because of the fact that the man has remarried and assumed another family obligation. The location problem today is almost insurmountable in terms of a non-supporting parent who dedicates himself in refusing to support his spouse or children and who is clever enough to conceal his identity or his movements.

On the other hand, the Federal Government has almost unlimited resources which it can employ in an effort to locate a person who defies or violates a Federal law. For example, there are at least a dozen Federal agencies which have vast computerized records and many of them are interchangeable with law enforcement data processing systems such as, for example, the Federal Bureau of Investigation. In the last 50 years the Congress of the United States has recognized the interstate aspects of criminal activity, including many enactments which relate to sociological problems such as for instance the movement of prostitutes in interstate commerce. All types of enactments have developed controlling interstate theft; movement of motor vehicles in interstate travel, etc., being just a few examples.

It is for the foregoing reason that we in local law enforcement feels so strongly that a Federal Fugitive Father Law must be enacted and should be considered a part of the package of the Nixon Welfare Reform Proposal. Certainly, if the Federal Government is willing to commit an additional expenditure of \$1.1 billion a year as an opener over and above existing Federal, State, and local

welfare commitments under AFDC and with the possibility that this Federal commitment could grow to an additional \$10 to \$15 billion over and above existing appropriations—it seems that as much emphasis should be placed upon the responsibility inherent under the moral law that a man support his family in any enlarged Federal program of Family Assistance Benefits. Therefore, we strongly recommend the measure sponsored by Congressman Glenn R. Davis, namely, HR 7072, for incorporation within any revised Senate version of HR 16311. By adoption of this salutary law enforcement feature the Federal Government and all taxpayers will be amply protected should the Family Assistance Benefit Program get out of control and the non-supporting or deserting parent population continue to increase at an alarming rate. The answer to this problem is the adoption of the proposal which will ultimately confer jurisdiction upon the United States District Courts and afford the United States District Attorneys an effective enforcement tool on a uniform basis. I would venture to say that the alleged offender in at least 98% of the cases will be located under a Federal enactment making it a Federal crime to travel in interstate commerce to avoid compliance with certain support orders. In that way the alleged violator can be effectively prosecuted and probation can be utilized to its maximum potential with the opportunity for transferring probation throughout the entire United States District Court system. While it is true today that most States do handle out of State probationers it is nonetheless a fact that most States do not pay too much attention to an out of State case because of their need to supervise and hopefully rehabilitate the offenders within their own jurisdiction who have been convicted by a local court.

It has been reliably estimated that the number of non-supporting fathers approximates today at least 3 million families and while the statistics of your agency indicates that only one-half of this number are currently receiving AFDC it could conceivably be that with the revision in the program and with the Federal entitlement to Family Assistance Benefits, another half million to one million mothers may eventually apply based upon the ease of application included within the present proposal. Thus, you can readily observe that the Federal Government alone, by 1972, might have to underwrite the Fugitive Father cost on a national basis to the extent of about \$4 billion annually. Under the circumstances it is inconceivable that the Federal Congress would allow such a loophole to exist and in lieu thereof rely entirely upon the obligation provision inserted by the House, Ways, and Means Committee within pages 32-33 of HR 10311.

It is for the foregoing reasons that many States such as Wisconsin are now in the process of memorializing the Congress of the United States to enact HR 7972. I enclose for your perusal a copy of a Resolution recently adopted by the Wisconsin Commission on Interstate Cooperation which emphasizes the need for such a desirable enforcement tool. I know that there will be members of Congress who will stress the fact that this proposal should be considered independently but I can assure you that if it is not included in the Nixon Welfare Reform Proposal within the United States Senate it has very little chance for any further consideration either this session or in the 92nd Congress. I, therefore, respectfully ask that you stress the importance of such a measure in further deliberations with your colleagues because I am certain that if the amended Nixon Welfare Reform Proposal is implemented on the Federal and State level throughout 1971, the taxpayers throughout this country will be disenchanting with an additional Federal commitment of over \$4 billion annually and with little done to rectify the existing non-support and desertion issue which has become a national scandal.

Very truly yours,

GEORGE E. RICE,
Deputy Corporation Counsel.

EXHIBIT I

[H.R. 7972, 91st Cong., first sess.]

A BILL To make it a crime to move or travel in interstate or foreign commerce to avoid compliance with certain support orders, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) part I of title 18 of the United States Code is amended by inserting immediately preceding chapter 2 the following new chapter :

“Chapter 1A.—ABANDONMENT OF DEPENDENTS

“Sec.

“21. Definitions.

“22. Abandonment and desertion.

“23. Prima facie evidence.

“24. Testimony of husband or wife.

“§ 21. Definitions

“As used in this chapter—

“The term ‘support order’ means an order of a State court having jurisdiction over an individual, directing such individual to make payments periodically to (or for the support of) his spouse, former spouse, or child (whether legitimate, illegitimate, or adopted).

“The term ‘State’ includes the District of Columbia and the Commonwealth of Puerto Rico.

“§ 22. Abandonment and desertion

“Any individual who, to avoid compliance with a support order, shall travel or move in interstate or foreign commerce, from the State in which such order was entered, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

“§ 23. Prima facie evidence

“For purposes of this chapter, failure of any individual to comply with the terms of a support order, after travel or movement in interstate or foreign commerce, shall constitute prima facie evidence that such individual so traveled or moved with intent to avoid compliance with such support order, if (1) personal service (including service by certified or registered United States mail) of a certified copy of such support order has been had on such individual, or (2) such support order was entered in the presence of such individual.

“§ 24. Testimony of husband or wife

“In all criminal proceedings under this chapter the testimony of a husband or wife shall be admissible and competent evidence against each other.”

(b) The analysis of part I of title 18 of the United States Code is amended by inserting after

“1. General provisions..... 1”

the following:

“1A. Abandonment of dependents..... 21”.

SEC. 2. Subsection (a) of section 3237 of title 18 of the United States Code is amended by adding at the end thereof the following new paragraph:

“Any offense under the provisions of chapter 1A of this title is a continuing offense and may be inquired of and prosecuted, in any district from, through, or into which, such offender so travels or moves, or in the district where the offender is found.”

EXHIBIT M

STATION WITI-TV, CHANNEL 6, MILWAUKEE “COUNTY CLOSE-UP” PROGRAM TRANSCRIPT, A FEDERAL FUGITIVE FATHER LAW, AUGUST 31ST, 1969, 11:30 A.M.

Supervisor Daniel F. Casey, 23rd District, Mr. Charles A. O'Neill, Executive Secretary, St. Vincent DePaul Society, discuss the Fugitive Father Law on Today's "County Close-up" Program. Keep informed of the current events of Milwaukee County by making this program a weekly must. See prominent county officials and guests hear details of progress and how it will affect you. Lakeway advances, cultural and recreational facilities of Milwaukee County, up to the minute news on the Milwaukee County Airport, plus many other topics. Now here is WITI-TV Newsman, Fred Cowley, to begin today's discussion.

Cowley: We are very pleased to have as a guest on our program today Congressman Glenn R. Davis. Congressman Davis, as you probably know, is the author of a Fugitive Father Bill which is being studied and perhaps will be introduced very soon in Congress as House of Representatives Bill 7072. Basically it is designed to make it a federal offense to desert the family and naturally because the County administers welfare here in Milwaukee County, it ties into

the situation where a person deserts a family and leaves the state and then does not support the family that remains behind and, of course, the County ends up with the bill basically. So with that introduction, Congressman Davis, I would like you to elucidate a little more on your reasons for introducing the Fugitive Father Bill.

Davis: Yes, I want to make it clear, Mr. Cowley, that H.R. 7972 has been introduced and is now pending before the Judiciary Committee of the House of Representatives. We haven't had any action on it yet because the chairman of the committee, Mr. Celler*, has requested from the Department of Justice, which would have the major responsibility for implementing the legislation, a report as to its reaction and suggestions as to the bill as drafted. So until that comes I cannot anticipate that the House Judiciary Committee will be taking action, but it has been introduced and basically, as you have indicated, it's to make it a crime to travel in interstate or foreign commerce to avoid compliance with court orders. Now, a court order would be defined as an order issued by a judge of a court of record in any place in the United States which orders or directs a responsible parent to provide support for his dependents and it provides, in order to aid in enforcement, that the travel in interstate or foreign commerce after such an order has been issued is, prima facie, an attempt to avoid compliance with that order. Now, of course, prima facie means that this sets up an apparent situation, but that is always subject to explanation (which is only fair) and then it provides a penalty of \$1,000 or imprisonment for not more than one year for such offense, but it does provide that continued absence is a continuing offense so that the penalties, I believe, would be adequate in order to assist in compliance with the orders which these courts, after hearing and careful consideration, have entered in such support matters.

Cowley: Congressman Davis, I imagine particularly the enforcement portion of this bill would require the outlay of some federal funds. Do you have any idea—approximately—how much it would be?

Davis: No. I have no specific information as to what this cost would be. I suppose a great deal would depend upon the effectiveness of the legislation to avert the enforcement machinery being placed in effect. In other words, if it will deter the people from fleeing, simply the existence of the law and the knowledge of the penalty, of course, wouldn't cost anything.

Cowley: It could in the long run save.

Davis: Well, even if we have to spend some money to enforce it, then it is a money saver and not a money spender. By that I mean that we are, as certainly these gentlemen are very much aware, not recouping on the vast amount of money that our local communities in our states are spending for aid for dependents in conformance with the theory that I believe we do have, at least all of us here do have and we all should have, that this responsibility for taking care of children within the financial competence of the parent is a parental responsibility and that the public has become more deeply involved in this matter, not as a substitute for parental responsibility, but to take care of emergency situations, always keeping in mind that there is the responsibility of the parent within his capacity to reimburse our local units of governments for the outlays that are made.

Cowley: Supervisor Casey, at the county level you are the chairman of the fugitive father task force. Can you tell us a little about that.

Casey: The task force was set up by County Executive John L. Doyme for the purpose of developing collection procedures. We are now in a position where our data processing equipment has been perfected and the preliminary work has been done so we can have instant statistics on this matter of collecting from fugitive fathers and others with relation to alimony and paternity payments. We are particularly concerned of the fact that a good share of the money we are collecting, or not collecting I should say, would go to the welfare area so as Congressman Davis has indicated it is going to cost something to police this bill that we have here. On the other hand, 50% of what we will collect will go directly back to the federal government. So the federal government has a big stake; the county also has a stake, we say about 20 to 25 percent, so the task force is set up primarily to develop a collection program and a location program. This law is going to help tremendously in the area of location. It is going to give us the complete resources

*Congressman Emanuel Celler (Dem., 11th Dist., N.Y.), Suite 2137, House Office Building, Washington, D.C.

of the FBI in locating men who have abandoned their families and then we will have the opportunity to develop our future collections with them.

Cowley: Basically, we may be repeating ourselves somewhat. Who are the type of men that abandon their families. Who are the fugitive fathers?

Casey: They are basically people who have turned their back on accepting the responsibility of their families and—

Cowley: What I am saying, in most cases does this involve divorce, or is it often people that have just walked out on their families and then their dependents go on AFDC*?

Casey: Right, 25 percent of the people on welfare are there because husbands have abandoned their families. Another 25 percent are there because of divorce, and possibly another 25 percent are on welfare because of paternity situations, so about 75 percent of all those welfare cases are situations where there is abandonment, generally speaking, the idea that there is not a husband around to make payments that the court has directed. That's where the location comes in—if we can find these men and we can develop a collection procedure from them, no matter whether they are in Milwaukee County or if they are in some other part of the nation, if we can collect the money, every dollar that we collect will be a dollar savings in welfare, of which the federal government receives 50 percent back and we receive 25 percent.

Cowley: Do you have figures, Supervisor Casey, that show the scope of the problem? For example, how far behind in collections we are on support and alimony payments—something of this nature—that would show our viewers the scope of the problem?

Casey: We have some statistics here. First of all, the program that we are talking about is Aid to Families with Dependent Children, or AFDC—it's the largest of all our programs. The federal government participates, the state government participates, and the local government participates. For the program this year Milwaukee County has budgeted twenty-one million dollars. Our twenty-one million dollars will be spent as of the end of September. Our problem is complicated by the new state budget, but we have an idea that there is something pushing thirty million dollars in this program. A good share of this money could be collected if we could find these fathers who have abandoned their families. We have other statistics from the data processing equipment at the county. These statistics have not been refined so I will just give you a few. No. 1—we at the present time are twenty-five million dollars in arrears on family support collections in the courts. Now, that number must be refined so it doesn't exactly represent twenty-five million dollars that we have to collect, and this sum is not all for the welfare program. However, the real startling statistics that came out (and we are able now to have them month by month starting in June) show that the number of court cases where we are collecting is increasing from the present total of 12,000 by over 300 each month—300 additional cases per month where the county is collecting—and also the amount that is not being collected is increasing by the amount of \$750,000 a month. Again we must refine these figures, but they are indicative of a trend that we have and the only way we can reverse the trend is through collection procedures and by locating these people and collecting this money from them.

Cowley: Mr. O'Neill, you have a substantial background in family matters; now what is your interest in the proposed legislation?

O'Neill: Well, because of the interest and concern of the State Council for Home and Family in anything that would weaken family life and in the increased cost of the AFDC Program, the council several years ago discussed what could be done about fathers who did not adequately support their families and about children who were being deprived of normal home conditions. It was recognized that part of the problem was due to the fact that fathers would leave the state and that there were no means to trace these men who are leaving the state in order to get away from their legal responsibility of support. It was thought that there was need for a federal law which would make abandonment of children a federal misdemeanor and consequently the state council recommended Wisconsin Senate Joint Resolution No. 9 which our legislature adopted in 1967 and Senate Joint Resolution No. 16 approved by the 1969 legislature, both of which measures urge the Congress of the United States to enact a law by which abandoning children would be a federal misdemeanor. I think these Resolutions directly support HIR 7972 introduced by Congressman Davis in March of

*Aid to Families with Dependent Children.

1969. Then, too, I must say that in my work in the Society of St. Vincent DePaul, I have been confronted quite frequently with cases of families in which the father has a good job, lots of money to spend on everything, and yet does not support his wife and children, and when these fathers leave the state and their addresses are unknown, there is no place to turn to really trace them. Such is my concern.

Cowley: Congressman Davis, I am told that legislation of this type has met with something less than success in Congress previously. Why do you feel that your particular fugitive father bill has a better chance for passage?

Davis: If I might use a rather trite phrase, I suppose I would say that the idea is not new, but I believe it is one whose time has come. And I think its time has come because of the realization of more and more, not only public officials, but leaders of various private charitable organizations, by the public generally, that the cost of our public welfare systems are just going to skyrocket beyond our capacity to pay within the next generation unless we find some alternative to that. Now this isn't to say that these people who are recipients are living in luxury. I think it would not be fair to say that, but I think the important matter that we need to be aware of is that we are trying to make the people who are morally and legally responsible carry this burden, rather than to have the taxpayers of the country generally pay this burden. I think people are becoming more aware of this problem now. In the private practice of law I had occasion to work with what we refer to as the uniform state reciprocal enforcement of support act. It hasn't been effective for many reasons. A man moves from Wisconsin to California. Let's say legally, or illegally, he takes on family responsibilities there. Wisconsin tries to get him to take the responsibility for the family he left behind. So he goes before a judge in California who is bound to have a sympathy for a man whose family, we will say, the members of the family are all California residents, and while that judge cannot change the order that has been entered in Wisconsin, he can exercise discretion as to what this man is practically able to pay to conform to those orders, and many times they are more lenient than the facts would justify. If this were merely a matter of finding this man and subjecting him to the jurisdiction where the original order was issued and enforcing it from there, I think there is a better chance, not because the idea is any different, but because I think there is a greater public awareness, both among officials and among the public generally, that we must put the responsibility for this tremendous welfare load upon the backs of those people who really have that responsibility, rather than the taxpayers generally.

Cowley: Supervisor Casey, the National Association of Counties recently had its annual meeting, and Milwaukee County was successful in gaining support from this group for the Fugitive Father Law. Can you give us a little background on how this support was achieved and what type of support it is?

Casey: That's correct, Fred. We have been successful in getting the idea of a fugitive father law incorporated in the platform of the National Association of County Officials. We started on this program last year. We continued in March at the time that we visited Congressman Davis seeking his support of the fugitive father bill and then we finally were successful this summer in Oregon in getting the National Association in going along with the idea in supporting a fugitive father bill and they are supporting it at the present time.

Davis: It wasn't necessary to get my support of this issue in March, Supervisor Casey. I think really what did make me greatly aware of the problem that caused me to introduce the bill early in March of this year was the meeting that I did have with Chairman Kops* of your Legislative Committee, and with County Executive Doyne, and with Mr. Devitt** and some of your other county officials in December of last year. Certainly the information you have pinpointed here is merely an accentuation and an updating of some of the information which was submitted to me last December and which information made it quite obvious to me then that we weren't going to solve many of the problems of achieving support for dependents of those that are responsible from the family standpoint and from a legal standpoint unless we did have legislation at the federal level.

Casey: I would like to say one thing, Congressman Davis. I want to point out to the viewing audience that when we ventured to Washington, we went there to see three representatives in Congress from this area, and we were suc-

*Hon. Gerald H. Kops, Second Vice Chairman of Milwaukee County Board of Supervisors.

**Mr. John R. Devitt, Milwaukee County Assistant Corporation Counsel.

cessful in enlisting the help of only one of them. Actually, Congressman Davis had been ahead of us on this idea of submitting the legislation and his staff had worked on it. I might also add that we at the local level—

Cowley: Congressmen Reuss and Zablocki—did you get their support or not?

Casey: The bill was introduced by Congressman Davis.

Cowley: So we will have to draw our own conclusions.

Casey: I know who introduced the legislation! I might say, Congressman Davis, part of the task force duty, I believe, is to keep you informed on the statistics that we will be developing here; and I think it is important for us to keep our congressmen and the state legislators informed on what can be accomplished through the legislation that we have introduced, through resort to courts and procedure at the local level and through the state locator program which we have recommended to the state and which is pending in the legislature.

Cowley: I am glad you brought that up, Supervisor Casey, why don't you talk a little bit about this state locator business and what we are actually doing in this area right now.

Casey: It was a surprise to all of us at our meeting last December that the State of Wisconsin did not have a locator service while thirty other states do. The idea of the locator service is to provide a staff at the state level to actively try to locate these fugitive fathers, and it's a matter of getting the state to cooperate and determine what department it is going to be located in and a few other details but there is cooperation then.

Cowley: Would this then become an area of reciprocity between Wisconsin and other states?

Casey: Right, that is correct. In other words, if we have a locator service here then we will work with thirty other states throughout the nation and we will submit them names of people we are looking for and they will use their efforts at their end to locate within their state.

Cowley: In other words, we are cooperating in this locator system?

Casey: We aren't yet, by the way.

Cowley: Well, you mentioned before the program about the possibility of how much money you could actually return to other states.

Casey: That's the uniform reciprocal support program—that's a different program.

Cowley: Can you go into that a little bit—

Casey: Congressman Davis outlined what that program was generally, just a few moments ago. The idea is—

Cowley: But in terms of dollars and cents right now what are we spending?

Casey: O.K. In that program where we have already located the individual in another state, through the reciprocal act, we may send the information to another state. They will then bring the man to court and the judge will make a determination of what support he will have to send back to Wisconsin. So they will collect it at their office in the other community, say Los Angeles County, and send it to Milwaukee County. At the same time they may know that one of their people reside here in Milwaukee County—

Cowley: We are returning how much now?

Casey: We are collecting a little under a million and sending it out of Milwaukee County. We are receiving something like seven hundred fifty thousand, so we are sending out a little more than we receive.

Cowley: Mr. O'Neill, based on your knowledge of the local situation and the scope of the AFDC and surrounding problems, I would like you to talk in that vein about the necessity for this federal legislation.

O'Neill: Well, I think it is very necessary and when we consider that Mr. Casey has brought out that 25% of the cases receiving aid for dependent children are cases where husbands have abandoned their families, and I think there is a similar percentage throughout the state. This is a sizable number, and from a money standpoint as I understand it, with the Milwaukee Department of Public Welfare spending twenty million dollars in 1968 for this program, of which one and one-half million dollars was recovered, leaving a net cost of eighteen million dollars or eighteen and one-half million dollars, we should certainly make efforts to increase the amount of money that could be recovered; and I believe that if Bill H.R. 7972 is enacted into law, actually more than an additional million dollars could be recovered in Milwaukee County alone. This is a sizable amount of money.

Cowley: In your estimation, sir, are there other ways in which the parents of broken families could fulfill their obligation to their children and to the remainder of their family?

O'Neill: Do I believe that the families themselves could become more self-supporting, and that there could be more inter-family help—parents helping children and that sort of thing?

Cowley: Right. What are other ways in which the obligation in the case of a broken family might be fulfilled?

O'Neill: Well, there hasn't been so much that we have been able to accomplish within the family unit itself, although there is some effort made in that direction. I believe we must use the various programs that are designed to help. We mentioned the uniform reciprocal support act; some public officials maintain it is not uniform and it is not reciprocal, but at the same time it is producing a lot of results. One of the drawbacks under that program is that it does not trace the runaway fathers. You have to have the address before you can take any action for support. Voluntary agencies have tried to locate many of the men without too much success. There are other agencies to help those people who can afford to pay, and I believe Supervisor Casey would agree that we are not too much interested in that group. We are interested about those who are on welfare. For example, wives who can afford to pay five hundred dollars to the Tracers Company of America get very good results. They turn over the addresses of about eight hundred men who desert each year, and it is estimated that with a little prodding about 90 percent of those return. So there is something to be said for the efforts of voluntary agencies. But I believe, finally, on this particular point about other methods, there should be serious consideration given to "support courts" in Milwaukee and other metropolitan areas. In that connection Judge Clarence Traeger of Dodge County who takes the whole responsibility for support orders in his county has the best record of collections in the state. I believe that if we are to make any headway in this whole area of support, we should seriously consider "support courts."

Cowley: Thank you, Mr. O'Neill. Now for summary statements from our panelists—anything you wish to add, Mr. O'Neill?

O'Neill: Well, I think in a sense that my last statement would be a summary, but I would like to go back and say that if we are to strengthen the family, all of us must support this bill introduced by Congressman Davis. Finally, although it is repeating, the concept of "support courts" deserve serious consideration.

Cowley: Supervisor Casey?

Casey: Well, I would just like to thank Congressman Davis for introducing this legislation and I want to assure him that he will have the one hundred percent support of the county and my task force in advancing passage of the law. We are very happy that this legislation has been introduced, and we will be at your side all along with any aid that we can give.

Cowley: Thank you, Congressman Davis?

Davis: I just want to make it clear that this bill is not an effort to substitute federal action for state and local action, but merely an effort to assist the states and the local communities in the performance of what is their basic responsibility.

Cowley: One more question, Supervisor Casey. What effect do you feel there will be on the need for this legislation in the facts that the state budget at this point, at least, does not include AFDC-U welfare payments, where the father remains in the home but is unemployed, and also reduces AFDC payments?

Casey: Well, this legislation will help to make it a federal offense to abandon a family. What happens in the AFDC-U program where the parent is unemployed is that there is an indirect encouragement for him to leave the home and the federal legislation will obviate that problem, I feel.

Cowley: So this is one more need for it.

Casey: Right.

Cowley: Thank you for joining us on "County Close-up". We will be joining you in two weeks again with "County Close-Up" and also will have a public interest program here next week.

Announcer: We wish to thank our participants, the Honorable Glenn R. Davis, Member of Congress, 9th District, Wisconsin; Supervisor Daniel F. Casey, 23rd District; Mr. Charles A. O'Neill, Executive Secretary, St. Vincent DePaul Society; and our Moderator, WITI-TV Newsman, Mr. Fred Cowley. Be with us

again next week. This is "County Close-up"—another community service of WITI-TV Inc., a Storer Station, in cooperation with Mr. Bruce Kanitz, information officer for the Milwaukee County Board of Supervisors, under the direction of Bob Kessler. The preceding program was pre-recorded on video tape.

Senator BENNETT. The next witness is Mrs. Edward F. Ryan, national legislation chairman, National Congress of Parents & Teachers.

We are very happy to have you here, Mrs. Ryan.

STATEMENT OF MRS. EDWARD F. RYAN, CHAIRMAN FOR LEGISLATION, NATIONAL CONGRESS OF PARENTS & TEACHERS

Mrs. RYAN. Thank you.

Senator BENNETT. You may proceed in your own way.

Mrs. RYAN. On behalf of the approximately 10 million parents and teachers who are members of the National PTA, we deeply appreciate the privilege of presenting our views in support of the Family Assistance Act and certain amendments.

Although the family assistance plan is not perfect, and although its income floor is lower than equivalent welfare payments under present programs in most States, we believe it is a necessary step in a right direction.

We are pleased, also, that some of the recommendations we offered in testimony last November concurred with other views and have been met in the present bill. These included strengthening of social services and the supplementary food stamp program. We believe these needs can be met by the recent amendments offered by the administration. If, as some observers say, social workers are widely unqualified to give the necessary services, we look upon the accounting requirement as a strong incentive to appropriate recruiting and training programs. If we invest more in parent education, the foster care program will cost a great deal less. On this point, as on others, total reform will not come overnight, but we believe these proposals will take us in the right direction.

Second, we welcome recognition that most of the families who now live with daily hunger and anxiety cannot by themselves move out of poverty, even with cash assistance, without certain changes in the societal framework in which they live, and cushioning from events that would be mishaps to families of higher income but are catastrophic to the poor. We therefore welcome and support the administration's proposals for medicaid reform and a family health insurance program and a public housing subsidy to allow families to pay rent on a basis of percentage of income.

We are concerned, however, with the work incentive and with the apparent lack of a sufficient employment program. If we really mean to help families move out of poverty into the mainstream of productive life, the plan should not leave them in the marginal zone at the edge of poverty where they can too easily fall back into the welfare life. The promise of self-support should not be lost in seasonal employment or the marginal jobs of a recession market.

We therefore regard with much interest Senator Herman E. Talmadge's amendment No. 788, proposing mandated coordination between the Departments of Labor and of Health, Education, and Welfare in regulating and operating these programs. This amendment

would also require arrangements for supportive services before placing people in employment, would provide for on-the-job training and public service employment where needed, and tax credits to employers for the first year's wages. The amendment's further requirement that at least 15 percent of the registrants for the work incentive program be enrolled in each State each year would place a necessary floor under State responsibility.

We would also support the amendment's priority list in implementing the work requirement: unemployed fathers first, then children and relatives 16 and over who are not in school, working, or in training; third, mothers who volunteer, but with the proviso that "no mother would be required to undergo work and training until every single person who volunteered for work and training was first placed."

We agree with Senator Talmadge that there are many more who wish to work than there are jobs or opportunities for jobs.

Moreover, we are deeply concerned with the small provision of adequate day care for the children of women who are already working, and would urge that existing Federal standards, which are far from stringent, be applied to present facilities, and this situation clarified before encouraging further employment among mothers of both pre-school and school-age children. Without such provision, we might well be developing a new generation battered by both poverty and neglect with some inevitable outcome in antisocial behavior. This does not appear necessary.

In regard to the all-important question of incentive, we would urge two additional considerations.

In the first place, we believe jobs required for participants in this program should pay at least the legal minimum wage. Otherwise, the program runs the risk of becoming the means of perpetuating low wage scales and the whole marginal economy which keeps so many families in poverty. Again, we recognize the necessity of combining job training, social support, and long-run improvements in education to surmount the immediate difficulties, but a respectable wage scale is one of the keys to success in the total program.

Second, we urge reconsideration of the disregard schedule in respect to earnings. Let us recognize that a main impetus to this program is psychological, the need for self-respect and enjoyment of the fruits of one's labor. We recommend that earnings be disregarded up to \$3,000, for the family of four, and that thereafter the payments be scaled off in some ratio, perhaps 2 to 5, that will continue a strong incentive to earn. We suggest this for the following reasons:

(1) The problem of choosing between work and welfare on the basis of whether children will have enough to eat occurs at the poverty line; therefore, let the family's earnings be secure to that level. People who have themselves worked out of poverty into self-support say that the deduction of earnings is the chief disincentive to work; we are also told that when people have once had the experience of substantial earnings—and \$3,000 is substantial at this level—they will not choose to drop back into the welfare life.

(2) Senator Talmadge reported that the Department of Health, Education, and Welfare has not been able to provide estimates of the effect of current earned income disregard provisions. We submit that a choice between base payments from which half of all earnings are deducted after the first \$720, and base payments continued until earn-

ings have reached \$3,000 and then scaled off in a proportion that will not destroy incentive, may not involve much money, because the first alternative might keep people in poverty and therefore last a great deal longer. Besides, at \$3,000 the wage earner will be paying taxes like any other, which cannot help but add to his self-respect.

We believe that this program can have far-reaching benefits for children and families now locked in poverty, and are most grateful for all the concern that has gone into shaping it. We believe our suggestions will add strength through greater recognition of human motivation and shall deeply appreciate your consideration.

Thank you very much for this opportunity.

The CHAIRMAN (presiding). Senator Bennett?

Senator BENNETT. I would like to ask one question.

You were in the room when the previous witness was testifying about the practical effect of the disregard program, that it was actually bringing more people into the system than it was taking off?

Mrs. RYAN. Yes.

Senator BENNETT. This is exactly opposite to your recommendation.

Do you have any further comments you would like to make about that?

Mrs. RYAN. Because I believe that the disregard provision is so low and people come to the point where it is a question of feeding children or letting them go to school, this is what our members in the lower income group point out, and it is very discouraging when such a small percentage of what they earn actually belongs to them.

Senator BENNETT. Could it not be that those who are anxious to get off will use the disregard in the way it was intended, but there are other people who see the disregard as an opportunity to get them on welfare or otherwise they would not qualify? That, in effect, is the testimony of the previous witness from their experience in Milwaukee.

Mrs. RYAN. Among PTA people and among our colleagues are a great many social workers and among our members are a great many low-income people who have moved into, say, paraprofessional jobs in schools and in social work and managed to get off welfare and are continuing, and their view is on the other foot, that the fact that so little of what people earn at that level they can feel belongs to them is very discouraging, and at the \$2,000 and \$3,000 level the question of whether children will eat is a very real question, so that it is not a case of trying to get something for nothing. It is a case of trying to see that one's children are fed and that they will have clothes to wear to school. It is that kind of thing. It is a matter of pennies.

Senator BENNETT. OK.

I have no further questions, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mrs. RYAN. Thank you.

The CHAIRMAN. The next witness will be Dr. Alton A. Linford, president of the Council on Social Work Education.

Senator HANSEN. Mr. Chairman, if I may be permitted a personal privilege, just let me say I would like very much to join with you in welcoming Dr. Linford this morning to testify before this committee. Dr. Linford happens to be a citizen or at least a native of Wyoming. He was born not far from Jackson Hole where I live, and the beautiful Star Valley is his home country. He and I went to school together, and

after all these many years I am delighted to note his accomplishments and I look forward with considerable anticipation to his testimony.

Senator BENNETT. There is Rocky Mountain territory here.

Dr. Rex Skidmore, who accompanies Dr. Linford, grew up about three blocks from where I grew up, and for a long time I have watched him grow up and I have watched his success in this field, and I am delighted we are going to have the benefit of the combined wisdom of these people from the Rocky Mountain area.

The CHAIRMAN. Will you proceed, sir.

STATEMENT OF DR. ALTON A. LINFORD, PRESIDENT, COUNCIL ON SOCIAL WORK EDUCATION; ACCOMPANIED BY DR. REX A. SKIDMORE, DEAN, GRADUATE SCHOOL OF SOCIAL WORK, UNIVERSITY OF UTAH, AND DR. DOROTHY BIRD DALY, DEAN, SCHOOL OF SOCIAL SERVICE, CATHOLIC UNIVERSITY OF AMERICA

Dr. LINFORD. Thank you very much. It is a pleasure to be here and to have this greeting from the distinguished Senators. Senator Hansen and I are meeting the first time since our parting in 1934. It has been a long time, sir.

Senator HANSEN. It has indeed.

Dr. LINFORD. My name is Alton Linford and I appear before you this morning in my capacity as president of the Council on Social Work Education. I am accompanied by Dr. Rex A. Skidmore, a member of our board of directors and dean of the Graduate School of Social Work, University of Utah, and by Dr. Dorothy Bird Daly, who is dean of the National Catholic School of Social Service here in Washington, D.C.

Unfortunately, you do not have a Senator to sponsor you this morning, but you belong to all of them.

The Council on Social Work Education is the only national agency exclusively concerned with social work education. The members of the council include the 80 graduate schools of social work in the United States, 283 colleges and universities with undergraduate programs in social welfare, including community colleges offering 2-year programs to train technicians, over 30 major voluntary national health and welfare organizations, and the National Association of Social Workers with 50,000 members who are concerned about social work education.

In addition, thousands of State and local health and welfare agencies, libraries, individual educators, practitioners and interested citizens are also affiliated with the council.

I speak in relation to H.R. 16311, particularly in reference to title XX, and more particularly in reference to the manpower professional, paraprofessional, technical staff to achieve the purpose of the act.

Our formal statement has been filed with the committee and it includes some general comments, 11 specific amendments with specific wording which we propose to various parts of the bill, and attached are lists of universities, schools, national agencies that are affiliated with the council.

It is the considered judgment of the Council on Social Work Education that the stated purposes of the proposed legislation are responsive to the needs of the people and the pressing social problems of the Nation. Our special interest and competence relates to manpower and our

recommendations are addressed to this aspect of the proposed legislation.

The services proposed would do much to improve the quality of life in our country. In our view, however, the bill in its present form addresses itself only minimally to the establishment of the needed services and the necessary organization and administrative structure for effective service delivery. It does not give recognition to the need for personnel with varied preparation or to the problem of securing and developing the manpower that will be required to carry out the purposes of the proposed act.

Our statement includes a number of recommendations for technical amendments and additions to H.R. 16311. The intent of these recommendations is to extend coverage for support of educational programs to community colleges in addition to the baccalaureate programs and the graduate schools; to increase the funds available for training professional, paraprofessional, and technical personnel, and to allocate funds for evaluation and assessment of the effectiveness of various educational programs.

In urging an increase in funds available for these purposes, we draw particular attention to section 707 of title VII of the Social Security Act, not of the bill under consideration. This was enacted as part of the 1967 amendments to the Social Security Act. This is the title that authorized the expenditure, appropriation, and expenditure of \$5 million for development of manpower in the administration's welfare program.

As you know, only 3 million have been appropriated under this authorization.

We believe that this title affords an adequate vehicle for accomplishing the training recommendations which we make. For the most part, this would cover, this would carry a basic burden.

In contrast with the 3 million which has been appropriated annually in the last 3 years, we believe that a minimum of 40 million ought to be made available. We calculate this on many bases, but one of them, you might say, is that in the administration of almost any program, business or industry or otherwise, it is generally calculated that a 5 percent investment in that, in the preparation of training of manpower, is about the least that ought to be provided.

This 40 million that we propose is somewhat less than 5 percent of the \$800 million which this bill proposes to appropriate for the implementation of social services.

Whether this bill passes or not, these services are urgently required. We offer this as a vehicle that might accomplish that.

If you would be interested to examine a little bit further the specific proposal we make in respect to title VII, section 707, it is found in our statement that is filed beginning with page 7 and ending on page 9.

In effect, this proposal is to amend the section enacted in 1967 to broaden the base of support to permit the Secretary to enter into agreements with public or private nonprofit educational institutions, agencies, or organizations through grants or contracts for the purpose of developing, maintaining, and improving educational preparation and continuing training of the range of manpower, professional, paraprofessional, technical, and volunteers needed for achievement of the purposes of the act.

It also specifies that this money may be made available for more than the present act permits. For example, we would add student aid, scholarships, in other words. The present act authorizes only faculty support.

It would also provide for faculty support but, in addition, for two other purposes, evaluation and assessment of the effectiveness of the educational training programs funded, and, lastly, for the improvement and expansion of necessary educational facilities.

We believe that we may be the only organization that is addressing itself in testimony to this particular question of the development and preparation of manpower for the implementation of the legislation which is before you, and we commend it to you.

My colleagues might wish to add something if they may.

Dr. SKIDMORE. I appreciate the opportunity to meet with you and to back up what Dr. Linford has said.

I am particularly pleased to be in the same room with Senator Bennett, for whom I have deep admiration and respect.

I would like to emphasize or underline two items, if I could. The first one, there is a great need to provide manpower for the effective delivery of social services in this H.R. 16311. Right now even, there is a real shortage of qualified personnel and the situation will become even more critical.

Second, there is a genuine need for qualified personnel on several levels, professional, paraprofessional, and technical. Just the desire to want to be a surgeon does not qualify a person to be a surgeon. Just the desire to provide social services does not qualify a person to provide social services and, it seems to me, that there must be moneys provided to help to train people to provide these services on these different levels of qualifications, the professional, the master's degree, the doctor's degree, the paraprofessional and the technical people.

So it seems to me that this money is needed, is sorely needed, to help study, to help provide faculty, to insure the effective delivery of services in the proposed legislation.

Thank you.

The CHAIRMAN. Thank you very much.

Any questions. Thank you very much.

(Mr. Linford's prepared statement follows. Hearing continues on page 1680.)

RECOMMENDATIONS FOR AMENDMENTS TO H.R. 16311 DIRECTED TOWARD MORE FULLY ACHIEVING THE PURPOSES OF THE ACT

(By the Council on Social Work Education, New York, N.Y.)

I. BACKGROUND AND RATIONALE

A major purpose of the Council on Social Work Education is "to give leadership and service . . . to assure an adequate supply of appropriately educated professional, paraprofessional and technical social work personnel needed to plan, administer, provide and improve social services and other related human services" (Article I, By Laws). The Council on Social Work Education, convinced of the need and value of utilizing a broad range of personnel in the planning and delivery of social services, provides leadership and services to all levels of social work education—associate, baccalaureate, master's and doctoral degree programs and continuing education.

No program is any better than the people who plan, administer, and provide its services. Unless provision is made for an adequate supply of appropriately professional, paraprofessional, and technical personnel, HR 16311 cannot achieve its proposed goals.

In this statement, the Council on Social Work Education in conformity with its purposes and with the above stated view is addressing itself to a single major component of the HEW proposals on social services in relation to Title I, the Family Assistance Plan; Title II, the revised program of aid to the aged, blind and disabled; and Title III, the plan for individual and family services; as well as to certain sections of the present Social Security Act not included in the HEW proposals and which also need change if the proposed amendments are to achieve their stated purpose. The particular responsibility and competence of the CSWE is to seek to assure an adequate supply of appropriately educated and competent professional, paraprofessional and technical personnel to plan and administer the program and to provide effectively the services mandated and authorized under the Act.

It is the considered judgment of the CSWE that the stated purposes of the proposed legislation are responsive to the needs of the people and the pressing social problems of the nation. The services proposed by HEW if appropriately expanded, properly organized, sufficiently supported and effectively delivered, and coupled with an adequate income, would do much to improve the quality of life in our country. They would contribute to the alleviation of social breakdown and eliminate some of the causes of individual economic and psychological dependencies, physical and mental illness, and deviant and dysfunctional behavior and delinquency. They would also provide opportunities for development of broad community involvement in changing social conditions that contribute to or aggravate such problems. In our view, the bill in its present form addresses itself only minimally to the establishment of the needed services and the necessary organization and administrative structure for effective service delivery. It provides less than a minimum base of support, inadequate to the size and complexity of the needs and problems to which it is addressed.

CSWE will join with other lay and professional organizations in suggesting to Congress steps necessary to correct the inadequacies of the proposed bill. *The particular concern of CSWE is that the proposed Act, in its present form, does not give recognition to the need for personnel with varied preparation or to the problem of securing and developing the professional, paraprofessional and technical manpower that will be required to carry out the purposes of the proposed act.*

Undoubtedly, the framers of the proposed Act considered manpower planning and development as an implicit requirement for "efficient and effective administration" which is called for in the Act. However, as the members of Congress have recognized in other legislation, it has been demonstrated (in all fields—in health, in the military and in governmental operations generally) that in this era of specialization and sophisticated technological development, the manpower component must be identified and specifically planned for, if personnel with the requisite knowledge and skill are to be available in sufficient number to make any program operable, effective and efficient. Obviously it is neither possible nor necessary to utilize only highly trained professional personnel for activities that can be carried on effectively by paraprofessional, technical personnel and by volunteers. It is important, however, to take seriously the lessons learned in experimental programs in which indigenous paraprofessionals have been used to good effect—that without adequate involvement of professional personnel for tasks requiring such expertise, no service program can operate either effectively or efficiently.

An increasingly important dimension of both social planning and social administration is determination of the range and mix of personnel needed to achieve the aims of a program and to assure effectiveness and economy in the provision of services. Such planning must include establishing the means by which such personnel will be recruited and prepared, not only initially at the entry level, but continually as problems change, new knowledge is developed and responsibilities of staff expand. Because of the rapidity of social change and technological and knowledge development, many skills in professional, technical or industrial occupations become outmoded in five years, or at most, ten. Training—responsive to changing community needs and program priorities, and regularly updated—is imperative.

If the proposed legislation is to achieve its essential and urgent goals, the programs that it envisions will call for large numbers and several kinds of qualified personnel who are not only able to deal with individuals and groups through more traditional approaches, but able to work with representative community groups in self-help and neighborhood-based activities. Such personnel are not currently available in sufficient supply or even potentially available through existing educational resources. Indeed, the Council on Social Work Education would have everyone concerned with the legislation and the program face the fact that the

personnel needed for the planning and provision of services under the proposed legislation will serve to aggravate further the very long-standing and critical shortage of qualified personnel to meet the social needs and unresolved social problems facing us as a nation.

As far back as 1960, the U.S. Department of Labor, in conjunction with the National Social Welfare Assembly and the U.S. Department of Health, Education, and Welfare, published a survey of manpower in social welfare.¹ At that time, about half of all such personnel were employed in Public Welfare and Child Welfare Services, but only 4.5 percent of these had educational preparation to equip them for their tasks.

In 1965, a Task Force on Social Work Education and Manpower of the U.S. Department of Health, Education, and Welfare² documented an increasingly serious shortage of qualified manpower in all parts of the country. The shortage was found to exist in all fields of practice in family and children's services, corrections and delinquency prevention, services to the aging and handicapped, and in the newer programs directed toward increasing employability and self-support capacity. Since then, each annual manpower report of the President to the Congress has pointed up the increasingly serious nature of the shortage in this field.³

One of the reasons for the failure of the 1962 Service Amendments to the Social Security Act to achieve the hoped-for goals was that Section 705, which authorized funds for education of necessary personnel, was never funded; Section 426 was inadequately funded in relation to the purpose and the needs. The Social Work Manpower Bill, introduced by Representative Wilbur Mills, which became Title VII, Section 707, was only partially funded. Together, these were so insufficient in relation to the need that they did not produce enough manpower even to keep pace with mounting population and normal attrition. They could not begin to support training of personnel at various educational levels for the new or expanded services established in every session of Congress since 1955, as the Congress responded to the increasing complexity of our society, the vexing social problems facing us, and the higher aspirations of people in all socio-economic groups for an improved quality of life.

In seeking resolution of a manpower problem in any industry or field of service, three basic approaches are possible and usually utilized. They are: (1) to expand educational resources to increase the number of personnel available; (2) to find new ways, through research or innovations, to reduce the number of personnel needed to perform the work or provide the service; and (3) to break down and sort out the tasks by level of difficulty, nature of decision making responsibility, and degree of knowledge and skill required, and to prepare personnel for each of the specified levels.

The field of social welfare and the organized profession of social work have made considerable progress during the past five years in coming to grips with the manpower problem.

Five classifications of social work personnel and needed educational preparation are now delineated:

1. The human services aide with high school education or less who, calling upon his native ability and aptitude, assists in the interpretation and delivery of services with competence achieved through his life experience and with skills developed through training while on the job.
2. The community and social service technician with an associate degree from a two-year community college with preparation to perform specific functions, under supervision, in the delivery of social services.
3. The social worker with a baccalaureate degree from a four-year college with an approved undergraduate social work program with preparation to serve individuals, groups, and communities in a wide variety of service programs.
4. The certified social worker with a master's degree from a graduate school of social work with preparation for advanced practice, and for administration, policy and planning of functions.
5. The social worker with a doctor's degree in social work or related disciplines with preparation for leadership roles in policy development, administration and planning and for research and teaching.

¹ *Salaries and Working Conditions of Social Welfare Manpower in 1960*, U.S. Department of Labor and National Social Welfare Assembly, New York, 1961.

² *Closing the Gap in Social Work Manpower*, U.S. Department of Health, Education and Welfare, U.S. Government Printing Office, Washington, D.C., 1965.

³ *Annual Manpower Report of the President, 1965-1969*, U.S. Department of Labor.

Additionally, the social welfare field continues its long established tradition of utilizing volunteers where appropriate and available and of providing continuing education to all classifications of social work personnel.

Despite expansion in graduate social work education, in the past decade there are not enough graduates to carry responsibility for diagnosis of complex, severe and deep rooted social and individual problems and for planning, administering and preparing staff, for programs and services to deal with the problems.

The development and growth of undergraduate programs to prepare personnel to provide basic services and to help people in need to learn about and make use of public and voluntary community resources is more recent. The newest development in social work education is the preparation of community and social service technicians at the community college level.⁴ In addition to helping to add to the manpower pool needed for the delivery of services, these programs also provide "new careers" opportunities for economically and educationally disadvantaged high school students.

The social work profession is now moving on many fronts to maximize the contribution of all levels of personnel, to increase efficiency, and to assure effectiveness in service provision. The fact remains, however, that in this complex and rapidly changing society families with young children and adolescents and certain other vulnerable groups—the lonely aged, the handicapped, the poor, the disadvantaged minority groups—need a variety of social supports and services. These require highly skilled, as well as dedicated, personnel to bring the help where the hurt is.

Hence it is the position of the Council on Social Work Education that the passage of this legislation could be destined for frustration and failure in implementation unless there is included a program to require and assure development and appropriate utilization of the necessary manpower component. To this end the Council on Social Work Education submits herewith recommendations for additions and technical amendments to H.R. 16311.

II. RECOMMENDATIONS FOR TECHNICAL AMENDMENTS AND ADDITIONS TO H.R. 16311 AND NEW PROPOSALS ON SOCIAL SERVICES⁵

A. Technical Amendments

1. In Title I, Section 452(c) (4) (B), change (B) line 8, page 31 of the Bill to (C) and insert before it the following:

"(B) for the training and effective use of the necessary range of personnel, professional, paraprofessional and technical, in the administration of the agreement, and"

2. In Title I, Section 463, paragraph (d), amend line 11, page 44 to read: "not in excess of \$30,000,000 in any fiscal year, shall be available to him to carry out this section, and not less than one-third of the total amount available shall be allocated by him to each of the purposes as stated in paragraph (b) and paragraph (c) of this section, respectively."

3. In Title II, Section 1602, paragraph (3), amend the paragraph beginning on line 20, page 70, to read: "provide for the training and effective use of the necessary range of personnel, professional, paraprofessional and technical, in the administration of the plan, for the furnishing of technical assistance . . ."

4. In Title II, Section 1608, amend the section, by adding on line 11, page 98, the following addition to the phrase beginning "of the state plan including conduct of evaluations directly, or by grants or contracts, of the programs authorized, as well as research into and demonstrations of more effective operation of the programs authorized, and including training of the range of personnel necessary for the operation of the programs either directly or through grants or contracts with appropriate public or private non-profit, educational institutions or agencies."

5. In Title III, Section 2005, amend by changing paragraph (C) on page 113 to (D) and by changing all subsequent paragraph designations accordingly, through (N) which would become (O), and by inserting a new paragraph (O) to read:

⁴ *Guide for Associate Degree Programs in the Community and Social Services* (New York: Council on Social Work Education, 1970); published in cooperation with the American Association of Junior Colleges and supported by a grant from the Esso Education Foundation.

⁵ Committee Print, June 23, 1970, 91st Congress, Second Session, H.R. 16311.

"(C) The state program will employ and appropriately utilize a balanced range of qualified professional, paraprofessional and technical personnel necessary to the effective provision of services in accordance with criteria prescribed by the Secretary."

6. In Title III, Section 2008, paragraph (c), amend paragraph (c) beginning on line 18, page 119, to read: "The secretary is authorized to make grants to any public or non-profit private agency or organization, educational institution, or organization, and contracts with any public or non-profit private agency or organization, education institution or organization, for"

7. In Title III, Section 2011, paragraph (a)(1)(A)(a), amend line 19, page 123, and subsequent lines in the paragraph to read:

"(a) of such section, of which at least fifty percent shall be available to carry out section 2008, and not less than half of which fifty percent shall be allocated to training and to research. The remainder shall be available to carry out section 2007 and 2009."

8. In Title III, Section 2012, paragraph (i)(B)(ii), amend line 5, page 127, by adding: "Including the training of persons employed or preparing for employment in this program."

B. Amendment of Title VII, Section 707

In order to assure the effectiveness of the programs proposed under this Act in achieving their stated purposes, the Council on Social Work Education recommends that Section 707 be amended as follows:

1. That the present paragraph (a) be deleted and the following wording be substituted:

"(a) The Secretary is authorized to enter into agreements with public or private non-profit educational institutions, agencies or organizations through grants or contracts, for the purpose of developing, maintaining and improving educational preparation and continuing training of the range of manpower, professional, paraprofessional and technical, and volunteers needed for achievement of the purposes of this Act and related purposes."

2. That the present paragraph (d) be changed to (g) and that a new paragraph (d) be inserted to read:

"(d) Grants and contracts under this Section be utilized for development, maintenance and improvement of social work education to insure the necessary flow of qualified personnel into the field and for curriculum development, innovation in educational methods and organization, and shall include:

"(i) student support, including tuition grants and stipends for living costs;

"(ii) faculty development and support and related expenses,

"(iii) evaluation and assessment of the effectiveness of educational programs and methods and demonstration of new patterns and methods of education at all levels; and

"(iv) the improvement and expansion of necessary educational facilities and other necessary purposes."

3. The addition of paragraphs (e) and (f) to read:

"(e) In addition to funds otherwise available therefor, such portion of any appropriation to carry out the purposes of the Act as the Secretary may determine, but not less than \$40,000,000 in any fiscal year, shall be available to him to carry out this Section."

"(f) Not less than 75 percent of any appropriation for purposes of this Section shall be allocated to purposes identified in paragraphs (i) and (ii) of this subsection, and with due regard for their effect on achieving an appropriate balance of support of the total range of personnel needed to carry out the purposes of this Act."

The Council on Social Work Education urges this amendment of Section 707 to include student support as well as faculty support and minor facilities improvements and extending eligibility to two-year community colleges in addition to graduate schools and four-year colleges and universities; elimination of the present ceiling on appropriations; and a minimum appropriation under this Section of \$40,000,000 annually. It is estimated by HEW that approximately \$810,000,000 will be spent in the first year for the services outlined in the proposed legislation. Therefore, \$40,000,000 represents slightly less than 5 percent of total expenditures for manpower development. It has been demonstrated that such an amount is needed and would be within the capacity of colleges and

universities to utilize immediately in increasing and improving their educational efforts. HEW, in FY 1970, received many more applications under Section 707 for innovative programs that would have extended and improved undergraduate and graduate social work education than the \$3,000,000 available. A large number of excellent innovative and approvable projects remained unfunded with a resulting loss to the public services. Extension of support to community colleges and special programs for the training of paraprofessionals is very much needed. At all levels—from paraprofessional to doctoral education—lack of support has proven to be an obstacle to the necessary expansion of social work education, particularly to the recruitment of economically disadvantaged minority group representatives as students and to their advanced education necessary if they are to become members of faculty. Most schools of social work currently have waiting lists of qualified applicants for admission who cannot be enrolled either because they need scholarship help which is not available, or because the schools lack means of expanding faculty and facilities to accommodate them.

We would urge, therefore, that appropriations to fund all parts of the social work educational continuum be substantially increased. This is necessary to expand and to improve educational programs and to provide student support so that a sufficient supply of qualified social work manpower may be produced for the purposes of this proposed legislation and for other needed programs.

GRADUATE SCHOOLS OF SOCIAL WORK

CSWE CONSTITUENT MEMBERS

University of Alabama
 Arizona State University
 University of California, Berkeley
 Fresno State College, Fresno, California
 University of California, Los Angeles
 University of Southern California
 Sacramento State College, California
 San Diego State College, California
 University of Denver, Colorado
 University of Connecticut
 Howard University, Washington, D.C.
 Catholic University of America, Washington, D.C.
 Barry College, Miami, Florida
 Florida State University
 University of Georgia
 Atlanta University, Atlanta, Georgia
 University of Hawaii
 George Williams College, Downers Grove, Illinois
 University of Chicago, Chicago, Illinois
 Loyola University, Chicago, Illinois
 University of Illinois
 Indiana University-Purdue University at Indianapolis, Indiana
 University of Iowa
 University of Kansas
 University of Louisville, Louisville, Kentucky
 Louisiana State University
 Tulane University, New Orleans, Louisiana
 Boston University, Massachusetts
 University of Maryland at Baltimore
 Boston University, Massachusetts
 Simmons College, Boston, Massachusetts
 Boston College, Chestnut Hill, Massachusetts
 Smith College School for Social Work, Northampton, Massachusetts
 University of Michigan
 Wayne State University, Detroit, Michigan
 Michigan State University
 University of Minnesota
 University of Missouri
 St. Louis University, St. Louis, Missouri
 Washington University, St. Louis, Missouri
 University of Nebraska
 Rutgers University, New Brunswick, New Jersey
 State University of New York at Albany

State University of New York at Buffalo
 Adelphi University, Garden City, New York
 Columbia University, School of Social Work, New York City
 Fordham University, New York City
 Hunter College of the City University of New York
 New York University, New York City
 Yeshiva University, New York City
 Syracuse University, Syracuse, New York
 University of North Carolina
 Case Western Reserve University, Cleveland, Ohio
 Ohio State University
 University of Oklahoma
 Portland State University, Portland, Oregon
 Bryn Mawr College, Bryn Mawr, Pennsylvania
 University of Pennsylvania
 University of Pittsburgh, Pittsburgh, Pennsylvania
 University of Puerto Rico
 University of Tennessee
 University of Texas at Arlington
 University of Texas—Austin
 University of Houston, Houston, Texas
 Our Lady of the Lake College, San Antonio, Texas
 University of Utah
 Virginia Commonwealth University, Richmond, Virginia
 University of Washington, Seattle, Washington
 West Virginia University
 University of Wisconsin—Madison
 University of Wisconsin—Milwaukee

ASSOCIATE MEMBERS

NEW SCHOOLS WORKING TOWARD ACCREDITATION

University of Arkansas	State University of New York at Stony Brook
San Francisco State College, San Francisco, California	Temple University, Philadelphia, Pennsylvania
San Jose State College, San Jose, California	Marywood College, Scranton, Pennsylvania
University of Kentucky	University of South Carolina
Brandeis University, Waltham, Massachusetts	
Western Michigan University, Kalamazoo, Michigan	

UNDERGRADUATE PROGRAMS IN SOCIAL WELFARE

CSWE CONSTITUENT MEMBERS

Spring Hill College, Alabama
 University of Montevallo, Alabama
 Huntington College, Alabama
 University of Alaska
 Arizona State University
 University of Arkansas
 Arkansas State University
 Humboldt State College, California
 College of Notre Dame, California
 University of California
 Chico State College, California
 Fresno State College, California
 California State College at Hayward
 California State College at Long Beach
 Los Angeles State College, California
 Pepperdine College, California
 San Fernando Valley State College, Northridge, California
 Chapman College, California
 Loma Linda University, California
 University of San Francisco, California

Sacramento State College, California
San Diego State College, California
San Francisco State College, California
San Jose State College, California
University of the Pacific, Stockton, California
Whittier College, California
University of Denver
Colorado State University
Southern Colorado State College
Southern Connecticut State College
Catholic University of America, Washington, D.C.
Barry College, Florida
Florida A & M University
Florida State University
University of Georgia
Georgia State University
Fort Valley State College, Fort Valley, Georgia
Boise College, Idaho
University of Idaho
Idaho State University
Indiana University
Illinois Wesleyan University
Southern Illinois University
Roosevelt University, Illinois
George Williams College, Illinois
Illinois State University
Augustana College, Illinois
University of Illinois
Wheaton College, Illinois
Anderson College, Indiana
Saint Francis College, Indiana
Goshen College, Indiana
Ball State University, Indiana
Indiana State University
Taylor University, Indiana
Valparaiso University, Indiana
University of Iowa
Mount Mercy College, Iowa
Marycrest College, Iowa
Drake University, Iowa
Clarke College, Iowa
Briar Cliff College, Iowa
Wartburg College, Iowa
Tabor College, Kansas
Washburn University of Topeka, Kansas
Wichita State University, Kansas
Western Kentucky University
Thomas More College, Kentucky
University of Kentucky
Spalding College, Kentucky
Morehead State University, Kentucky
Eastern Kentucky University
Southern University, Louisiana
University of Maine
University of Maine in Portland
College of Notre Dame of Maryland
University of Maryland
St. Joseph College, Maryland
Hood College, Maryland
Northeastern University, Boston, Massachusetts
Our Lady of the Elms College, Chicopee, Massachusetts
Anna Marie College, Massachusetts
Eastern Nazarene College, Quincy, Massachusetts
Albion College, Michigan
Alma College, Michigan
University of Michigan
Andrews University, Michigan

Marygrove College, Michigan
 Mercy College of Detroit, Michigan
 University of Detroit, Michigan
 Michigan State University, Michigan
 Western Michigan University, Kalamazoo, Michigan
 Kalamazoo College, Michigan
 Northern Michigan University, Marquette, Michigan
 College of St. Scholastica, Duluth, Minnesota
 University of Minnesota, Duluth, Minnesota
 University of Minnesota, Minneapolis, Minnesota
 Augsburg College, Minnesota
 Concordia College, Minnesota
 Moorhead State College, Minnesota
 Bethel College, Minnesota
 College of St. Thomas, Minnesota
 College of St. Catherine, Minnesota
 Mississippi State College for Women
 Mississippi State University
 University of Missouri
 Marillac College, Missouri
 Montana State University
 Carroll College, Montana
 University of Montana
 Dana College, Nebraska
 Nebraska Wesleyan University
 Creighton University, Nebraska
 University of Omaha
 University of Nevada, Las Vegas
 University of Nevada, Reno
 University of New Hampshire
 Mount St. Mary College, Hooksett, New Hampshire
 Upsala College, New Jersey
 College of Santa Fe, New Mexico
 New Mexico State University
 D'Youville College, New York
 State University of New York at Buffalo, New York
 Adelphi University, New York
 Keuka College, New York
 St. Bernardine of Siena College, Loudonville, New York
 Hunter College, New York City
 The City College of the City, University of New York
 Nazareth College of Rochester, Rochester, New York
 Molloy Catholic College, New York
 Skidmore College, New York
 Wagner College, New York City
 Syracuse University, New York
 Utica College of Syracuse University, Utica, New York
 Western Carolina University, Cullowhee, North Carolina
 North Carolina A & T University, Greensboro, North Carolina
 University of North Carolina
 East Carolina University, Greenville, North Carolina
 Lenoir Rhyne College, North Carolina
 St. Augustine's College, Raleigh, North Carolina
 Catawba College, North Carolina
 University of North Dakota
 Ohio Northern University
 The University of Akron, Ohio
 Ohio University
 Bowling Green State University, Ohio
 Edgewood College, Ohio
 University of Cincinnati, Ohio
 Cleveland State University, Ohio
 Capital University, Ohio
 Ohio Dominican College
 Ohio State University
 Ohio Wesleyan University
 University of Dayton, Ohio

Wright State University, Ohio
 Kent State University, Ohio
 Miami University, Ohio
 The University of Toledo, Ohio
 Central State College, Ohio
 College of Wooster, Ohio
 Youngstown State University, Ohio
 Northwestern State College, Oklahoma
 University of Tulsa, Oklahoma
 University of Oregon
 Mount Angel College, Oregon
 Portland State University, Oregon
 Muhlenberg College, Pennsylvania
 College Misericordia, Pennsylvania
 Mercyhurst College, Pennsylvania
 St. Francis College, Pennsylvania
 Villa Maria College, Pennsylvania
 Temple University, Pennsylvania
 La Salle College, Pennsylvania
 Philadelphia College of Bible, Philadelphia, Pennsylvania
 Albright College, Pennsylvania
 University of Scranton, Pennsylvania
 Pennsylvania State University
 Barrington College, Rhode Island
 Winthrop College, South Carolina
 Augustana College, South Dakota
 Sioux Falls College, South Dakota
 University of South Dakota
 Mount Marty College, South Dakota
 University of Tennessee at Chattanooga, Tennessee
 East Tennessee State University
 University of Tennessee
 Middle Tennessee State University
 Tennessee State University
 University of Texas at Austin
 Mary Hardin-Baylor College, Texas
 Texas Woman's University
 University of Texas at El Paso
 Texas Technical University
 Prairie View A. & M. College, Texas
 Baylor University, Texas
 Utah State University
 Weber State College, Utah
 Brigham Young University, Utah
 University of Utah
 Trinity College, Vermont
 Mary Washington College of the University of Virginia
 Madison College, Virginia
 Hollins College, Virginia
 Norfolk State College, Virginia
 Eastern Washington State College
 Washington State University
 University of Washington
 Pacific Lutheran University, Tacoma, Washington
 West Virginia Wesleyan University
 West Virginia University
 Wisconsin State University, Eau Claire, Wisconsin
 Wisconsin State University, La Crosse, Wisconsin
 University of Wisconsin, Madison, Wisconsin
 University of Wisconsin, Milwaukee, Wisconsin
 Mount Mary College, Wisconsin
 Wisconsin State University, Oshkosh, Wisconsin
 Wisconsin State University, Whitewater, Wisconsin
 University of Wyoming

ASSOCIATE MEMBERS

(INCLUDING COMMUNITY COLLEGES)

Jefferson State Junior College, Birmingham, Alabama
 Talladega College, Alabama
 Carver Research Foundation, Alabama
 Glendale Community College, Arizona
 Henderson State College, Arkansas
 California State Polytechnic College
 California State College
 Adams State College, Colorado
 New Haven College, Connecticut
 Mattatuck Community College, Waterbury, Connecticut
 University of Delaware
 Federal City College
 Florida Technical University
 The University of West Florida
 Tift College, Georgia
 Abraham Baldwin Agricultural College, Tifton, Georgia
 Bradley University, Illinois
 Marion College, Indiana
 Morningside College, Iowa
 Union College, Kentucky
 Berea College, Kentucky
 Asbury College, Kentucky
 Morgan State College, Maryland
 Bowie State College, Maryland
 Western Maryland College
 Springfield College, Massachusetts
 Ferris State College, Michigan
 Wayne County Community College, Detroit, Michigan
 Kalamazoo Valley Community College, Kalamazoo, Michigan
 Laings Community College, Michigan
 Willmar State Junior College, Willmar, Minnesota
 Eastern Michigan University
 University of Minnesota
 Jackson State College, Mississippi
 Fairleigh Dickinson University, Teaneck, New Jersey
 Newark State College, New Jersey
 New York City Community College
 State University College, New York
 Manhattan Community College, New York, New York
 State University of New York at Plattsburgh, New York
 Roberts Wesleyan College, New York
 Staten Island Community College, Staten Island, New York
 Johnson C. Smith University, Charlotte, North Carolina
 Warren Wilson College, North Carolina
 Ashland College, Ashland, Ohio
 The Defiance College, Ohio
 John Carroll University, Ohio
 Antioch College, Ohio
 Lincoln University, Pennsylvania
 Community College of Philadelphia, Philadelphia, Pennsylvania
 Community College of Allegheny County, Pennsylvania
 Shippensburg State College, Shippensburg, Pennsylvania
 Eastern Baptist College, Pennsylvania
 Catholic University of Puerto Rico
 Roger Williams College, Rhode Island
 Rhode Island College
 Benedict College, South Carolina
 Yankton College, South Dakota
 Lambuth College, Tennessee
 Carson-Newman College, Tennessee
 Memphis State University, Tennessee

Memphis State University, Tennessee
 Paul Quinn College, Texas
 Roanoke College, Virginia
 Clinch Valley College of the University of Virginia
 College of the Virgin Islands

NATIONAL VOLUNTARY AGENCY MEMBERS

AFL-CIO Community Services Activities
 American Foundation for the Blind
 American Jewish Committee
 American National Red Cross
 American Public Welfare Association
 American Social Health Association
 Big Brothers of America
 Camp Fire Girls
 Child Study Association of America
 Child Welfare League of America
 Community Development Foundation, Save the Children Federation
 Council of Jewish Federations and Welfare Funds
 Family Service Association of America
 Lutheran Council in the U.S.A.
 National Assembly for Social Policy and Development
 National Association of Jewish Center Workers
 National Association of Social Workers
 National Board of the Y.M.C.A.
 National Conference of Catholic Charities
 National Council of the YMCA Associations of the U.S.A.
 National Council of Churches of Christ in the U.S.A.
 National Council on Crime and Delinquency
 National Federation of Settlements
 National Jewish Welfare Board
 National Urban League
 Planned-Parenthood-World Population
 Salvation Army
 Travelers Aid Association of America
 United Way of America
 United HIAS Service
 Volunteers of America

The next witness is Mr. Jerry Wurf, who is president of the American Federation of State, County and Municipal Employees.

STATEMENT OF JERRY WURF, INTERNATIONAL PRESIDENT OF THE AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL-CIO; ACCOMPANIED BY WINN NEWMAN, GENERAL COUNSEL, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL-CIO, AND JULIUS TOPOL, GENERAL COUNSEL, AFSCME, DISTRICT COUNCIL 37, NEW YORK CITY

Mr. WURF. Mr. Chairman and members of the committee, my name is Jerry Wurf, and I have already been identified by the chairman.

On my left is Mr. Winn Newman, who is the general counsel of our union, and on my right is Mr. Julie Topol, the general counsel of our New York affiliate.

Mr. Chairman, I do not intend to read the statement which has already been submitted to the committee. In spite of the fact that you showed great forbearance and let us give you a nine- or 10-page statement, I do want to dwell on some highlights of the situation.

First, I would like to identify our organization. We are the largest public employee union in the United States, perhaps in the world, and we have almost 500,000 members. Included in that membership are some 30,000 welfare workers who will be critically affected by this legislation in terms of what has already been proposed.

M. Chairman, we are in the position of basically opposing the legislation for a number of critical reasons. We are opposing the legislation in our capacity as advocates on behalf of State and local government employees, who will be adversely affected by the legislation as it now stands.

The legislation threatens to eliminate the jobs of our people. It threatens to eliminate collective bargaining which has been achieved in many places across the United States in behalf of these employees and it threatens salary levels which have taken us many years to achieve.

I also want to say in terms of our social responsibility that we are concerned with other aspects of the legislation. Essentially, we have the same criticism of the legislation as the Leadership Conference on Civil Rights, the National Association of Social Workers and the AFL-CIO with whom our organization is affiliated.

First, let me state we have been making for many months now, repeated but futile attempts to work out some reasonable situation with the Federal Government whereby we could protect the tens of thousands of employees of local and State government involved in public welfare who will be adversely affected by this bill.

To give you some idea of the difficulties that we have encountered, let me say that I wrote about our concerns on this bill to Chairman Hampton of the Civil Service Commission and I got a reply in May that said, and I quote exactly: "We were unaware of the personnel implications with regard to State and local employees."

This is just an incredible statement. This Commission had not, the administration had not made any provision for dealing with the economic and social well-being of the thousands of employees to be affected by this legislation.

Since then, there have been discussions with the Department of Health, Education, and Welfare; there have been discussions with the Department of Labor; there have been discussions with the Department of Civil Service in an effort to achieve from them some reasonable mechanism on behalf of the employees involved. Although all have assured us that it is against the administration policy to jeopardize the well-being of these employees, nevertheless, nothing has been forthcoming from them with regard to protecting these many employees.

Let me point out that there is a loss of jobs threatened for thousands of employees in this legislation as now written because they would lose all their existing rights once the statute was adopted and would have to apply to the Federal Government as new hires.

In many instances, in places like New York where we have worked out the waiving of Civil Service requirements in order to make it possible for the poor to become part and parcel of the welfare administration system, these employees would not meet the necessary educational and other requirements of Federal employment and would all lose their jobs because they would not meet the Federal standards.

Second, employees with many, many years of service, who met rigid standards to be employed initially would face a whole new set of rigid standards and might not be able to qualify under the law.

Basically speaking, the Federal administrators would be able to pick and choose as they see fit without any rules that have been set forth in terms of the legislation.

Those who would be lucky enough to be hired under this particular situation would lose credits for retirement and leave they may have acquired over many years of service.

In most of these situations, layoffs take place in terms of seniority and these employees would lose all such protection they now enjoy in this area. Credit for eligibility for increment increases would also be lost.

We now have superior conditions of employment in many communities. For example, I heard testimony this morning from Milwaukee; in Milwaukee we have superior conditions of employment with regard to vacations, sick leave, retirement.

We have superior conditions of employment with regard to the same things in New York City.

We work a 35-hour week in New York City while Federal employees work a 40-hour week. Other welfare departments have other arrangements.

Collective-bargaining rights which we have in some instances acquired by virtue of statutes enacted in the various States and in other instances on a de facto basis with various welfare departments across the country—all of the rights of collective bargaining that have been so painfully acquired—would be lost under the proposed legislation.

Mr. Chairman, what we feel most strongly is that the same concepts that were applied to the Mass Transit Act of 1964, which required protection of the employees and I am quoting now, "no worsening of their positions with respect to their employment," should be applied in this legislation.

I might point out with the great change that took place when public corporations of one kind or another acquired the transit companies across the United States, they were able to hold intact their bargaining relationships, their conditions of employment, and so on.

I would also like to call the committee's attention to the fact that the National Labor Relations Board and the courts have continued in a very simple and clear concept with regard to successor employer relations.

The concept has been that, when a new employer comes into the situation, he is responsible for carrying out the arrangements made by his predecessor under a collective-bargaining agreement. I would point out that this has not been put into this legislation, and I regret very much that the assurances we keep getting orally from the administration in broad sweeping terms have not been implemented by any specific recommendation.

We want to make some remarks with regard to the social service amendments. The original legislation did not present any problems with regard to social services, but two amendments changed the picture.

One amendment reduces the funding although caseloads are going up. This, in effect, means to us that personnel have to be cut off that are now necessary to carry out the program.

Second, the amendment requires priority hiring of the poor and the use of volunteers.

This, coupled with the previous amendment that I mentioned, poses the threat of the replacement of present employees who possess the necessary professional and other qualifications. We would have a situation where our folks would be laid off and replaced by volunteers or those who were willing to take less.

Let me point out that in a program in Albuquerque, N. Mex., I believe last May, 50 people were replaced in a welfare department by 50 people trained in one of these poverty programs. These trainees received 50 percent less, I believe, than was paid to the employees they displaced and who had qualified under the laws of the State of New Mexico.

Thus there would be a direct assault on salary levels under this bill and this would be contrary to past congressional actions in private sector employment under the concepts that have been developed under the Bacon-Davis bill and the Walsh-Healey Act.

We want to make it clear we have no objection to hiring the poor. We do object to hiring the poor to replace existing employees and turning our membership into the poor. In other words, we do not want present employees to become the clients of these welfare agencies.

The situation can be summed up by saying that we fear loss of jobs, we fear loss of credits for length of service, we fear loss of benefits that we have acquired.

Perhaps Mr. Topol, who will follow me, will make a few remarks about how critical these benefits can be. Mr. Chairman, in spite of the fact that we have a very strong feeling about these matters, and we have not made the kind of noise we should have made about them because we have a strong feeling that welfare administration in this country has to be drastically reformed. We do think it would be irresponsible to go forward with reform at the expense of the well-being of the many thousands of employees now working in welfare offices throughout the country.

Mr. Chairman, may I introduce for a few words Mr. Julius Topol, who will point out perhaps more specifically than I have what would happen if the legislation were enacted in its present form.

(Mr. Wurf's and Mr. Topol's prepared statements follow. Hearing continues on p. 1688.)

PREPARED STATEMENT OF JERRY WURF, INTERNATIONAL PRESIDENT OF THE AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL-CIO

Mr. Chairman, our Union of 500,000 public employees includes 30,000 persons who work for state, county, or local departments of public welfare. I speak principally in their behalf today and, in part, in behalf of the tens of thousands of other persons employed by the 3,500 state, county, and local public welfare offices in America.

I appear before you as an opponent of the legislation you are considering. We are opposed to the legislation in its present form because the bill threatens to eliminate the jobs of tens of thousands of experienced public employees—union and not. For the members of our Union, this legislation also threatens hard-won gains achieved over many years. These gains include collective bargaining agreements not possible in the Federal ranks under this legislation and wages, benefits, and conditions of employment superior to those that would be offered under this legislation. Finally, these employees are threatened by this legislation's reduction of social services expenditures amid rising caseloads and by the bill's allowance for administrative options that could lead to the replacement of regular employees with lower paid or unpaid personnel.

These concerns, of course, reflect the vested interests of our Union and its members who are public welfare employees. However, we believe these concerns are also critical to the rule of logic and reason in the implementation of meaningful welfare reform, which we support.

Our Union is equally concerned with the full sweep of this legislation. Our conclusion on this score is also in the negative. I will not elaborate these overall concerns here today, but I do want to say that our overall objections to the legislation are the same as those of the Leadership Conference on Civil Rights, the National Association of Social Workers, and the AFL-CIO.

We have made repeated—but futile—efforts to work out with this Administration a set of amendments which would shield present welfare employees from the loss or the erosion of their jobs and working conditions through this legislation, as it now exists.

I want to emphasize to members of the Committee that because of our own desire for meaningful welfare reform and because of our sympathy for the major underlying concepts of this legislation, we have not pressed our case on employee protection flamboyantly. This is due in part to continuing but unfulfilled assurances from this Administration that it would provide protection for current employees. They have responded no more productively to the needs of welfare employees than they have to the needs of welfare enrollees.

I want to make the point, too, that we do not believe that Federalization of the welfare program can be viewed as a cure-all. It can work no magic, nor provide any guarantees of success.

It was a letter from our Union to Chairman Hampton of the Civil Service Commission that first brought to his attention the personnel implications of this legislation. Chairman Hampton advised me in a letter of May 11, and I quote, that "We . . . were unaware of its personnel implications with regard to State and local employees." It is precisely this kind of short-sightedness of planning and the historically inept administration of personnel requirements for federal programs that convinces us that a multitude of personnel problems will result under this legislation unless specific employee protections are written into the bill.

Our concerns are threefold:

(1) That present welfare employees in the assistance payments area will have to seek employment under the program as new hires.

(2) That even those present assistance payments employees who are hired under Federalization will lose collective bargaining arrangements and its attendant benefits.

(3) That social services employees, who will be retained under State control, will be subjected to loss of jobs and to eroded wages.

THE THREATENED LOSS OF JOBS

In those states which elect Federal administration of the welfare programs, present employees will—in the absence of legislative protection—be required to seek Federal employment as new hires, subject to Federal civil service requirements very different from those under which they have already qualified. The poor, who have been placed on the payrolls of Departments of Public Welfare through the waiving of state and local civil service requirements will, under this legislation, be expected to meet rigid Federal civil service academic and testing standards in order to continue in their jobs. Given no legislative instructions as to priorities, federal administrators will pick and choose from among present employees in any way they see fit.

THE LOSS OF HARD-WON GAINS

Even those who are fortunate enough to be hired under a Federalized program will suffer substantial losses, including the loss of past service credits for retirement, annual leave, and sick leave; the loss of seniority rights in layoffs; the loss of credit for previous service toward eligibility for periodic step increases in salary. Many are now covered by health and retirement benefits superior to those of the Federal Government; others enjoy a shorter work week, more holidays, and more annual leave than do Federal employees. Public employees who have struggled over many years for union representation would lose their union and the collective bargaining arrangements which now protect them.

We believe that the Federal Government should apply to itself those concepts which have been applied to the private sector by the National Labor Relations

Board and the courts. That concept is that a successor employer must be responsible for carrying out the collective bargaining arrangements of his predecessor. This is in fact what Congress required of public bodies taking over transit systems in the Mass Transit Act of 1964. Congress went even further and completely protected transit employees from, and I quote, "a worsening of their positions with respect to their employment." The Federal Government has refused to apply that concept under this legislation.

AN ASSAULT ON SALARY LEVELS

The original piece of legislation, prior to the Administration's insertion of social services amendments, did not affect employees at the state and local level who perform social services functions. The new amendments severely curtail the moneys available for services other than foster care and child placement. In fact, these funds are to be 10 per cent less than what is available in the current fiscal year. The amendments also require the States to give priority in services employment to welfare recipients and to establish a program to provide volunteers and partly-paid volunteers in providing individual and family services.

These two amendments form a pincers threatening the jobs of persons now performing social services tasks at the state and local level. These employees include social workers, children's counselors, homemakers, home economists, and clericals. The cutback in funds comes at a time of rising caseloads. It will force economy measures, which traditionally means personnel adjustments. When the economy measures forced by funding cutbacks are joined by the requirements to hire the poor and to use volunteers, we anticipate that the result will be replacement of present employees by lower-paid or unpaid individuals.

We consider this an intolerable situation. In effect, it casts the Federal Government in the role of leading an assault on public employee salary levels. I would point out that the Congress has consistently prohibited Federally-financed wage-cutting in the private sector through the Bacon-Davis and Walsh-Healey Acts. Public Employees are due no less consideration.

I do want to make it very clear that our objections are not to the requirements to give priority in employment to welfare recipients. Our objections are that there are no provisions in the legislation to prevent the replacement of existing employees by lower-paid workers or volunteers, which would result not only in the loss of jobs but in lower salary levels.

We know from our experience in an experimental program in New York City that there is no need to bring employment to the poor at the expense of those now working, nor to bring work to the poor in such a manner as to be a damper on salary levels for other workers. The experimental New Careers program devised and conducted by our Union in New York City provides a high school dropout, upon completion of two years of college and three years of experience as a case aide, with qualifications as a fully-recognized professional social worker—performing the same work as a social worker with a Master's Degree and paid at the same rate.

A sample of what could happen under the social services amendments to this legislation is found in the replacement of social services employees by manpower program trainees—at half the regular salary level—in Albuquerque, New Mexico. Last May, 50 social services employees were discharged and replaced by Concentrated Employment Program trainees at salaries far under those paid previously.

I would like to list for you now some of the specific losses which would occur for our workers under Federalization of the program, assuming that our workers are hired under the new program.

In New York City and Milwaukee County, members of our Union now have retirement plans that are 100 per cent employer-paid. Under Federal employment they would be required to make a 6 per cent employee contribution.

In New York City and Milwaukee County, health care benefits including major medical plans are 100 per cent employer-paid. In Illinois, our state employees have a health care plan which is 50 per cent employer-paid. Under federal employment, these workers would be thrust into a program where the employer pays only 27 per cent of the costs.

New York City employees have a 35-hour week, with 30 hours in the summer. They would work 40 hours a week in Federal employment.

Local employees in New York City, county employees in Milwaukee, and state employees in Illinois all have more paid holidays under present agreements than they would have in Federal employment.

New York City and Milwaukee County both have annual leave agreements superior to those of the Federal Government.

I don't know how I could meaningfully relate to you the very real human concerns buried within these losses that our members would be subjected to through Federalization of the welfare program without employee protection provisions.

Similarly, it is difficult to really give you a feel for the human aspects of the threats to existing employees that are contained in the social services amendments to this legislation.

Men who have spent years at a job would be suddenly without employment, even though their functions continued.

Women who have accrued years of service toward retirement, would suddenly be without credit for those years.

Employees who have for years had a say through collective bargaining in their salaries, pensions, and other fringe benefits, as well as the conditions of their employment, would suddenly be thrust into a situation where the boss unilaterally determines these matters.

These are injustices. They represent irrationality and unreasonableness, and they are the reasons why we urge the defeat of this legislation in its present form.

PREPARED STATEMENT OF JULIUS TOPOL, GENERAL COUNSEL OF DISTRICT
COUNCIL 37, AFSCME, AFL-CIO

We speak for 10,000 clerical-administrative personnel engaged in the "Intake" and payment functions at the New York City Department of Social Services as well as the other functions that will be affected by this legislation.

To state the specific concern of the persons for whom we speak, we are dismayed by the fact that those who drafted the bill for the purpose of extending security and dignity to citizens who do not have it now appear indifferent to the prospect of loss of security and dignity of a substantial group of employees who have, themselves, through their own initiative, achieved the constructive work status which is the laudable aim of this legislation. For, it is fair to say that the provisions of the bill, or more accurately, the absence of certain provisions in the bill, threaten the 10,000 employees we represent along with thousands of other State employees throughout these United States with the possible loss of jobs if the FAP program and other existing State programs are "Federalized" pursuant to the provisions of Section 461, Subsections (a), (b) and (e) of this bill. And for those of them who ultimately do work in these transferred programs, there are no meaningful provisions to insure that their present favorable terms and conditions of employment are continued.

President Jerry Wurf has pointed out the importance of these experienced personnel to the successful implementation of these programs; and we see no need to elaborate further on this point.

What is needed from the Administration is the specific provision in the law which will ensure to the employees that they will continue to have the jobs they are now filling. It will not suffice to use language which camouflages what amounts to a totally discretionary selection process such as "preference will be given to present employees for the jobs, provided they meet minimum qualification requirements". Such qualifying language serves as an unnecessary demoralizing red flag. These employees know they meet the required qualifications. They have been doing substantially equivalent tasks for years; and the very separation of functions contemplated by the bill are now being carried on by a substantial number of the employees we represent.

Equally disastrous to morale, and unnecessary in this connection, would be a procedure of forcing the transferred employees to serve a new lengthy period of probation. They have long ago served their probationary period and demonstrated their worth.

The point we are making here, i.e. to eliminate the uncertainty of continued employment, is not slight or petulant. Recent history in New York City in connection with the transfer of a substantial number of clerical-administrative employees to a newly formed public benefit hospital corporation is illuminating.

This is a matter with which I am personally familiar. I served as a representative of the affected labor organizations and employees on a task force that drew up the provisions relating to the transfer of employees and personnel administration in general. The end result was a State statute which specifically and explicitly guaranteed job rights and all existing benefits and terms and conditions of

employment. Nevertheless, the remaining uncertainties related to the transitional process had such a demoralizing effect as to threaten effective and efficient operation of the hospital system. But, it is precisely because both management and labor were able to point to specific guarantees of jobs and terms of employment in the legislation as well as the protection of an ongoing bargaining relationship that the anxiety and potential demoralization were overcome and an orderly transfer and transition has in fact taken place.

We are confident that the Committee understands how much more harmful it would be in the present circumstances to fail to give clear-cut assurances to the employees of their continued employment and tenure.

We have pointed out further that the bill fails to protect transferred employees against a diminution in or outright loss of the favorable terms and conditions they presently enjoy. Examples of these benefits accrued or enjoyed are the following:

Retirement.—Many employees have accrued 5, 10, 15, or 20 years of services. A failure to give credit for State or local service would amount to a serious loss of rights. For example, a person with 14 years service would lose a pension of 30% of his final salary at age 55. This is based upon a value of 2.1% for every year of service under 20 years. A further loss would result from the fact that New York City employees have a negotiated pension plan which gives them half pay after 20 years, with 2½% additional payment for each additional year of service.

Annual leave and sick leave.—The law should provide for full transfer of accrued annual and sick leave balances. Otherwise, many employees will lose substantial amounts of money in the form of such leave that they had "banked" for future contingencies.

Health benefits.—New York City pays the total cost of the employees' basic health plan. In the Federal Government, employees have to pay one-half. The loss to each employee would be about \$150.00 per year.

Holidays.—The New York City employees have 11 guaranteed holidays; Federal employees have 9.

Hours.—New York City employees have progressed to a 35-hour week, with additional straight time cash payment up to 40 hours and time and one-half cash pay after 40 hours of work. Thus, if the employees are required to work 40 hours a week at their present level of pay for 35 hours, they will suffer the equivalent of a 14% cut in pay.

Welfare funds, training funds.—New York City employees have negotiated for employer contributions to trust funds which are used for a variety of benefits, and training purposes. Present and projected programs thus paid for fully by the employer include total family dental coverage, disability insurance, total family eyeglass service, full reimbursement for prescribed drugs, and life insurance.

Scope of bargaining.—The employees of the Welfare Department of the City of New York were among the pioneers among public employees who inaugurated collective bargaining with their employer. For many years now, they have bargained or participated in bargaining for their salaries and pensions and other fringe benefits such as vacations, holidays, and other time and leave rules, welfare and training funds, transfer policies, physical working conditions and grievances and disciplinary proceedings.

The members of the Committee know that any provision which permits continued agreements or continued bargaining, but only on those matters permitted by Executive Order 11941 means virtually the end of collective bargaining as the Committee and these employees understand that term.

Postal employees reached a stage where they felt the need to have collective bargaining on a broad range of traditional bargainable issues. New York City employees long ago reached that stage, having engaged in full fledge bargaining and found it highly desirable. In their circumstances, to extend to them bargaining, but only within the scope of bargaining set forth under Executive Order 11941, would be met with disbelief and dismay. This would be true for most of the other State and local employees throughout the country who will transfer to the Federal payroll under this bill. This is a substantial identifiable group which has a history and development of labor relations that cannot be ignored. We are confident that the Administration and the Congress can enact the necessary labor relations provisions which are geared to this history and development.

Respectfully submitted,

AUGUST 26, 1970.

Mr. TOROL. Thank you, Mr. Chairman.

In my written statement I said that I speak for 10,000 New York City employees in clerical and administrative functions.

I should have also added that the 10,000 New York City employees who are doing the service functions are in serious jeopardy on the basis that Mr. Wurf has already explained; that is, to substitute the poor and volunteers for them, but I am not going to dwell on that because Mr. Wurf has very fully and amply discussed that.

As to the clerical and administrative employees, we have two concerns, one of this, only one of which, will I elaborate. The two are the potential loss of jobs, one, and two, those who do get the jobs, what it will mean in terms of loss of benefits.

On this potential loss of jobs, may I introduce a specific note as to New York City. We consider it neither a petulant nor slight issue we are raising, the uncertainties with respect to jobs.

I happened to have personally participated in a transfer of employees to another public employer, the Hospital Corporation's 40,000 hospital employees were transferred to another employer. We thought we did everything we could in terms of protection of existing rights and writing it into the legislation, job rights as well as benefits.

Nevertheless, despite the explicit terms—

The CHAIRMAN. If you will pardon me just a moment, I think I had better go vote, gentlemen, but Senator Bennett will be here. I would like you to be available, I would like to ask a question or two if that will be all right.

Senator BENNETT. Shall I ask these witnesses to wait and proceed with other witnesses?

The CHAIRMAN. Fine.

Mr. WURF. I take it then, Senator, we will retire until you return?

Senator BENNETT (presiding). No, you can finish your statement or if you prefer to make it in the Senator's presence, you can retire now and we will bring another witness on and then return to you.

Mr. WURF. In view of the fact he titillated us by saying that he wished to ask us a question, we will return.*

Senator BENNETT. The next witness is Mr. Ozzie Edwards, president, National Federation of Social Service Employees.

STATEMENT OF OZZIE EDWARDS, PRESIDENT, NATIONAL FEDERATION OF SOCIAL SERVICE EMPLOYEES

Mr. EDWARDS. Mr. Chairman, and members of the committee, I wish to convey my sincere appreciation to have the opportunity to testify regarding the Family Assistance Act of 1970, H.R. 16311.

The National Federation of Social Service Employees is an organization of 16 unions and associations representing 41,000 social service employees throughout the country.

Members include: Social Services Union, Local 535 SEIU, AFL-CIO, Los Angeles, Calif.; Social Service Employees Union Local 371, AFSCME, AFL-CIO, New York, N.Y.; Social Service Employees of Florida, Miami, Fla.; Independent Union Public Aid Employees, Chicago, Ill.; Maryland Social Service Employees Union Local 112, AFSCME, AFL-CIO, Baltimore, Md.; Rhode Island Alliance of

*See p. 1691.

Social Workers, Providence, R.I.; Monmouth County Welfare Board Employees Association, Redbank, N.J.; Winston-Salem Concerned Social Service Employees, Winston-Salem, N.C.; Iowa Federation of Social Service Employees, Marion, Iowa; Massachusetts Social Workers Guild Local 509, SEIU, AFL-CIO, Boston, Mass.; Welfare Employees Union, Detroit, Mich.; Connecticut Union of Welfare Employees, Local 629, SEIU, AFL-CIO, New Haven, Conn.; Federation of Social Workers, Rochester, N.Y.; Westchester Welfare Workers Association, Yonkers, N.Y., and Independent Union of Welfare Employees, Gary, Ind.

Our members have historically avowed that the archaic welfare bureaucracy should be changed. Their daily experiences witnessing the unending suffering of the welfare impoverished and yes, some unionists helped to authenticate the need to reshape the whole system of social services.

We assert that the family assistance plan contains certain positive features:

- (a) Federal administration,
- (b) Reformed eligibility requirements,
- (c) Separation of services from income.

An aura has been created reflecting that the impoverished prefer the welfare rolls to employment. We support the theory that all able bodied should work but statistical information has shown that most of the poor are unable to work.

In January 1969, of the 10 million persons participating in the public assistance program, 80,000 were blind, 728,000 were permanently and totally disabled, 2 million were in receipt of old age assistance, 4,815,000 were children, 1,500,000 were mothers of preschool children, 500,000 were mothers of school-age children, and 80,700 were employable.

The administration should abandon the intent to force mothers of children over six to obtain employment.

The family assistance proposals for an expanded program of day care for mothers of children forced into training or work, are not sufficient.

We feel that S. 4103, however, is a positive step in the right direction, setting up national standards and creating a Federal Child Care Corporation.

The level of funding should be raised especially in the metropolitan areas to afford the necessary financial support and services for the poor and the disadvantaged. It has become apparent that the insufficient \$1,600 floor will increase benefits in the Southern States, the constituency that historically turns its back on the impoverished, especially the black poor.

Furthermore, employment agencies have displayed a varying degree of commitment to the welfare poor. Nothing short of sufficient guaranteed income with adequate guaranteed jobs will offer a realistic solution.

Services: I personally feel that this portion of the bill has been given limited attention.

Under the family assistance plan, title will be abolished but Secretary Richardson recommends that categories be formulated under the services program. The Federal Government will reimburse the States by 90 percent for services in support of manpower, all others 75 per-

cent. The average framework for funding plans for social services akin to OEO, is unrealistic. In addition, the plan does not develop an adequate and clear system for compliance from the States regarding services.

The right of appeal carried in the proposals is nebulous. Moreover, legal services are included. This is a gross indifference to minority groups.

Mr. Chairman, the committee provided excellent amendments in 1967. We express that these positive amendments be retained under the family assistance plan.

In order to develop a service plan that will effectively and realistically benefit families and adults in strengthening family stability, adequate resources are needed, and in this area the family assistance plan fails miserably.

The \$810 million request is less than sufficient with the scandalously low appropriation of \$150 million for services to the aged, following the same pattern of neglect for one of the greatest constituency in our society, our senior citizens, is confined to persons already receiving services.

Limited funds will hamper the social service employees, who are already overburdened and understaffed in attempting to deliver these services.

Job security: There is a crisis in welfare now * * * as all eyes are upon the family assistance plan. Many State officials are reacting adversely, creating an atmosphere of inertia. In attempting to obtain fiscal relief, the daily abandonment of services and income for the poor has become a classic course. NFSSE from its earliest existence has pledged that the rights of the poor should be upheld.

The repression against the poor was challenged when NWRO became organized with the will to resist against the establishment. Their strength was augmented and voices of concern were raised in concert for the goals and objectives of NWRO. And now the ax that slowly grinds has been turned upon our fellow unionists * * * social service employees are seen as the oppressors and to others the search and destroy tactics are being used.

A crucial point deals with the utilization of volunteers in the social service component. Although we wholeheartedly endorse the concept of new careers in social services, we cannot support legislation that will provide for the replacement of social service workers by volunteers. The controversial family assistance plan lacks provisions of job security, for workers all affected by federalization of public welfare.

Mr. Chairman, we ask that you consider an amendment to the family assistance plan concerning job security for all social service employees.

We cannot, and will not, support the intended Family Assistance Act which does not protect all social service employees, an act that in the end would ultimately destroy certain positive features of the family.

And what will happen to the children? Our Government allocates billions for defense and the military industrial complex, to the war in Southeast Asia, and the regime of South Vietnam, and yet when we talk of rescuing the lives of children, yes, little black children, little

Hispanic children, little children of oriental ancestry, little Indian children, little Mexican American children, little white children * * * children who through no fault of their own are born into this Nation, live and some are rushed off to die in foreign wars, in punishing their parents we inherently destroy them.

RECOMMENDATIONS BY NFSSE

1. The level of funding should be raised especially in the metropolitan areas to afford the necessary financial support and services for the poor and the disadvantaged.

2. The administration should abandon the intent of force mothers of children over 6 to obtain employment.

3. Legislation should be included to provide for job security for all social service employees affected by federalization of public welfare. Employee benefits such as retirement, wages, educational leave and training, seniority grievance procedures, and working conditions should be a part of the Family Assistance Act.

Moreover all contractual agreements and negotiated settlements should be honored.

4. Present social service positions including homemakers, children counselors, clericals, home economists, supervisors, both child welfare and public assistance workers should not be replaced by volunteers.

5. The public sector should create meaningful jobs at revised minimum wage standards with specific emphasis on entry levels, upward mobility, relevant training and promotional advancement.

Thank you.

Senator BENNETT. Thank you.

You certainly made your position very, very clear.

Mr. EDWARDS. Thank you.

Senator BENNETT. I have no questions.

Thank you very much.

The next witness, Mrs. Richard M. Lansburgh, president of the Day Care and Child Development Council of America, Inc.

The CHAIRMAN (presiding). Will you wait a couple of minutes while I ask a couple of questions of the previous witnesses, Mr. Jerry Wurf and his witnesses of the State county and municipal employees.

Mr. Wurf, you alluded in your discussions, that is, in your testimony, to discussions with the administration concerning protective amendments for social service employees.

Could you tell us what your proposals were?

STATEMENT OF JERRY WURF, ACCOMPANIED BY WINN NEWMAN
AND JULIUS TOPOL—Resumed

Mr. WURF. In essence, Mr. Chairman, the proposal that we put forward was the kind of wording that exists in the Mass Transit Act and, in essence, if you want me to I could read it, but in essence, what it does to assure—

The CHAIRMAN. Put it in the record.
(The language referred to follows:)

[Excerpt from the Mass Transit Act of 1964]

Public Law 88-315

Section 13—Labor Standards

(c) It shall be a condition of any assistance under this Act that fair and equitable arrangements are made, as determined by the Secretary of Labor, to protect the interests of employees affected by such assistance. Such protective arrangements shall include, without being limited to, such provisions as may be necessary for (1) the preservation of rights, privileges, and benefits (including continuation of pension rights and benefits) under existing collective bargaining agreements or otherwise; (2) the continuation of collective bargaining rights; (3) the protection of individual employees against a worsening of their positions with respect to their employment; (4) assurances of employment to employees of acquired mass transportation systems and priority of reemployment of employees terminated or laid off; and (5) paid training or retraining programs. Such arrangements shall include provisions protecting individual employees against a worsening of their positions with respect to their employment which shall in no event provide benefits less than those established pursuant to section 5(2)(f) of the Act of February 4, 1887 (24 Stat. 379), as amended. The contract for the granting of any such assistance shall specify the terms and conditions of the protective arrangements.

Mr. WURF. In essence what we were struggling for was that there be no deterioration of conditions of employment.

There was great sympathy expressed by the folks we spoke to but, you know, nothing has come forward.

The CHAIRMAN. Well, now, here is a type thing that I was thinking about. We look at neighborhoods even right here in Washington, I can show you neighborhoods where there is a lot of litter, beer cans, soft drink cans, chewing gum wrappers, various and sundry things thrown around the streets, somebody ought to sweep it up, put it in the trash can, and in that instance you are talking about picking up and disposing of the litter that the trash can collector misses.

I have often done that sort of thing in my neighborhood. I have done it in the Watergate East area, my neighborhood, where people leave soft drink cans and paper cups. I am not above doing it because I think the neighborhood looks better if you do it.

In cities where you are talking about doing it, where public employees are now not doing it, what would your reaction be if we sought to make a contract with the city saying that:

We will expect you, in fact, require that you, continue the services that you are presently providing, and then we will make a contract that we will pay for it if you will provide some additional service, put some additional people on to add to the service that you have.

By the time you see what has been done with regard to getting in the trash, picking up the litter, there is a lot that remains to be done and that is how it is going to continue to be unless somebody does some more about it. If we have a contract with them where they will continue to do the job that they are doing and then we will provide, if they have several people on welfare in that community, we will help pay for putting people on the job so they can get on with the work.

Mr. WURF. Mr. Chairman, let me make it clear that our union has no objection to using the poor for additional services, you know, for continuing services and involving the poor in these jobs. We think it is an excellent idea. As a matter of fact, sir, in my—not in my testi-

mony but in the statement I gave the committee, we point out an excellent program of that kind that took place in New York.

What we are concerned about is if we have an employee making, say, \$6,000 or \$7,000 a year, who may have achieved that job by virtue of a program of waiving requirements to make possible the hiring of welfare recipients, under the legislation that is now before you, some bureaucrat in the Federal civil service system is going to take a position that this person has not got the kind of high school equivalency that is necessary to meet the Federal standards. In spite of all their experience in performing these tasks they cannot get the job. Mr. Chairman, we are also concerned that in New York City we have a program where our folks work 35 hours a week. Those are conditions of employment we worked out. Then, they come to work for the Federal Government and their hours will leap to 40 hours a week. Or, in New York City, in Milwaukee, and a number of other places, the retirement system is entirely paid for by the employer. In the Federal program a substantial portion of the retirement is paid for by the employee. This would mean a cut in the salary of the employee affected.

In other words, we are not arguing that you not add, take advantage of this concept of putting the poor to work; we are for it. But simply do not take our people and make them unemployed, or denigrate their conditions of employment, in order to help somebody else. That is sort of a circle that we do not think anybody wants.

The CHAIRMAN. What type wages do you succeed in getting for your employees in New York? I know you have had collective bargaining and you have worked to better the position of your employees.

Mr. WURF. Mr. Topol can tell you.

The CHAIRMAN. The sanitation workers, for example.

Mr. WURF. The sanitation workers are not our members in New York, but their wages are quite high. The employees that we are talking about, the clerical administrative, employees in welfare between \$6,000 and \$7,000 a year.

The CHAIRMAN. That is the clerical workers.

Mr. WURF. The clerical administrative workers.

The CHAIRMAN. Yes.

Mr. WURF. What are the wage rates of the social service employees?

Mr. TOPOL. They are in the \$9,000, \$10,000, \$11,000 range; college graduates primarily.

The CHAIRMAN. What kind of pay do they have for sanitation workers in New York?

Mr. WURF. Nine, \$10,000 is my inexpert guess.

The CHAIRMAN. Well, now, here is the kind of thing that I am thinking of. You go into any ghetto area, generally speaking the place is filthy and yet those people there are living on public money. Now I would be happy to pay them something more to just get out and do the kinds of things that I did as a boy.

My mother or grandmother would put me out in front of the house to sweep up the sidewalk because the place would look a lot nicer, the neighborhood would look better.

Our people did not especially like to have a dirty sidewalk in front of the house so we would go out there and sweep it up.

Now, it would seem to me that it would be desirable for us to put some people to work keeping the place clean. Now I do not have that in mind as a substitute for all the money—for the billions of dollars—that will be needed to help the poor. But I would think that we could benefit the community and benefit them by paying those people. I do not see how we can pay them any \$9,000 a year but pay them to where they would do a lot better, make more than they would make otherwise to clean the place up, pay someone to go out and pick up the soft drink cans and the paper cups and sweep the place up and put that stuff in a garbage can.

You understand that is not near as hard work as some fellow getting out there and picking up the garbage cans all day long.

Mr. WURF. Senator, what I want to say is I do not think we have any difference of opinion, at least in terms of what I understand your position to be, but what I am afraid of is this: If I am not a clerical administrative employee performing a useful task by any reasonable set of criteria—I am qualified to do my job and I am earning \$500 a month for doing this, \$6,000 a year, and I have done this for 5 or 10 years, everybody is satisfied with what I am doing—by virtue of this statute that is before you now, I might lose my job. I might take home less wages. I might lose my retirement rights. I might lose my promotion right. I might be laid off.

That is what we are concerned about.

Now, as to the direct question you raised about auxiliary services, the union has been engaged in terms of hospitals, in terms of transportation, in terms of social services and various programs to take people who are poor, people who have not had an opportunity to get the education that others have, to train these people, to upgrade these people, to bring them into the mainstream of our economy. We have been very successful, sir, in a number of programs across the country in hospitals.

I think such programs are available in sanitation, such programs are available in welfare agencies, in parks and recreation and so on. The union has worked hard and literally thousands of people who were burdens on the community are now usefully employed in various agencies across the country, particularly in departments of hospitals.

This is not our concern.

Our concern is that you not take our people, whether they are social workers, professionals, or clerical administrative employees, many of whom come from deprived sectors of our society, who have achieved a medium of security, and destroy that security by virtue of this law.

I think it is incredible that at this point, after all the discussion on this act and all the discussion that took place with our union and so on, that the administration has not come forward with some reasonable proposal to protect the many thousands of people who are affected by the law.

This is our concern.

The CHAIRMAN. Well, of course, you know if we expand the welfare rolls from 10 to 24 million people, it does not seem likely that there would be any diminution of the work opportunities that would be available to people.

Mr. WURF. Well, I do not know what will happen, but there can be a diminution in this way: When I met with an important planner for the administration in this situation, a man named Mr. Rosow, Assist-

ant Secretary of Labor, who has got some strong ideas and is one of the people who has been drafting concepts for the Federal administration, he made the point that by virtue of this legislation he had hoped to get rid of some people whom he does not think were performing the functions and get other people.

When I pressed him for what his criteria were for hiring new people or what his criteria for getting rid of old people were, he had no answer except he wanted to improve the situation.

Well, he might want to glibly prove he is a red hot bureaucrat, and he can improve services by putting these things over, but he might put thousands of people out of work, and, Senator, it does not seem to me in terms of the past history of the Congress, and I was specific in my remarks, the concepts put forward by the National Labor Relations Board, the concepts put forward by the Court, the concepts put forward by the Mass Transit Act, it is not the policy of this Government to go in and knock everybody out of the ballpark and start a new ball game.

It has generally been the policy to conserve the rights and interests of existing employees when there is a change. It has been the general policy and we do not see why this policy is not the same in this situation.

The CHAIRMAN. Thank you.

Mr. TOROL. I am not going to go over the entire matter since your questions to Mr. Wurf covered the things I wanted to cover. But I wish you would look at my statement of a transfer to another employer which took place in New York of 40,000 employees and the demoralization which was potential there and which was met by prior planning and prior assurances and explicit terms and conditions in the law which obviated what appeared to be a potentially disastrous situation, and our experience shows we cannot be ignored nor simply have pious platitudes to take care of this matter.

Thank you very much.

The CHAIRMAN. Thank you, gentlemen.

Mr. WURF. Thank you.

The CHAIRMAN. All right.

Now, Mrs. Lansburgh, president of the Day Care and Child Development Council of America, Inc.

STATEMENT OF MRS. RICHARD M. LANSBURGH, PRESIDENT, DAY CARE AND CHILD DEVELOPMENT COUNCIL OF AMERICA, INC.

Mrs. LANSBURGH. Senator Long, I am very happy that you are back. As a former constituent of yours, I would hate to testify without having you here.

The CHAIRMAN. Thank you.

Mrs. LANSBURGH. I am very happy, Mr. Chairman, and members of the committee, to be here and to present the views of the Day Care and Child Development Council of America on the proposed amendments to the Social Security Act.

The Day Care and Child Development Council of America is a private, nonprofit citizen's organization which believes that day care and child development services of high quality are a right of all children, parents, and communities in this Nation. Our overriding concern is that America's children have the opportunity for the full development of their human potential.

Our members represent a broad cross section of American life—professional and lay, volunteers and parents; people who are concerned about what is happening or is not happening to America's children, who recognize that the equality of life is largely determined by what happens to children in the first years of life, and who are concerned that this Nation act on that knowledge.

We see it as our role to promote the development of these services through public education, information services, and technical assistance.

I have personally been deeply involved in the promotion of better services to children for many years, professionally, as a social worker, and on a volunteer basis, as president of the Maryland Committee for the Day Care of Children for 3 years, and now, as president of the Day Care and Child Development Council of America for the past 3 years.

First, let me say that we applaud the administration's concern with the first 5 years of life, and the obvious thought and care which went into the drafting of the day care provisions of this legislation.

Even though there are concrete suggestions which we will make today, I would like to preface it with an appreciation of the basic research and care, as well as the innovative and courageous planning which went into the conception and the drafting of this legislation.

We feel that it addresses itself to important new ideas in the area of welfare reform and the area of day care provisions.

Our major concern as an agency, of course, is children, and how they will be affected by this legislation. I feel very strongly that as a nation we have been neglecting the very important resource.

From the point of view of enlightened self-interest, as well as humane concern, we need to reconsider our priorities, and to recognize that, as with a building, the structure of a life must rest on firm foundations. If we do not make a commitment to and an investment in our children, this Nation will inevitably pay increasingly high prices for the support and correction of adults who have not been provided as children with the basic equipment needed to function in a modern society.

Our concern centers around two main foci: Child neglect and child opportunity. Today, we are neglecting our children—not individual children, but children in the aggregate. As a society, we have not accepted our responsibility for the fact that when parents cannot fulfill their obligations, society at large must. The quality of human life is the basic ingredient for a civilized order, for leadership, and for fellowship.

Children must have enough to eat, or they do not grow properly physically, mentally or intellectually, all of which are interrelated. We know that heredity is not set at birth, but is strongly influenced by the opportunities, the nutrition, the affection and security, and the intellectual stimulation which they receive. Many of America's children are not having the opportunity to grow and develop their full potential.

The President's Commission on Mental Retardation estimated that only 25 percent of the retarded are genetically retarded; 75 percent are handicapped by socio-cultural factors, which need not have hap-

pened. Many of those functioning marginally undoubtedly have been similarly handicapped.

Therefore, the concept of a minimum payment to families with dependent children and the inclusion of the working poor, is a vital step forward. We feel, although, that the amount suggested is too low for basic child support, and that the low level of Federal support will not provide equality of treatment for America's children, especially in metropolitan areas where 48 percent of the children are growing up in poverty.

The potential of quality day-care services for children of poor families, and I am going to devote most of my comments to this, is child opportunity—a key contribution to their health and development, and an investment in their future. There has been a tendency to think that all children need is someone to give care and protection, but although that is a necessary ingredient, it is only a part of the opportunity to develop the capacity to learn, and later to earn, which should be available in quality day-care centers.

That developmental opportunity can only be provided where people who naturally have warmth and affection for children combine it with knowledge of child growth and development, in a setting which allows them to gear the program to each child's age, stage of development, capacities and interests.

I think it takes a special ability and knowledge on the part of the teacher to try to reach that cutting edge of learning which is the point at which the child is challenged. Not so much, that he is frightened by the leap into the future and withdraws; and not so little, that he is bored; but enough, so that he is challenged to the joy and excitement of learning and wants to keep on trying to learn and to grow. That takes a very skilled teacher.

As it is the intent of the administration to provide quality care, we would feel more confident that this will be the case in all programs, if language were incorporated which would insure that each child receiving child care under this program would set the educational, health, nutritional, and related services he needs to help him achieve his full potential, and which would require the use of the Federal interagency standards as a minimum, as all other Federal programs do.

Day care should be primarily concerned with the development of the child and only secondarily with support for manpower training. We are strongly opposed to requiring any mother of minor children to take work or training. In this legislation there is no requirement that her children have proper child care arrangements. We are equally opposed to any mechanism which places her children in a care situation without her full consent. Mothers should be free to choose whether they will participate in work-training programs, and should be free to choose the appropriate type of care situations in which her children shall be placed.

We therefore recommend that all mothers with children under the age of 16 be exempted from mandatory work-training registration under section 447(b) as proposed by Senator Javits. Basic financial support for children should not be tied to a work requirement. Children will suffer under the proposed law if the mother chooses to stay home to care for her children. An already inequitable

support payment would be further reduced. Expenses such as rent, we know, would not be reduced when the allotment is reduced. The children's meager meals would be stretched to include mother, who cannot be expected to sit and watch her children eat without eating herself. This sanction would be eliminated.

We also question why a child with two parents is given preferential treatment; his mother can stay at home. While in single-parent families, the hard pressed mother must work.

Again, freedom of choice should be allowed; we believe more mothers will wish to work voluntarily, then jobs, training or day care opportunities will exist for some time. As you pointed out earlier, Senator Long, 70 percent of that group in New York wants to work if there are day care services available.

In addition, we like Senator Talmadge's proposal to provide that every mother be advised of her option to register, if she so desires, provided that she be informed of the child care services which would be available to her in the event she decided to register.

We are also concerned with the reinstated disincentives for unemployed fathers. Recent studies point up the urgent importance for children of having a father in the home. We would hope that a way may be found to keep from denying to children without worldly goods the security which having both parents in the home brings.

Parental involvement in the planning and direction of programs in which their child participates is essential to the continuation of strong family relationships. We recommend that language also be added which requires that all programs provide parents the opportunity to play a decisive role in the policy direction of the program and in its direct operations.

We are pleased that the child care provisions in the bill would provide for 100 percent Federal financing for the operation as well as for the renovation and construction of child care centers; training of personnel; technical assistance; and research and demonstration projects. To mount any effective program, all of these elements are needed.

The administration's estimates for the operating costs of developmental day care programs are totally inadequate.

Recent studies by the Welfare Council of Metropolitan Chicago place the cost of full year quality care at \$2,165 per child in a facility serving 100 children, excluding costs of construction and initial equipment.

We hope that this committee will add the language proposed by Senator Javits to the bill and will state in its committee report that the Federal Government will pay whatever it costs in a specific geographic area for such quality care. If funds for day care are not increased, the number of children served will need to be decreased.

The administration's estimates leave only \$26 million to provide all necessary renovation, construction, training and technical assistance needed to mount the program. Headstart has consistently found it necessary to use between 5 and 10 percent of its total budget or more for training and technical assistance alone. The effort under the family assistance plan will require the same kind of commitment because of the problems involved in setting up new programs and the lack of a readily available, trained pool of people to work in these programs.

As present day care programs are already filled, new facilities will have to be created in most cases. The Welfare Council of Metropolitan Chicago has estimated that a center, serving 100 children, will cost \$210,000 to construct, excluding the cost of land. Now that is in Chicago, which is a more expensive metropolitan area; but it gives you some idea of the parameters of costs involved.

In addition, initial equipment for program, office, and kitchen would cost \$20,000 per center.

To help meet this need for new construction, Senator Percy's proposal to provide an additional grant program for construction should receive strong consideration.

Of serious concern is the proposed delivery system under this bill. We are strongly opposed to setting up a separate system of day care services for any one segment of the population. We are afraid that the combination of the eligibility requirements and the delivery system proposed in this bill will result in such a separate system for a very narrowly defined segment of the population.

We feel that the manpower program should authorize funds to meet the costs of providing all necessary components for the day care of the children of manpower trainees, but that such a program should be made part of a much larger system.

The bill, as drafted, provides an administrative mechanism different from that used for any other potential source of Federal funds for day care. Thus, our fear of yet another categorical program, dividing the community, aggravating rather than alleviating social and economic segregation, and causing unnecessary competition for Federal funds among agencies within a community.

We feel that this problem can be avoided, through an appropriate planning and administrative structure at the community level which would link this day care program with others into a cohesive network of services.

On the social service amendments that have recently been proposed, the Day Care and Child Development Council of America is in strong support of some of the concepts behind the proposed social service amendments, such as the separation of services from assistance payments, and greater flexibility in the delivery of services, depending upon local needs. We feel that improvements in the social service programs need to be made and cannot support the amendments as they are presently drafted. By vastly expanding, in many States, the numbers of people eligible for free services while freezing the amount of money available, fewer services will result. Emphasis on funds for services to children in foster care, while freezing child welfare services, cannot help but offer support to keep children out of the family rather than trying to keep them supported while they are within the family, and trying to maintain and stabilize the family. Prevention of this is possible.

We recommend that consideration of a major restructuring of the social service provisions of the welfare programs be postponed until next year when the Department of HEW, Congress, and other private and public organizations will have had more time to study the proposals and work out the policy and administrative questions which are presently unresolved.

In the meantime, we feel that the present social service provisions should be maintained. There are also several positive elements in the proposed social service amendments which could be incorporated in the present social service provisions until such a major revamping could be effected. In this regard, we would recommend that the additional authorization for foster care and adoption be included as an amendment to the present title IV-B, as should be the National Adoption Information Exchange System.

To provide more flexibility in meeting local needs for services, an amendment could be added which would exclude the provision of social services from the statewideness requirement.

Senator BENNETT. Mr. Chairman, may I ask Mrs. Lansburgh how many more pages she has?

Mrs. LANSBURGH. One more.

Senator BENNETT. She had 10 minutes and has taken 25.

Mrs. LANSBURGH. I am sorry. That is the end of that. I only had—

Senator BENNETT. Why do you not offer it for the record because it will be printed as though you had read it?

Mrs. LANSBURGH. Fine, thank you. Certainly.

Our compliments to Senator Long on his recent introduction of a totally new and innovative approach to solving the problem of the dearth of day care facilities. We agree with the bill's declaration of purpose, and applaud its intent to provide child care services for millions of children and their families, either where the mother is working or where care of the child is required for other reasons, in as efficient and economical a manner possible.

The lack of facilities has been one of the major stumbling blocks to the development of adequate child care services, and we welcome this ingenious proposal.

However, the ramifications of a national child care corporation need a great deal more exploration and public debate before any action should be taken. A delay in decision concerning the passage of the Federal Child Care Corporation Act could allow leadtime to determine whether the provision of necessary funds will be sufficient to stimulate the growth of a new system of services without an additional superstructure.

The new Office of Child Development, under the capable leadership of Dr. Edward Zigler, has moved strongly during the short period since he assumed office, to provide leadership despite a lack of a clear definition of responsibility and of adequate funds.

We feel that greatly expanded authorization to pay for child care services and training should be linked to facilities construction.

We believe resources should be allocated among States and communities on the basis of relative need, and decisions on the planning and delivery of services within a community belong at that level.

Establishing standards at the national level, without allowing for local determination and choice (section 2006) merits careful examination. Although, in some communities, standards have been an obstacle to the establishment of day care programs, standards are the result of a desire to care for and protect children.

Many communities, where standards are too low or too high, are now in the process of updating their standards. A community, like a human being, likes to participate in the determination of its own affairs.

With regard to specific standards for personnel, program, and facilities (secs. 2004 and 2005), the Day Care and Child Development Council of America joins in support of the suggestions made by the Child Welfare League of America.

The DCCDCA would appreciate the opportunity to participate in a substantive discussion of these issues, and pledges its resources to assist in any way possible in determining the answers to these vital and basic issues which will deeply affect so many lives.

Thank you.

The CHAIRMAN. Thank you very much for your statement.

Senator BENNETT. I have no questions.

(Mrs. Lansburgh's prepared statement follows:)

STATEMENT BY MRS. RICHARD M. LANSBURGH, PRESIDENT, DAY CARE AND CHILD DEVELOPMENT COUNCIL OF AMERICA, INC.

Mr. Chairman, distinguished members of the Committee, I am pleased to have this opportunity to present the views of the Day Care and Child Development Council of America on the proposed amendments to the Social Security Act.

The Day Care and Child Development Council of America is a private, non-profit citizen's organization which believes that day care and child development services of high quality are a right of all children, parents and communities in this nation. The overriding concern of DCCDCA is that America's children have the opportunity for full development of their human potential.

Realizing that there is a great unfilled need for these services, we see it as our role to promote the development of these services through public education, and technical assistance to communities. Our membership is comprised of lay and professional people from many walks of life who are concerned with the needs of children.

I, myself, have been deeply involved in the promotion of better services to children for many years, first as a social worker, then as President of the Maryland Committee for Day Care of Children for three years, and as President of the Day Care and Child Development Council of America for the past three years.

A knowledge explosion has taken place in the last ten years. In the fields of psychology, education, psychiatry and mental health, nutrition and other disciplines, there is now widespread recognition of the importance of the formative years in determining development, learning, cognition, motivation, health, social ability, self concept and emotional stability, and of the existence of critical stages in development which, if neglected or mishandled, may result in irreversible damage. It behooves us to implement this knowledge.

In large part as a result of this increased knowledge, the development of interest in children's programs has also grown at an amazing rate. Both the Administration and Congress, including many members of this Committee have shown an understanding and concern for the needs for children which we applaud.

FAMILY ASSISTANCE PLAN

The present Administration is to be commended for its concern that day care services be available to the children of welfare recipients who undertake work or training to break out of their present economic status. It is especially commendable that its concern lies not only with the adult's status, but also with the ultimate development of the child. As President Nixon stated in his message on the welfare reform: "This Administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation." When we consider that the child population we are talking about amounts to approximately 20% of the total number of children in this nation, we realize that the investment in quality, developmental programs for these children *now* will have a tremendous effect on the quality of life for that segment of our future adult population and, in turn, on all of our lives.

A quality service provides: (1) a strong educational program geared to the age, ability, interests and temperamental organization of each child; (2) adequate

nutrition; (3) health program and services where needed; (4) opportunity for social and emotional growth, including a balance between affectional support, control and the joy of meeting new challenges; group experiences, and as appropriate, time for solitude and internalization of ideas and experiences; (5) opportunities for parent education, participation and involvement; and (6) social services as needed by the child and his family.

As it is the intent of the Administration to provide quality care we would feel more confident that this will be the case in all programs, if such language were incorporated in the actual law as proposed by Senator Javits in Amendment 805 to the Family Assistance Plan. Senator Javits' amendment would insure that each child receiving child care under this program would receive the educational, health, nutritional, and related services he needs to help him achieve his full potential.

Parental involvement in the planning and direction of programs in which their child participates is essential to the continuation of a strong family situation. We feel, further, that the parent has the right to determine what the content of the child's environment should be. We recommend, therefore, that in addition to the language cited above, language be added which requires that all programs provide parents the opportunity to play a decisive role in the policy direction of the program and in its direct operations.

We are pleased that the child care provisions in the bill would provide for 100 percent Federal payment of the costs of such care and that authority to provide for renovation and, in the latest revision, construction; training of personnel; technical assistance; and research and demonstration projects is included. To mount any effective program, all of these elements are needed. There have been many roadblocks in the way of providing enough day care among which the most important have been and continue to be: (1) lack of state and local resources to meet matching requirements; (2) lack of construction authority; and, (3) lack of sufficient trained personnel.

As laudable as this base is, the child care provisions in this bill need to be strengthened in a number of salient ways. Day care should be primarily concerned with the development of the child and only secondarily as a support for manpower training. We are strongly opposed to requiring any mother of minor children to take work or training as a precondition to the receipt of welfare benefits. We are equally opposed to any mechanism which places her children in a care situation without her full consent. Mothers should be free to choose whether they will participate in work-training programs and should be free to choose the appropriate type of care situation for their own children. A "good" mandatory day care program is a contradiction in terms. In a free society, the parent has both the responsibility and the right to decide what is in the best interest of her children.

We therefore recommend that all mothers with children under the age of 16 be exempted from mandatory work-training registration under section 447(b) as proposed by Senator Javits (amendment number 804). In addition, we like Senator Talmadge's proposal (in amendment number 788) to provide, however, that every mother be advised of her option to register, if she so desires, provided that she be informed of the child care services which would be available to her in the event she decided to register. Experience under the WIN program has shown that many women volunteer for training and work but that neither situations for themselves nor adequate care for their children has been available. It is our strong feeling that even the expanded child care program envisioned under the Family Assistance Program will not be able to accommodate all voluntary registrants for some time to come.

Although there are no specific authorization figures in the bill, we feel it necessary to address ourselves to the question of cost. The Administration's estimates for the cost of a developmental day care program for preschool children at \$1600 per year and for school age care at \$400 per year is totally inadequate. Recent estimates by the Welfare Council of Metropolitan Chicago place the cost of full year quality care at \$2,165 per child in a facility serving 100 children. This figure excludes costs of construction and initial equipment. We hope that this Committee will insist on quality care, both by adding the language proposed by Senator Javits to the bill and by stating in its Committee Report that the Federal government will pay whatever it costs in a specific geographic area for such quality care.

An additional concern is that the Administration's estimates on costs and numbers of children to be served leave only \$26 million to provide all necessary renovation, construction, training and technical assistance needed to mount the

program. Headstart has consistently found it necessary to use between 5 and 10 percent of its total budget for training and technical assistance alone. The effort under the Family Assistance Plan will require the same kind of commitment because of the problems involved in setting up new programs and the lack of a readily available, trained pool of people to work in these programs. In addition, as present day care programs are already filled, new facilities will have to be created in most cases. This means that, at a minimum, there will be renovation and initial equipment costs for facilities for the 150,000 additional preschool children to be served. The Welfare Council of Metropolitan Chicago has estimated that a center, serving 100 children, will cost \$210,000 to construct, excluding the cost of land. In addition, initial equipment for program, office and kitchen would cost \$20,000 per center.

To help meet this need for new construction, Senator Percy's proposal (amendment number 833) to provide an additional grant program for construction should be added to the bill. This amendment would not provide enough money to meet all new construction needs either, but it moves in the right direction and has some very positive elements in it which we would like to endorse. While the amendment would provide for a parallel administrative structure for the construction grants to that for the FAP day care, it would provide facilities which could be used by anyone in the community—a concept which we strongly endorse.

Our greatest concern is with the proposed delivery system under this bill. While we heartily endorse the provision of all necessary supportive services, including day care, for participants in manpower training programs, we are strongly opposed to setting up a separate system of services—particularly, a separate system of day care—for any one segment of the population. We are afraid that the combination of the eligibility requirements and the delivery system proposed in this bill will result in such a separate system for a very narrowly defined segment of the population.

We feel that the manpower program should authorize funds to meet the costs of providing all necessary components for the day care of the children of manpower trainees, but that such a program should be made a part of a much larger system. Ideally, day care centers should be set up as community resources, to be used by anyone within that community.

The bill, as drafted, provides an administrative mechanism different from that used for any other potential source of Federal funds for day care. Thus, our fear of yet another categorical program, dividing the community—aggravating rather than alleviating social and economic segregation and causing unnecessary competition for Federal funds among agencies within a community.

We feel that this problem can be avoided, however, through an appropriate planning and administrative structure at the community level which would link this day care with other programs into a cohesive network of services. This delivery system would allow for coordinated funding of programs and the overall growth of services.

Our basic suggestion to achieve this goal is to provide authority and funding for community-wide planning mechanisms which would make decisions, within the broad framework of policy set by the Congress, regarding the location, type, content, and priority for service in programs in that community. Such a planning body should be representative of all the provider and user groups in the community including at least $\frac{1}{3}$ consumer representation. It would coordinate the program funds coming to the community from the child care contemplated under this legislation with other sources of funds from the Federal, State and local government and from private sources, but would not actually operate programs itself.

An additional benefit to be derived from this kind of administrative mechanism which assures that individual programs can serve children whose care is paid for from different sources is continuity for the child. It has too often been the case in categorical programs that, as a result of a change in the economic status of the mother, the child has become ineligible for a specific program. It is not unusual for a child to have been in three or more care situations by the time he is five years old. Children need stable environments in which to grow—continuity and the security of familiar faces and places.

The bill that is before you provides that, wherever possible, school-age child care shall be provided through the school system. We feel that day care for school-age children should offer a variety of program options. The use of school facilities and the operation of programs through contract with local education

agencies should be one of many alternate arrangements that might be made for this service. However, to limit out-of-school group programs to education agencies would result in an extremely narrow base of operational potential. Voluntary social service agencies, recreation departments, churches, libraries, and a variety of other community resources should be utilized in the planning and operation of programs that will meet the social, recreational, educational, and protective objectives of care for children 6-14 years of age during the time that they are out of school.

The economic situation of a family is probably the strongest determinant of the environment in which a child is raised. In this context, the income proposals in this bill become of great importance to us. The Day Care and Child Development Council of America strongly endorses the principle of a minimum national income for all families. We feel, however, that the \$1600 minimum for a family of four incorporated in the bill is totally inadequate to maintain a decent standard of living. We recommend instead that the minimum be raised to a level which assures a moderate standard of living—presently estimated around \$5500.

I should like to point out that in a bill designed to assist families, other categories have been raised to \$110 per person a month whereas children and their families will receive a little less than $\frac{1}{3}$ of this amount per person. Children outgrow clothes or wear them out; growing bodies need larger food intake, and the nutritional content is of vital importance in setting the parameters of intellectual and emotional as well as physical development. It seems, therefore, that children would need and merit at least as much for their sustenance as do adult citizens.

SOCIAL SERVICE AMENDMENTS

The Day Care and Child Development Council of America is in strong support of some of the concepts behind the proposed social service amendments such as the separation of services from assistance payments and greater flexibility in the delivery of services depending upon local needs. We feel that improvements in the social service programs need to be made but cannot support the amendments as they are presently drafted. The reasons for our negative reaction are several.

First, while we agree that more money is needed for foster care and adoption services, we do not think it sound to increase the funds available for these services without increasing the funds for preventive services. Our first goal is the development of the child within the family. Services such as family counseling, day care for the child or family with problems, and homemaker services, which maintain and stabilize the family during periods of crisis should be emphasized in order to prevent family breakup.

It is clear that the amendments would significantly affect the delivery of social service to recipients of Aid to Families with Dependent Children and of Child Welfare Services, yet the draft amendments leave many questions on the administration and the delivery system for this program unanswered.

We agree that services are a vital component in helping families achieve economic independence and stability. We do not believe, however, that the proposed amendments would authorize any additional services not presently authorized under Title IV-A and IV-B. Present levels of available services are inadequate, it is true, but many states have been using the authority under the present Title IV-A to expand their programs, especially since the passage of the 1967 amendments which gave the states a strong incentive to develop their service programs. The proposed amendments, if we understand them correctly, would result in fewer rather than more services being available. By vastly expanding, in many states, the numbers of people who are eligible for free services while freezing the amount of money available to provide these services, it is only logical to assume that fewer services will be available than before.

In the child welfare field we are extremely wary of a closed-end appropriation for social services. Our experience with Title IV-B has shown us that, although more money may be authorized, it is not appropriated. Thus, while the level of authorizations for child welfare services is presently at \$110 million, appropriations levels have remained constant at \$46 million for many years. This despite the good intentions of the Committee and despite the pressures of an increased population and inflation.

We realize the pressures to close off the appropriation level for social services. We would argue, however, that as states have just recently begun developing their programs under the open-end incentive, that the states be given several

more years to develop their programs. If a closed-end appropriation then becomes a necessity, we believe that states should be guaranteed a "Federal maintenance of effort," plus a reasonable annual increase in Federal funds available to insure the continuation of programs which the states have developed.

Since 1967, we have advocated the use of Title IV-A authority as the one potential source of Federal support for day care for the poor and the near poor. There is no other Federal program available to meet part of this cost. At best, the proposed amendments will mean that the development of this much needed service will be stymied. At worst, it will mean that many programs, recently established, will have to be closed again.

With specific reference to day care we have one further question in regard to these amendments. Day care would be authorized under the Family Assistance Plan and under the social service title. It is not at all clear, however, what the administrative relationship of the one with the other would be. It seems highly likely that they would probably be separately administered. We would again urge the authority for the creation and the funding of, community-wide planning mechanisms to assure that these programs are brought together with others at the local level.

In addition, we would urge that when the Committee considers amendments to the social services portion of the Act, it provides a separate authority for day care of which the Family Assistance Plan day care and social service day care would be a part. Day care should be administered under a separate title as, unlike other social services, it consists of health, educational, social service and other components and meets a variety of felt needs such as early education and choices for the mother, as well as manpower training support.

We recommend that consideration of a major restructuring of the social service provisions of the welfare programs be postponed until next year when the Department of HEW, Congress, and other private and public organizations will have had more time to study the proposals and work out the policy and administrative questions which are presently unresolved.

In the meantime, we feel that the present social service provisions, as contained in H.R. 16311, should be maintained. There are several positive elements in the social service amendments which could be incorporated in the present social service provisions until such a major revamping could be effected. In this regard, we would recommend that the much-needed additional authorization for foster care and adoption be included as an amendment to the present Title IV-B, as should be the National Adoption Information Exchange System.

To provide more flexibility in meeting local needs for services, an amendment could be added which would exclude the provision of social services from the "statewideness" requirement. The statewideness requirement not only disallows flexibility in meeting the varying needs of different locales within the state, it has been a major hindrance to the development of new services. Whereas a state can often find the resources to meet a pressing need in a specific area, it is hard put to find the resources to then provide that service to all people throughout the state. Thus, it is not provided anywhere.

FEDERAL CHILD CARE CORPORATION

I want to compliment Senator Long on his recent introduction of a totally new and innovative approach to solving the problem of the dearth of day care facilities.

The lack of facilities has been one of the major stumbling blocks to the development of adequate child care services and we welcome any fresh thinking in this area. However, the ramifications of such a national child care corporation need a great deal more exploration and public debate before any action should be taken. A delay on decision concerning the passage of the Federal Child Care Corporation Act could allow lead time to determine whether the provision of necessary funds will be sufficient to stimulate the growth of a new system of services, without an additional super-structure.

We feel that unless such a proposal for facilities construction is linked to a greatly expanded authorization to pay for child care services and training, it is of relatively limited value. Although the lack of facilities has been an important problem, there is an equal need for expanded support to pay for the costs of services to assure that everyone will be able to take advantage of the facilities.

The draft bill provides for a national planning and delivery system which is the reverse of what we believe to be desirable. Resources should be allocated

among states and communities on the basis of relative need, and decisions on the planning and delivery of services within a community belong at that level. It is not clear whether or how a mechanism to assure appropriate community control over these matters could be fitted within the framework of a national child care corporation system.

An additional major weakness in the bill, in our judgment, is its lack of a mandate for the participation of parents in the policy direction and direct operations of programs. We feel that all programs should provide mechanisms to allow parents to play decisive roles in these matters.

I should also like to speak to the issue of establishing standards at the national level, without allowing for local determination and choice (section 2006). Although in some communities standards have been an obstacle to the establishment of day care programs, standards are invariably the result of a desire to care for and protect children. Many communities are now in the process of updating their standards. In the city of Chicago, for example, recent efforts of the Chicago Citizens for Day Care have resulted in more reasonable standards for day care facilities. A community, like a human being, likes to participate in the determination of its own affairs. This is particularly important in a community based service like day care.

With regard to specific standards for personnel, program and facilities (sections 2004 and 2005), the Day Care and Child Development Council of America joins in the statement of the Child Welfare League of America.

The CHAIRMAN. The next witness will be Mr. Leonard M. Greene, president of the Safe Flight Instrument Corp.

STATEMENT OF LEONARD M. GREENE, PRESIDENT, SAFE FLIGHT INSTRUMENT CORP.

Mr. GREENE. You have my written statement so what I plan to offer here is—

The CHAIRMAN. We will print your entire statement as you prepared it and we will just let you proceed in your own way to summarize it.

Mr. GREENE. I shall not read it. Instead, I have some charts, as you can see, that I would like to discuss with you, but before I start I would like to very briefly state who I am and why I am here.

I am the president of Safe Flight Instrument Corp. As you know, I am a computer scientist, an industrialist, and received the New York State Employer of the Year Award for work with the underprivileged in 1967.

I am also the author of "Fair Share, A National Income Supplement."

The reason why I am here is the concern that generated through my employment of the underprivileged. I had occasion to offer to a black high school dropout, a never employed trainee, a job in industry which represented, I think, the best of what could be jobs in industry. He was employed because of his enthusiasm. Within a half-year he would become a computer technician. During the training period, he would be offered not minimum wages but well above minimum wages, and one of the finest employee benefit programs, at the end of which he would be a well-paid computer technician.

He promptly dropped out of this program, and it became very important to me to find out why. Investigation showed that the reason why he dropped out was because of fear of loss of welfare benefits.

Now, as an employer, I find that I am competing with the welfare system in getting what is vital to the industry of America. We do need apprentices, we do need people to start, and we do have to offer a

future to people. The only way we can offer a future to them is to have them have a beginning. If this lad is out in the streets, involved in some sort of cash enterprise, if he is involved with crime, pushing dope, it is the fault of some well-meaning benefits that were supposed to have helped him and, instead of helping him, they hurt him, they hurt him by bribing him to sacrifice his future with various benefits that were offered to him if he did not take a job.

So that what we have to prevent is this diversion of regulated payroll jobs, apprentice jobs into cash jobs, dead end jobs or crime-associated jobs.

Now, we have heard a lot in connection with this proposed new legislation about cost. I maintain that the biggest cost we could have is depriving our economy of the services of these people who, as I put it, were bribed not to get started by welfare and welfare-related benefits.

These disincentives have been a 35-year proven failure of our system, and I have been camping for several years to eliminate them, not to eliminate consideration of the needs of the poor but I feel what we must do is find a combination which gives assistance to the poor but does not rob them of their incentives, does not prevent them from becoming members of our socioeconomic system.

We must not treat the poor as being a separate animal who does not abide by the same rules, by the same incentives that the rest of the members of our country do.

So that in my analysis of the President's bill, in the overall picture it is one of welfare expansion. Are we treating the problem just by taking over at the Federal level and making it many times larger, but the same thing.

Yes, there have been many people who have pointed out that we should have the uniformity of Federal treatment, but uniformity of what? More of the local failure or shall we, now that we are going to do it on this grand scale, apply principles which we feel, have confidence, will work and not merely repeat our sad experiences with the welfare thing.

It is from this viewpoint that I am advocating a modification. I am not advocating the fair share program of the article that I authored, but I am advocating a compromise program, a middle ground where people can meet. I would like a full incentive program without poverty. I am trying to revise the administration's proposal so that we can meet on half grounds, so that I can be satisfied that it is a step forward in the right direction.

I have summarized on this table the two changes that I am advocating. I am waiving other changes because I want to deal with the major principles. I feel that the take-back rate of the program is too high. This has been repeated in all forms of testimony, and I feel that it is essential that we must abide by the principle that the poor must be allowed to keep most of what they earn. In order to accomplish this, I am advocating that the take-back rate or tax on the earnings of the poor be reduced from 50 percent to 25 percent.

Let us not feel that this means they are keeping 75 percent. In most programs they will, through the loss of related benefits, lose in addition to the 25 percent of direct cash pay-back and I am trying to leave room for incentive after the myriad of other welfare-related benefits.

And I also will, at the same time, balance this and advocate the elimination of the children's dependency exemption. The reason why I advocate that in the overall concept of adding incentives to this program is because this is one of the most regressive features of our tax legislation. I will come to a chart on that.

In this summary chart, I have shown those are the two revisions that I am proposing, and the advantages that I am claiming are that it greatly increases work incentives for the poor, and work incentives for the poor are the biggest bargain we can have.

What we are saying is, "If we give you the incentive to do this"—

The CHAIRMAN. I think we understand that. Would you mind explaining point No. 2, how you explain the children dependency?

Senator BENNETT. Mr. Greene, I was rude to the previous witness because she took more time in her summary statement than in the full statement.

Mr. GREENE. I will be very well guided.

Senator BENNETT. I hope you will.

The CHAIRMAN. Go to your second point.

Mr. GREENE. Supposing I answer the Senator's question with this chart.¹ This is why I call it regressive.

You will note that as the income of the family rises, the value of the tax exemption goes from nothing to maximum. It is absolutely worthless to the poor. Obviously the poor do not pay taxes. There is much confusion that tax exemptions are taxes. They are not and, of course, we have—

Senator BENNETT. Are you advocating the elimination of the \$600 personal income tax exemption?

Mr. GREENE. For children only, for those people who will be involved in this program, not elimination for the Nation. So that, in other words, we have—well, I will show the combined effect of what it does—this chart shows the four cities that were presented by HEW, to combined effect of eliminating it and at the same time reducing the cash take-back, the Federal cash take-back, which essentially doubles the net take-home pay of the person taking a job.

Here are the four cities presented by HEW. Now you see that the range is \$480 to \$460 of net take-home pay with a \$4,000 job. I say that is insufficient to attract people off the welfare rolls; in fact it may do the reverse, it may take people with a \$4,000 job and put them on the welfare rolls.

By making this proposal, the effect is to double it. At the same time, the cost summary shows that the net overall cost change of the program integrates into a \$1.5 billion cost savings, so that what we have done is—we have done is, we have added incentive where it is needed. It is right here where we have the notch, the cutoff point, in fact, that we have the problem of the flow or balance, the economic balance between people refusing to take jobs. These are low-level jobs.

What I desire to do is to spread this out more evenly, maintain incentive up through the level of job that is not winging back and forth toward welfare, dole, and self-support.

For instance, you will notice here is a side-by-side comparison of total net money, no State supplement between H.R. 16311 and the re-

¹ See chart IV, p. 1713.

vision that I propose, and you will see that at the \$1,500 level the proposed bill adds a tax burden rather than saying there is a light amount of help, \$55 of tapered-out help occurring at that level.

The CHAIRMAN. Thank you, sir.

I am going to study your presentation with these charts that you have with it in greater detail because I think you have a very interesting idea and we shall explore it, and our staff will do the same thing.

Thank you very much.

Mr. GREENE. Thank you.

I assure the committee of my willingness to turn over all of the research and any other papers we have in connection with arriving at this modification.

The CHAIRMAN. Thank you very much.

(Mr. Greene's prepared statement follows:)

TESTIMONY OF LEONARD M. GREENE, AUTHOR OF FAIR SHARE, A FULL INCENTIVE PLAN TO REPLACE WELFARE

Mr. Chairman and members of the Committee, my name is Leonard M. Greene. I am the author of a Fair Share, a full incentive plan to replace welfare. I am also a computer scientist, holder of 51 patents, mathematician, and president of Safe Flight Instrument Corporation in White Plains, New York.

In 1968 I was nominated by New York State as Employer of the Year for work with the disadvantaged in my own firm. I have been working for improvements in the welfare system for several years and during the past year have been involved in a national campaign for meaningful welfare reform.

I believe that any workable welfare reform must allow the poor to keep most of what they earn.

I testify to offer a major modification of the Family Assistance Plan that will meet the sincere concerns of both liberal and conservative critics of the Administration bill.

This modification will significantly increase aid to families, extend aid to the near poor, and expand work incentive—and cut the cost estimate of the Administration's Family Assistance plan by \$1.2 billion.

This is accomplished by eliminating the regressive features of our tax system as they apply to the poor, thus eliminating the worst features of the Family Assistance Plan.

These modifications are offered because of my deep fear that Congress, pressured to change a failing system, may adopt a bill that could strengthen the very laws that have caused the welfare system to fail.

If there is one thing we all agree on, it is the vital necessity for an end to this welfare crisis. But in creating a change, we must be wary that reforms do not create even more of a welfare mess.

REAL WELFARE PROBLEM

What I fear we all don't realize in full are some of the basic causes for this crisis, which I will enumerate. For if the causes were really understood, the regressive tax features of the FAP would not be proposed in good conscience as a solution to the welfare mess.

For more than 30 years this country has created programs to try to improve the life of the poor.

A review of these efforts points to one undeniable fact: We have failed. In 1969 all levels of government spent an estimated \$126.8 billion on social welfare—enough to eliminate poverty several times over. Yet there are 25 million Americans, more than the population of Canada, living in poverty.

The old formulas for reducing poverty clearly have not worked. If this country had tried to create a sub-culture of poverty, it could not have been more successful.

Instead of eliminating destitution, we have created a society of second and third generation welfare recipients.

REGRESSIVE TAXATION

Let's examine some of the basic problems of our existing welfare laws. First, and most important, is work incentive. This country has long been working on the economic principle that the more you earn, the better off you should be. Our whole society is geared to this concept with one major exception: the poor.

Under the existing welfare laws, the government has been recouping 67 cents out of every earned dollar of the poor. Figuratively, the welfare recipient is in a 67 per cent tax bracket, rubbing elbows with highly successful doctors, lawyers, and business executives.

The failure of this concept is illustrated by our rising welfare rolls. We put the poor in a tax bracket they can least afford and somehow expect them to work their way out of poverty. The poor want to work, but soon find that it literally does not pay.

A second major problem under welfare law is the relation of earnings to benefits-in-kind, such as housing and food stamp programs. We set up housing programs, but in order to qualify, the poor must keep their incomes below a specified level. What happens in many cases is the result of simple human logic. If you know you will lose a benefit if your earnings increase, you don't increase your earnings.

A third problem is that help is denied the near poor. This last point particularly is of great concern. Help is denied the near poor. We know what happens when a dividing line is drawn between those who receive help and those who don't. The postal workers and the teachers and the grave diggers and the garbage workers are very aware of the level of welfare payments. And when their salaries for working a full year amount to only two dollars more than the welfare level, they take action.

Crippling strikes are one form of action. Another is more subtle, but shows up in the welfare rolls. When the economic burdens become too great, some get caught up in the quagmire of welfare itself and are unable to work their way out.

This country has a major decision to make. Will Congress settle for another piecemeal effort to reform welfare that contains many of the flaws of our existing legislation? Or will it address itself specifically to the problems and attempt to correct them?

THE FAMILY ASSISTANCE PLAN'S ERRORS

How does the Family Assistance Plan attack the basic welfare problems? First, look at work incentive.

The Nixon Administration, undaunted by past experience, retains the 67 per cent tax rate on the poor. The Federal Government takes half of what is earned over the first \$720, and then the state governments takes an additional 17 per cent.

Saying the program contains work incentive is like saying our previous programs contain work incentive. Just saying so does not make it so. The Nixon Administration expects rhetoric to work miracles where simple arithmetic fails.

Charts on the value of work prepared by the staff of the Senate Finance Committee vividly illustrate how the Administration is deluding itself when it claims the bill contains work incentive.

Instead of increasing the value of work—as one would naturally expect under the reform—the value of work is cut by more than 70 per cent in many cases.

For example, in Wilmington, Delaware, the value of each dollar earned drops from 71 cents under present law to 23 cents under the Family Assistance Plan.

In Phoenix, the value drops from 62 cents to 28 cents. In Chicago, it drops from 54 cents to 27 cents and in New York City, from 60 cents to 30 cents.

Let's look at an example of a family of four living in Chicago presented in another Administration chart. If the family is earning \$1,000 and is able to increase family income by an additional \$5,000, virtually all of the increased earnings or equivalent benefits are taken back by the government. The family pays \$4,513 of the \$5,000 back, a net improvement of only \$487 for working all year!

The poor will desperately seek any means to avoid this taxation including unreported earnings, bartering, and illicit activities. The financial incentives open to the poor are in criminal areas. Thus it is no coincidence that crime rates are high in poor areas. If a person chooses against the strong temptation to get involved in illegal activities, he is forced into low paying dead-end jobs.

DISINCENTIVES

Low paying jobs are taxed at rates of 60 to 85 percent. Unless a major salary increase is involved—an increase in the area of \$10,000 for larger families—the Family Assistance Plan is a distinct work disincentive plan even compared to present welfare laws.

It is nice to dream about an economy where no one is forced to take low level jobs and where everyone can start earnings at higher income levels. But as long as our economy rewards skills, education and other saleable job qualities, it makes little sense to punish those without saleable skills by taxing low level earnings at exorbitant rates.

There are millions of entry level jobs that go begging today because the existing welfare laws confiscate a high percentage of earnings. Can we in good conscience expect these jobs to be filled when the value of the earned dollar is even further reduced?

WELFARE RELATED BENEFITS

The Administration promises that welfare related benefits such as medicaid, housing and food stamps will be revised so they mesh with the proposed Family Assistance Plan. There is no question that work incentive is tied directly to these programs and economic notches must be eliminated.

What concerns me is that the Family Assistance Plan was originally supposed to contain a continuous line of work incentive but upon careful inspection was found to be glaringly lacking in this area. Is the Senate to pass the Family Assistance Plan with the hope that these inequities will be eliminated? Or should it take a course that will insure that such inequities are indeed eliminated and that some of the disincentives to work are modified?

As a taxpayer, employer, and advocate of meaningful welfare reform, I should hope the Congress votes for a plan it *knows* will eliminate the disincentives, rather than vote for a plan it hopes should eliminate the inequities, but may not.

We cannot afford to wait until the Family Assistance Plan confirms the criticisms that are all too obvious. We must support legislation that actually changes the course of our welfare laws.

GREENE MODIFICATION

Specifically, I propose a modification that will allow the poor to keep much more of what they earn. This is the first step towards a revision of our welfare laws that will in the end provide the meaningful reform we desperately need.

First, reduce the tax rate on the earnings of the poor from the proposed 50 per cent on the federal level to 25 per cent.

Second, eliminate the existing income tax exemption for dependent children.

These revisions will allow the poor to keep at least 50 per cent more earnings than now permitted by the Administration's version of the bill.

It will also cut the cost of the Family Assistance Plan by \$1.2 billion.

The effect of this modification will be dramatic in areas not already suffering from the severe welfare crisis. It will set up a minimum income level for families and at the same time allow the poor to keep most of what they earn. It will provide the work incentive that has been missing in the welfare havens. It will spare a significant portion of our country from the mounting fiscal crisis that has accompanied the growth of welfare benefits.

Elimination of the \$700 exemption for dependent children is in reality the elimination of the inequitable and regressive family allowance system that discriminates against the poor.

The exemption is supposed to compensate in a small way for the cost of raising a family. The flaw in the plan is that this exemption is tied directly to the taxable income of the family.

For a family of four living in poverty, with an income of \$2,500, the allowance is not worth a cent. Ironically, as the family's taxable income increases, the exemption in actual dollar value also increases. For example, with an income of \$20,000, the value of the exemption is \$198 per child. With an income of \$50,000, the dollar value is \$350 per child. (See Chart IV in Appendix.)

This means the rich get the most benefit and the poor virtually no benefit at all.

The reduction of the federal tax rate to 25 per cent from 50 per cent significantly increases the amount the poor may retain of earnings. This is a major

work incentive improvement to the Family Assistance Plan. This will allow those who take entry level jobs the dignity of actually earning a living.

A comparison of the net improvement in take-home pay between the Administration's plan and this revision vividly illustrates this work incentive.

The figures are based on a four person family earning \$4,000 including public housing benefits. In Phoenix, Arizona, the earner shows a net increase of \$481 when he takes a \$4,000 job under the Administration's plan. The increase is compared to his income if he did not work at all. My revision more than doubles the net improvement, with the earner taking home \$1,052. (See Chart III in Appendix.) The same rate of doubling the net improvement at the \$4,000 level is seen in other cities, such as Wilmington, Delaware; Chicago, Illinois; and New York.

The revision also extends some aid to the inflation plagued near-poor. While the Administration's plan pays gradually reduced cash allotments up to \$3,920, this revision extends reduced payments up to the \$7,000 earnings ranges.

The Administration acknowledges the problems of the near-poor but does not help them with the Family Assistance Plan. This revision not only acknowledges the problem but actually extends help where it is vitally needed. (See Chart II.)

The combination of lowering the federal take-back and eliminating the regressive children's exemption allows a \$1.2 billion cost reduction from the Administration's estimated welfare reform cost of \$4.1 billion. (See chart V.)

Let me conclude by stressing that the sum of my experience as an employer, taxpayer and advocate of welfare reform is that the poor must be allowed to keep most of what they earn.

I offer this testimony as the author of Fair Share, a national income supplement. This is a plan based entirely on the concept of the poor keeping most of their earnings.

The welfare reform proposal as presented by the Administration completely ignores this principle. The Family Assistance Plan expands rather than reforms welfare.

The modifications I offer are a step in the right direction of real welfare reform.

We must not settle for another patchwork program we know won't solve the welfare problem. We must use a new formula. We must let the poor keep most of what they earn.

CHART I

CHANGES

1. Revise earnings take-back from 50% to 25%.
2. Eliminate children's dependency exemption.

ADVANTAGES

1. Greatly increases work incentive for the poor.
2. Eliminates regressive children's dependency exemption.
3. Reduces cost of Family Assistance Plan by \$1.2 billion.
4. Extends some assistance to include the near-poor.

REVISED FOR 1972

CHART II.—COMPARISON OF TOTAL NET MONEY

[No State supplement]

Earnings	Total net money		Earnings	Total net money	
	H.R. 16311	Greene revision		H.R. 16311	Greene revision
\$0	\$1,600	\$1,600	\$5,500	5,255	5,555
\$500	2,100	2,100	\$6,500	6,098	6,176
\$1,250	2,585	2,718	\$7,500	6,931	6,783
\$1,750	2,835	3,093	\$8,500	7,747	7,481
\$2,250	3,085	3,468	\$9,500	8,557	8,291
\$2,750	3,338	3,806	\$11,000	9,772	9,488
\$3,250	3,585	4,128	\$13,500	11,746	11,438
\$3,750	3,835	4,448	\$20,000	16,684	16,292
\$4,500	4,402	4,926	\$25,000	20,236	19,788

CHART III.—NET IMPROVEMENT WITH \$4,000 JOB

*Four person family including public housing**H.R. 16311**Greene revision*

Phoenix, Ariz., \$481.....	\$1,052
Wilmington, Del., \$646.....	1,217
Chicago, Ill., \$568.....	1,130
New York, N.Y., \$638.....	1,200

CHART IV.—VALUES OF CHILDREN'S DEPENDENCY EXEMPTIONS

<i>Income</i>	<i>Values of exemptions</i>
\$0	\$0
\$1,000	0
\$2,000	0
\$3,000	42
\$4,000	101
\$5,000	110
\$10,000	133
\$20,000	196
\$50,000	350

The exemption is regressive because it is worth more to the high income earner than to the low income earner.

It is worth nothing to the poor.

REVISED FOR 1972

CHART V.—COMPARISON OF PROGRAM COST DIFFERENCES

(Based on family of 4)

Average earnings	Cost reduction for Greene revision	Number of families (percent)	Weighted cost reduction	Average earnings	Cost reduction for Greene revision	Number of families (percent)	Weighted cost reduction
\$500.....		2.3		\$7,500.....	148	11.4	1,687
\$1,250.....	(133)	1.4	(186)	\$8,500.....	266	9.2	2,447
\$1,750.....	(258)	1.5	(387)	\$9,500.....	266	8.7	2,314
\$2,250.....	(383)	2.0	(766)	\$11,000.....	284	12.3	3,493
\$2,750.....	(468)	2.0	(936)	\$13,500.....	308	9.8	3,019
\$3,250.....	(543)	2.4	(1,303)	\$20,000.....	392	7.9	3,097
\$3,750.....	(613)	2.4	(1,471)	\$25,000.....	448	1.4	627
\$4,500.....	(524)	6.0	(3,144)				
\$5,500.....	(300)	8.0	(2,400)	Total.....		100.0	5,217
\$6,500.....	(78)	11.2	(874)				

Note.—Average cost reduction \$52.17 per family. For 29,000,000 families with children. Total cost reduction \$1,500,000,000.

The CHAIRMAN. Now, the next witness will be Mr. Richard Ney, president of Educare Division, Universal Education Corp.

We are pleased to have you here today, Mr. Ney.

STATEMENT OF RICHARD T. NEY, PRESIDENT, EDUCARE DIVISION, UNIVERSAL EDUCATION CORP.; ACCOMPANIED BY DAVID WHITNEY, SENIOR VICE PRESIDENT, EDUCARE DIVISION

Mr. NEY. Good afternoon.

Senator, Mr. Chairman. I would like to say I am accompanied by Mr. David Whitney, who is senior vice president of the Educare Division.

For the purposes of brevity, perhaps I should read my statement.

Mr. Chairman, I appreciate this opportunity to appear before this committee with specific reference to the child care provisions of the

Family Assistance Act of 1970 that would amend part C of title IV of the Social Security Act in the area of manpower services, training, employment, child care, and supportive programs for recipients of family assistance benefits or supplementary payments.

By way of background, the Educare Division of Universal Education Corp. has developed the first comprehensive system of early childhood education and day care service that is designed especially to strengthen the role of the low-income family in helping children to prepare for success in school and later in life.

The Educare system stresses, intellectual, social, emotional, health and nutritional needs of disadvantaged children, as well as purposeful family and community involvement in child development. Its educational component, the nucleus of the program, is based on more than 150,000 observations of children by learning specialists and parents.

Our company has invested more than \$5 million of private capital in the development of the Educare system, including its various learning devices, special materials, and component parts. Our learning techniques have been carefully tested and are improved as we discover new insights into the relatively new and dynamic field of early childhood development. We currently own and operate nine education centers called Discovery Centers, serving preschool children of families that pay tuition in such communities as Springfield, Mass., Highland Park, N.J.; Philadelphia, Pa.; and New York City.

Educare has recently contracted with the Department of Public Welfare of the Commonwealth of Pennsylvania to install, staff and operate our comprehensive child education and day care service in four cities in that State. The contract covers the care and education of children from birth to school age on a flexible scheduling plan that includes weekends, evenings, full day and half days, as well as after-school care for school age children of up to 15 years of age.

The Pennsylvania Educare program calls for \$4 million the first year and is renewable for the following 4 years at \$6 million per annum. Twenty-five percent of the funds are provided by the State and 75 percent by the Federal Government under title IV of the Social Security Act.

The Pennsylvania State administration and Educare management share two performance goals.

First is development of the children in measurable terms.

Second is the effective and efficient implementation of a management system for running the centers.

Evaluation of Educare's progress in reaching these goals will be made by a consortium of Pennsylvania universities reporting to an interagency State committee organized by the Governor's office.

Senator BENNETT. I wonder whether you would not get to the heart of the material in which we are interested. We are not interested in what they are doing in Pennsylvania.

Mr. NEY. Senator, if I may, the reason I am ticking through this is that a number of people seem to think this is a kind of implementation of the child care provisions of the family assistance plan, and the fact that this represents an expression of initiative by a State of some of the social security provisions—

Senator BENNETT. Your entire statement will be printed in the record as though you had read it.

Mr. NEY. All right.

Senator BENNETT. What do you think you should tell us about it in addition to that, because the other 15 members of the committee will read it in the statement or they will not know about it.

Mr. NEY. We believe that economically disadvantaged mothers will be encouraged to register and to accept employment or training under this act if they know that their children will have the opportunity to participate in meaningful child care programs with heavy emphasis on preschool education of the type contemplated in this legislation. Further, that such centers can provide new careers and economic independence for thousands of disadvantaged men and women in the very neighborhoods in which they live. This is why we are convinced that child care provisions are pivotal to the success of the entire family assistance plan.

The CHAIRMAN. Thank you very much.

(Mr. Ney's prepared statement, with attachments, follows:)

STATEMENT BY RICHARD T. NEY, PRESIDENT, EDUCARE DIVISION, UNIVERSAL EDUCATION CORPORATION

Mr. Chairman, I appreciate this opportunity to appear before this Committee with specific reference to the child care provisions of the Family Assistance Act of 1970 that would amend Part C of Title IV of the Social Security Act in the area of Manpower Services, Training, Employment, Child Care, and Supportive Programs for Recipients of Family Assistance Benefits or Supplementary Payments.

By way of background, the Educare Division of Universal Education Corporation has developed the first comprehensive system of early childhood education and day care service that is designed especially to strengthen the role of the low income family in helping children to prepare for success in school and later in life.

The Educare system stresses intellectual, social, emotional, health and nutrition needs of disadvantaged children, as well as purposeful family and community involvement in child development. Its educational component, the nucleus of the program, is based on more than 150,000 observations of children by learning specialists and parents. Our company has invested more than \$5 million of private capital in the development of the Educare system, including its various learning devices, special materials, and component parts. Our learning techniques have been carefully tested and are improved as we discover new insights into the relatively new and dynamic field of early childhood development. We currently own and operate nine education centers called "Discovery Centers", serving preschool children of families that pay tuition in such communities as Springfield, Massachusetts; Highland Park, New Jersey; Philadelphia, Pennsylvania; and New York City.

Educare has recently contracted with the Department of Public Welfare of the Commonwealth of Pennsylvania to install, staff and operate our comprehensive child education and day care service in four cities in that State. The contract covers the care and education of children from birth to school age on a flexible scheduling plan that includes weekends, evenings, full-day and half-days, as well as after-school care for schoolage children of up to 15 years of age. The Pennsylvania Educare program calls for \$4 million the first year and is renewable for the following four years at \$6 million per annum. Twenty-five percent of the funds are provided by the State and seventy-five percent by the Federal Government under Title IV of the Social Security Act.

The Pennsylvania State Administration and Educare Management share two performance goals. First, is development of the children in measurable terms. Second, is the effective and efficient implementation of a management system for running the Centers. Evaluation of Educare's progress in reaching these goals will be made by a consortium of Pennsylvania universities reporting to an inter-agency state committee organized by the Governor's office. Almost 2,000 children will be served by seven Educare Centers including an industrial educational day care center on the premises of a major industrial firm. A majority of the staff members for each Educare Center will be para-professionals from the neighborhood served who will be provided both pre-service and in-service training, guiding them to new careers and economic independence.

Mr. Chairman, a detailed description of the Educare system and a pertinent letter to me from Norman V. Lourie, Deputy Director, Pennsylvania Department of Public Welfare, are attached to my statement. I would appreciate having this material made a part of the hearing record for later perusal by members of the Committee.

A number of other State and City governments have already expressed interest in the Pennsylvania model program, which will be operational early next year, because the program lends itself to measurability and accountability.

Since Educare is a modular system, it can be replicated, modified or expanded in a wide variety of settings to serve special community, State, or national needs. Our company is prepared to contract now with governmental agencies, with industry, labor organizations or other interested private groups to install, staff, manage and operate Educare systems wherever they are needed.

The Educare System is designed to help children build the personal self-confidence necessary for them to achieve success in school and later in life. It also makes it possible for parents to gain insight into new ways to guide children to maximize their potential and for family ties to be strengthened through meaningful learning-play experiences involving all members of the family. I cannot emphasize too strongly our fundamental belief that the barrier of cyclical poverty can only be successfully overcome by involving two generations of the disadvantaged in the educational development process. The Educare child care system deals with the family unit as an integral part of its overall program.

We believe that the successful development of the child care centers provided for in this bill is a key to the ultimate success of the Family Assistance Act and that it can help make a significant impact on the larger problems of our society for generations to come. We believe that economically disadvantaged mothers will be encouraged to register and to accept employment or training under this Act if they know that their children will have this opportunity to participate in meaningful child care programs with heavy emphasis on preschool education of the type contemplated in this legislation. Moreover, such centers can provide new careers and economic independence for thousands of disadvantaged men and women in the very neighborhoods in which they live. This is why we are convinced that this program is pivotal to the success of the entire Family Assistance Plan.

Mr. Chairman, it may be useful to examine the overall human and economic setting which underpins the growing concern for child care development programs.

It has been only recently that the idea of publicly-financed day care for children has begun to have broad acceptance. We recall that for a period during World War II, Federal funds were allocated to States to help provide day care for the children of those mothers employed in war-related industries. The program was operated under the Lanham Act, but was terminated at the end of the conflict when it was anticipated that the working mothers would leave the plants and return home to stay. But the need for day care centers has not disappeared as many had predicted. During the past 25 years, the number and percentage of working mothers has grown steadily.

A recent publication of the Women's Bureau, U.S. Department of Labor, describes the present situation:

"A growing trend toward the employment of women with children has focused attention on a rising need for day care services. Since the period immediately preceding World War II, the number of women workers has more than doubled, but the number of working mothers has increased almost eightfold. About 4 out of 10 mothers with children under 18 years were in the labor force in March 1969 as compared with 3 out of 10 in 1960 and less than 1 out of 10 in 1940.

"This trend is expected to continue. In March 1969, 11.6 million mothers with children under 18 years of age were working or seeking work. Of these mothers, more than 1 out of 3 (or 4.2 million) had children under age 6. Projections for 1985 indicate that 6.6 million mothers age 20 to 44 with children under age 5 will be in the labor force. This will represent a 32-percent increase between 1975 and 1985.

"While employment of the mothers is the main reason many children need day care services, these services are needed also for such imperative reasons as illness or death of the mother, mental or physical handicaps, emotional disturbances, poor family relationships, and slum living conditions with no place to play."

The close relationships between uncared for "latch-key" children of working parents, juvenile delinquency, rising crime rates, school drop-out rates, and a repetition of the cycle of poverty from generation to generation are only too obvious to us all. The escalation of welfare costs and the related problems of the cities with their ghettos, hunger, misery and despair are of deep and growing concern to all Americans. In fact, Mr. Chairman, most of the critical problems we face today are directly related to the subject matter presently before this Committee.

America has a long tradition in being able to respond to such crises and to allocate its public and private resources toward their solution. I am confident that we can again respond in this vital problem-area we are considering today.

There is abundant evidence that such a response has already gained momentum. Early last year, President Nixon called for a "national commitment to providing all American children an opportunity for healthful and stimulating development during the first five years of life . . ." We have seen the establishment of the new Office of Child Development in the Department of Health, Education, and Welfare and the appointment of an outstanding expert, Dr. Edward F. Zigler as Chief of the Children's Bureau in HEW. In March of this year President Nixon, in his education message to Congress, again stressed the importance of early childhood education and specifically referred to the need to build a new day care program for which \$386 million is provided for its first year of operation under the Family Assistance Act. We have likewise noted the work of the House Republican Task Force on Education and Training, under the chairmanship of Representative John Dellenback of Oregon. In its March, 1970 report the Task Force recommended a comprehensive early childhood program and legislation has been introduced to carry out its recommendations.

Additional evidence of the growing awareness and interest in Congress in this important area is the recent introduction of S. 4101, the Federal Child Care Corporation Act, by the distinguished Chairman of this Committee Senator Russell B. Long of Louisiana. In the House of Representatives, the Select Subcommittee on Education of the House Education and Labor Committee, under the chairmanship of Representative John Brademas of Indiana, has conducted extensive hearings on various child and day care center bills. The nation's foremost experts in this field have provided the subcommittee with valuable information and experienced insights on the direction such legislation should take. The amendments to the child care section of the Family Assistance Act offered by Senator Javits of New York provide some evidence of the genuine bi-partisan desire to improve and expand child care services in the United States.

We are also encouraged by the fact that the people also are aware of the need. A Gallup poll conducted throughout the country in July, 1969 showed that two-thirds of the American public favored the establishment of Federally-funded day care centers.

Finally Mr. Chairman, we note that dozens of large and highly competent private companies have already entered the preschool education field. They are making large investments of private capital and recruiting the best qualified experts in the field to meet the growing needs for such services. I would like to respectfully remind the Committee of the demonstrated ability of private enterprise to gather people, organize and train them.

Historically, many of America's major achievements have resulted from cooperative efforts between government and private industry. Advances in space technology, the development of our transportation system, machines and tools in our national defense effort, and teaching materials for our educational systems have followed this pattern of government-industry cooperation.

The private sector of our economic system can and should make significant contributions through the contractual arrangements with government in developing early childhood learning systems and educational materials. Private enterprise can bring to bear organizational and managerial skills that often are lacking in social programs at the community level. A good beginning has already been made in a few short years. Additional progress will be made as a result of the child care provisions of this bill and others which we hope will also be approved by Congress in the near future.

The basis for development of such legislation is well-grounded in present Federal programs. Since the World War II experience, we have seen the major advance in Federal legislation made in the Social Security Act amendments of 1962, which authorized Federal grants to State public welfare agencies for day

care services. This has stimulated States to improve standards for day care facilities and to develop broader day care plans.

Programs authorized under the Economic Opportunity Act of 1964 and subsequent amendments of that Act have resulted in the Head Start and Follow-through programs for disadvantaged children that have made an important impact throughout the country. Other programs for the day care of children of migratory and seasonal farm workers, for day care of children of parents participating in work training and employment programs in highly concentrated low-income urban areas, and for economic opportunity loans to establish day care centers have all been made possible under provisions of the Economic Opportunity Act. Funds for day care programs for educationally deprived children were also authorized under the Elementary and Secondary Education Act of 1965.

The Vocational Education Act of 1963 and the Education Professions Development Act of 1967 provide funds for training of day care personnel. Amendments last year to the Labor-Management Relations Act of 1947 permit employer contributions to trust funds for the establishment of child care centers for pre-school and school-age dependents of their employees. The 1967 amendments to the Social Security Act that established the Work Incentive Program provided for day care supportive services for children of persons on welfare rolls who are being trained. There are but a representative sample of the Federal programs already established over the past decade and illustrate the foundation on which we can and must build for the future as well as the present needs for expanded child care facilities.

Much of the progress already made has been at the administrative level and in the coordination of existing child care programs. In 1968 the Federal Panel on Early Childhood was appointed by HEW Secretary Cohen at the request of President Johnson. Its purpose was to improve and expand all early childhood programs financed by Federal funds and included representatives of all Departments and Agencies concerned with services to families and children. The Panel developed standards applicable to all major Federally-assisted day care programs, establishing minimum requirements for facilities, education, social, health, and nutrition services, staff training, parental involvement, administration, coordination, and evaluation. The Panel also promulgated a plan to coordinate all such programs, called the 4-C Program (Community Coordinated Child Care). It is administered by the Office of Child Development in HEW and is an effort to achieve better coordination of all organizations within a local community to provide more coordinated child care services with available local resources. The 4-C concept is in various stages of development in over 300 communities throughout the country.

Mr. Chairman, I strongly believe in the important role that comprehensive child care educational systems such as the ones that have been developed by my company can play in the overall attack on the massive problems of our large urban centers and disadvantaged rural populations. During the past two years I have worked closely with welfare and education departments of State governments, with Head Start agencies, with Model Cities groups, and with many non-governmental organizations who are concerned with this type of human endeavor from New England to Alaska, from Hawaii to Florida. There is much to be accomplished that will have meaning to generations of children yet unborn as well as having what I strongly feel will be a major impact on our economic, social and human values within this century and the next. It can be done best through the close cooperation of governments at all levels with private enterprise that is prepared to play its essential roles of innovation, research and development, staffing, administration, and efficient and effective management of the type of comprehensive child care educational facilities that we so desperately need.

Thank you for the opportunity of sharing my views with you.

BACKGROUND OF EDUCARE CHILD DEVELOPMENT CENTERS

Four Pennsylvania cities will be the sites of the first day care and child development program set up by a State government, under a contract with the Educare Division of the Universal Education Corporation. The seven special centers in Wilkes-Barre, Pittsburgh, Scranton and Harrisburg will serve disadvantaged children ranging in age from infancy to 15 years old, providing flexible schedules for full-day, after-school, and even night and weekend care.

The model centers will also involve parents in their homes and provide career training for neighborhood residents.

The statewide day care center program will directly benefit Pennsylvania working mothers and particularly help mothers on public assistance to become gainfully employed. The contract was negotiated by the Commonwealth's Department of Public Welfare.

In addition to assisting mothers to work, these day care centers will provide preschool children with special educational training, along with health, recreation, and social development support.

A major share of the \$4 million will be paid by the Federal Department of Health, Education, and Welfare under existing regulations of Title IV of the Social Security Act. The Federal funds are made available through the Community Services Administration in the Social and Rehabilitation Services Administration of the Federal Department of Health, Education, and Welfare.

Educare centers will begin with infants in cradles and will provide flexible schedules for full day, after school and even night and weekend care. They will involve parents in their own home and provide career training for neighborhood residents. The centers will be used by the Department of Public Welfare to assist all day care and child development programs in development of their programs and in staff development.

"Educare has been designed to serve as a model for the Commonwealth of Pennsylvania as well as for the entire nation," said President, Richard T. Ney. "The Educare program offers significant benefits to the communities which it serves—to its children, its families, its businesses and industries and its schools. A key part of the design is the plan to train men and women of the community for careers in child care and child development."

For the first time, the wealth of research data developed in University laboratories has been synthesized into a program that can serve large numbers of youngsters.

The new Educare System was developed by the Educare Division, Universal Education Corporation (U.E.C.), which will operate the program in coordination with state and local agencies and institutions of all kinds. The educational programs of Educare drawn on the approach and materials created for U.E.C.'s Discovery Program, used successfully by more than 1,500 children and their families in five northeast states under the guidance of UEC's President Dr. Francis Mechner.

Educare's educational components will make use of some 600 different learning materials tested in the Discovery Program as well as more than 150,000 observations on how children learn by learning specialists and parents.

The Educare System recognizes and enhances the critical role of the parent as the key agent in a child's development and education. The program is built to provide children with the skills and self-confidence that prepare them for success in school and later in life.

Unique features of the new program, which offers a variety of services and a flexible means of making them available are:

***First, youngsters will be offered a sound day care program—providing them with supervision, nourishing food, and health care in attractive surroundings. At the same time, they will also be offered an innovative, but proven, child development program—stimulating their growth in socialization, language, motivational, and physical areas.

***Second, a wide choice of schedules will be offered, providing Educare programs full-day, half-day, after-school, in the evenings, on weekends, and intermittently—all depending on the needs of the particular family.

***Third, at the heart of the program is a commitment to helping and involving parents—and the entire family—in the child's development. This can be seen in the way the Educare Center will be physically organized—with activities centered in a "family room" where a family-size unit of five to eight children will play and learn together. The home-like, family-style emphasis can also be seen in the various services provided to parents and the various activities in which they will take part—at home and in the center.

***Fourth, a key element of the program will be the hiring and training of men and women from the local community to help them build new careers in child care and child development. This approach not only assures personnel who can communicate with parents and others in the neighborhood, but also increases the number of skilled people available in the community. These paraprofessionals will receive pre-service and in-service training. The staff develop-

ment plan will encourage them to move up the career ladder through additional in-service training.

***Fifth, the program will stress individual needs. As in the Discovery Program, a profile of each child will show where he currently stands—and where he needs to go—in terms of developing some 1,800 mental, physical and social skills and concepts. Then he will be given planned, and tested, learning activities designed to help him develop particular skills.

***Sixth, the Educare program will cooperate with the social services staff of the county boards of assistance, and other social, health and educational agencies to assist the family beyond child care and development—for example, by helping them obtain aid for health, job, financial, educational and social problems.

The new program and the facility in which it will be based include planning for:

Hot-Line Phone Service from 6 a.m. to midnight seven days a week to provide direct assistance for families with emergencies or problems.

Close liaison with all appropriate community groups to help plan how the Center programs can contribute in meeting community needs.

Group-Play-and-Learn areas which utilize the best educational technology, ranging from multi-media audio-visual centers to TV cameras which the youngsters themselves can operate.

Environmental learning rooms outfitted to stimulate various settings, such as a supermarket, a drugstore, a farm or a space-ship.

Parent-staff meeting room furnished in the style of a living room, where among other things, parents of youngsters enrolled in a particular family room would meet for supper with staff members once a month.

Weekly take-home materials and activities to help the parents become more deeply involved in their children's development.

Informal conferences with staff members when parents pick-up and leave their youngsters at the centers.

Visits by Family Service Consultants to homes of the youngsters on a regular basis to strengthen parental involvement and understanding.

Program of technical assistance to aid all other day care and child development programs.

The State Department of Public Welfare will institute an evaluation program by outside experts to assess the effectiveness of Educare as well as that of all day care and child development programs which it funds.

Approximately 400 people will operate the Pennsylvania Educare program. Besides the large percentage who will be paraprofessionals from the community, the staff will include experts in health, nutrition, education, training, community relations, child development, and office administration. The administrative mechanism used to carry out the Educare program will be researched to ensure optimum effectiveness and efficiency.

It is expected the majority of youngsters served by the program will fall into the 2½-5 age range. On the younger side, however, the program would also be geared to serving infants until the time they can walk (estimated to be 10 percent of the youngsters), and, on the older side, 5 to 15 years olds in before-school and after-school supplementary enrichment programs (estimated to be 13 percent of the youngsters).

The ratio of staff to youngsters will be one staff member to four children for the youngest age range—infancy until the walking stage. The ratio will be five to six to one for the 2½-5 age range.

The first step in getting the program underway will be a survey to determine community needs and the best location for each new center—whether an industrial-business or a neighborhood setting.

No exact timetable for opening the first center in Wilkes-Barre has been set, although the target date is March, 1971.

The Educare program was developed under David O. Whitney, Senior Vice President in consultation with such nationally-recognized experts as:

Dr. Urie Bronfenbrenner, Professor of Psychology of the Department of Human Development and Family Studies at Cornell.

Dr. Martin Deutsch, Director of the Institute for Development Studies, New York University.

Dr. Robert Glaser, Director of the Learning Research and Development Center, University of Pittsburgh.

Dr. Myrtle McGraw, Chairman of the Department of Developmental Psychology at Briarcliff College.

The Educare Division of U.E.O. is headquartered in Washington, D.C. and New York City and is staffed by some 100 psychologists, day care and child

development specialists, social workers, educators, systems analysts, designers of learning materials, community relations experts and executives.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF PUBLIC WELFARE,
Harrisburg, August 3, 1970.

Mr. RICHARD T. NEY,
*Educare Division,
Universal Education Corp.,
Washington, D.C.*

DEAR DICK: Now that the contract between the Department of Public Welfare and Educare Division of Universal Education Corporation is completed and you are in the first phase of development, I wanted to write you personally to tell you how very pleased I am at the prospects that lie before us in making a most important contribution in the lives of families and young American children.

I want to congratulate you and your staff on the unusually fine preparatory work that you did during the negotiation of this contract and on the excellent staff work and relationships that went into working with our staff.

While, as you know, the government operates on yearly budgets and lives with the appropriation vagaries of legislative bodies, as well as the shifting political winds, I look on this as a long time—at least a five year—matter. The mission that I have always had in mind, as I know you have, is to ultimately assure a circumstance in which every program that carries out child care and child development activity will institute a strong program, in which fact, will strengthen family life and applies, in its work with the children, all of the best knowledge that we have in respect to child development and learning. It will take much more than one year for us to demonstrate the kind of curriculum we need to prepare children for life, to show how remediation can be welded into programs and then to carry out the technical assistance in large enough doses to literally inject and inoculate all of the programs in the State.

I look forward eagerly to the ways in which our staffs will collaborate in getting the communities readied and models under way. Most important, I think, is a climate of mutual understanding that is present and the plans that we have for bringing the university laboratories into Pennsylvania, not only as consultants but as teachers even before we open the first model. I also want to express my very deep personal appreciation, and I know that the Administration feels the same way, for the high level of statesmanship that you and your staff exhibited in exercising the constraints that you did in staying with us during these months when we decided to avoid publicity. You were indeed most tolerant in recognizing the validity of delicate negotiations in which we were engaged pursuant to the development of our new, approximately thirty-two million dollar day care and child development program of which the Educare contract was one part. It would have been easy, I know, for a slip to have been made that would have provided very favorable national publicity to your Pennsylvania contract. I became particularly aware of this when the current week's Life magazine had a six page spread on another private sector program which has been reported to me as not having the kind of sophisticated and organized quality represented in the program we have contracted with you to install.

As I view the developments in the Family Assistance legislation now in the Senate, and the debates surrounding the other day care thrusts in Congress, I am deeply convinced that we are very much on the right track. The National thrust towards using the best of our knowledge and making a more substantial commitment in the interests of pre-school children as well as providing surrogate care for children after school hours, is quite clear. I expect a very major increase in Federal, State and local investments in early childhood development. We are very much on the threshold of new beginnings and what we can do together under this contract can very well play a significant and major role in helping this necessary national movement to a most effective beginning and continuance.

Please pass my genuine feelings of appreciation and confidence on to your colleagues.

Sincerely,

NORMAN V. LOURIE.

The CHAIRMAN. Now, the next witness will be Mr. Larry Schwartz, who is urban consultant of the Providence Corp.

STATEMENT OF LARRY A. SCHWARTZ, URBAN CONSULTANT, THE PROVIDENCE CORP.

Mr. SCHWARTZ. Mr. Chairman, and committee members, I would like to thank you for this opportunity to testify.

The Family Assistance Act was a needed step forward in modernizing our archaic welfare system. The present welfare system is riddled with bureaucratic obesity, inequality, ineffectiveness, degradation of recipients and, worst of all, self-perpetuation.

We have created a new class of people, the welfare recipient. In my contact with welfare recipients I have found most of them to be good, well-meaning individuals who, if given the proper supports, would be most desirous of seeking meaningful employment.

I feel that the Family Assistance Act, with certain additions and readjustments, may help us to return the welfare recipient or, better still, may help the welfare recipient to help himself to return to the mainstream of American economic and social life.

I feel that such concepts as coverage for the working poor, minimal national standards, universal eligibility requirements, and Federal administration of public assistance, that are stressed in the Family Assistance Act, are a step forward in the right direction. Coupling this with State supplementary payment with guaranteed income maintenance administered directly by the Federal Government, manpower training and child care, plus the sorely needed social service amendments which should not be delayed until next year, the Family Assistance Act has a strong philosophical base.

Most of my testimony will be centered around the child care portion of the Family Assistance Act—its weaknesses and its relationship to the Family Assistance Act as a whole.

I would like to state here my strong feeling that while I am in favor of the general concepts, I am opposed to the monetary amount of income maintenance. In my opinion \$1,600 for a family of four is much too low a figure. Forty-two States already provide higher amounts than this. I feel that this amount should be greatly increased if the sound concepts proposed in this bill are to have any effect on altering one of the Nation's major problems, both for the recipient and the nonrecipient.

I would like to state at this time that if the objective of this bill, which is to give people the training needed to help them secure employment, is to be reached, then we must provide people with the training and jobs commensurate with their abilities. Training should not be limited to low-skilled jobs. People with the ability to do highly skilled jobs should be provided with the training they need to secure these jobs which may include college educations. The Government must be responsible for initiating the opening of jobs at all levels.

Senators, as a child and through my adolescent years, when I awoke I ate breakfast with my family. After breakfast, every day my sister and myself would leave for school, my father would leave for work, my mother would attend to household duties. I knew that someday when I had grown I, too, would get up, eat breakfast, and leave for work. I took pride in the fact that the house I lived in and the food I ate were provided as a result of my father's toils.

This helped me to gain the positive self-image I needed which enabled me to become a productive citizen. This was not done through my efforts but through the good fortune of being born into this family.

Had I been born into a family in which my father had died shortly after my birth or had I been born out of wedlock or had I been born into a family where my father deserted the home, or had I been born into a family where my father was forced to desert the home due to an inability to find work, I would not have enjoyed these benefits, through no fault of my own, and most likely through no fault of any member of my family, which could have happened to any one of us. I probably would not be sitting here testifying today; I believe I would have grown up with a much less positive self-image. Instead of seeing my father leaving for work, I would see my mother awaiting the arrival of her monthly check or for a visit from a not always courteous social worker. I would have traveled with my mother periodically down to the welfare building, where we would have to wait to see our social worker. Through no fault of my own, I might have grown up with a very poor negative self-image which would have handicapped me for life.

Gentlemen, this bill addresses itself to training and employment but unless we can create a more positive self-image for children of welfare recipients, in 15 or 20 years we will have to again talk of new training programs to train these children as they become adults.

H.R. 16311 is entitled the Family Assistance Act and deals to a great degree with income maintenance and employment training, but I feel it does not do an adequate job of dealing with the family. For one to be eligible for the benefits of this act, one must have children under the age of 18 years. If this bill is going to truly serve the family and not just the adult members, then I feel a lot more consideration should be given to the child care section.

The act talks about day care only in relation to insuring the adults' ability to participate in employment or employment training and related activities. If we are to build the proper attitudinal development for children of families who participate in the Family Assistance Act, then we must begin at the earliest possible age. Day care should not only be considered a means to employment, but should also be considered as a means of building a new generation not dependent on the State for its subsistence.

It is essential that the proper stimulus be given to very young children to insure the proper mental, emotional, physical, and social development necessary. Damage done to children under 6 years old because of a lack of proper stimulation in most cases is irremediable. We should include in the bill such things as health services for children such as proper medical and dental screening by trained professionals, which should be done for every child in day care under the Family Assistance Act.

It is my understanding that while these services are available under title XIX of the Social Security Act, they are not always accessible. I feel that the centers should be staffed, to as great a degree as possible, by present and former welfare recipients who have received the necessary training to qualify them for the positions.

While this bill addresses itself repeatedly to employment training, it has not been mentioned in regard to the child care section. The child care section should address itself to career development. Career development must be a foundation upon which child development programs are designed because career development means family development by providing educational and occupational opportunities for the parents of children in the program.

In a comprehensive approach to child development, the status of the parent is a major factor in consideration of the design of educational programs for the development of young children. There is no requirement in this bill for a career development plan for paraprofessionals.

This bill is 153 pages long and only four pages are devoted to child care and three out of these four pages talk about disbursement of funds in remodeling and construction of new facilities leaving less than one page to talk about the child.

I cannot emphasize enough my feelings that the child care portion of this bill should be strengthened and enlarged to provide necessary support for children and their families to help break out of the ever-growing cycle of poverty. The bill should be amended to insure first-rate child care, not just babysitting services to allow parents to participate in employment.

I believe my feelings are shared by the Department of HEW since their first priority is to improve coordination of Federal, State, local, and private levels for the benefit of children during the first 5 years of life.

I realize that good child care is a very expensive proposition, but I feel that it would be an excellent investment for this country with never ending returns, and the question I would like to ask is, can we afford the price of not providing this service?

I was pleased to see the addition in the revised and resubmitted Family Assistance Act the inclusion of provisions making new construction available. However while part C of section 436 talks about wages paid to laborers and mechanics insuring that they will be paid the prevailing wage it does not address itself at all to what many people consider to be the major problem facing the construction industry and labor unions today, the exclusion of members of minority groups and since a large portion of the Family Assistance Act participants will come from the ranks of minority groups and since this bill addresses itself heavily to employment and since the Economic Opportunity Act of 1964 does not seem to be all that effective in alleviating the situation, I feel this bill should be amended by a strongly worded provision insuring minority participation in all construction or renovation work done with Federal moneys supplied through this act.

A program, no matter how sound its concepts, is no better than the way it is carried out.

I feel that whether you accept my suggestions to strengthen the child care portion of the bill or pass it as it is presently worded, how it is administered and how the funds are disbursed will be a critical factor in determining the success of this bill.

If day care centers are not run to the parents' satisfaction, you will not have mothers registering for work no matter how severe the penalties.

The bill calls for the Secretary of HEW to distribute funds and leaves it to him to set certain guidelines and policies. The bill should indicate what agency within HEW should handle the disbursement of funds and administer the program. The reason I feel this way is that the bill should foster certain concepts relating to day care specifically and child care in general.

I am referring to the new Office of Child Development established April 1, 1969 to operate Headstart and coordinate other child care programs.

The Office of Child Development has demonstrated more than any other Federal agency its willingness to work honestly in close partnership and with a feeling of cooperation with parent groups.

I realize this would require hiring additional personnel to supplement the Office of Child Development staff but I feel it is an investment well worth making.

Besides administration the Office of Child Development should be responsible for administration of funds. I am also pleased to note that the bill calls for up to 100 percent Federal funds which would give the Federal Government complete control in administration.

The funds should then be distributed to local communities who will set up prime grantee corporations composed of 50 percent parents (consumers), 25 percent suppliers of service, and 25 percent State and local officials. This group should get funds to do adequate planning.

This group would also do any study of needs necessary to insure proper use of funds.

I would also like to see preference given in funding to groups of the Family Assistance Act and low-income parents who get together and incorporate to open their own day care centers. I say this because I believe that parent involvement is an intricate part of child care program success.

I believe any groups to be eligible for Family Assistance Act child care funds should have a parent advisory group.

Another factor that enters into this reasoning is that with the Federal Government getting more involved in child development we as a society and you as a legislative body, must decide who will control the destiny of our children—the Government or the parents.

I strongly feel that the Government should provide the necessary funds and protection where needed, but the major authoritarian parental role should and must be retained by the parent.

Parent controlled centers are one way of insuring this.

Another key factor here is what form of payment for child care service should be employed.

Of the three main ways to accomplish this: Vendor, voucher, and cash payment to the family, I favor the latter of cash payment to the family for three reasons:

1. So the child is no way singled out in economically integrated day care centers.
2. It helps to build respect and independence to the family unit.

3. It helps to give parents more control over the services they are purchasing with the Government's aid.

I would like to see this combined with a limited vendor payment system. The vendor payment in this case would help new day care centers who lack the initial capital and who would most likely open with the capacity number of children to get established.

I would like to end my testimony with the statement that all families should not be considered the same and while child care services, for children over the age of 6 years be desirous, in some cases they may be harmful. In the cases where a child needs the attention of his mother, thus not allowing her to secure full-time employment or training, I feel that the family should not be penalized and should be allowed all of the benefits of this act. I believe this bill will be more successful if it encourages people, by providing good jobs and training, rather than by penalizing them if they fail to register.

Senator RIBICOFF (presiding). Thank you very much. We appreciate your giving us the benefit of your views.

The committee will stand adjourned until Monday morning at 10 a.m.

(Whereupon, at 1:10 p.m., the committee adjourned.)

THE FAMILY ASSISTANCE ACT OF 1970

MONDAY, AUGUST 31, 1970

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 o'clock a.m., in room 221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Harris, Williams of Delaware, Bennett and Jordan of Idaho.

The CHAIRMAN. The first witness for this morning is scheduled to be Mr. Andrew J. Miemiller, director of the department of legislation for the AFL-CIO. Is Mr. Biemiller here today?

Mr. FAIR. Mr. Chairman, Mr. Biemiller is home today. He has been in a hospital all last week, and the doctor has him under orders to stay there for a while.

The CHAIRMAN. I certainly regret that Mr. Biemiller is not here. However, we could schedule Mr. Biemiller to appear later, or you could appear in his stead if that is how he would like it.

Mr. FAIR. He has asked that I appear in his stead, Mr. Chairman. But thank you very kindly. And I will relay the message to him, of course.

The CHAIRMAN. Would you give your name for the record?

STATEMENT OF CLINTON FAIR, LEGISLATIVE REPRESENTATIVE, AFL-CIO; ACCOMPANIED BY BERTRAND SEIDMAN, DIRECTOR, SOCIAL SECURITY DEPARTMENT, AFL-CIO

Mr. FAIR. Yes, I am Clinton Fair, legislative representative for the AFL-CIO. And with me is Mr. Bertrand Seidman, who is the director of the social security department of the AFL-CIO.

Senator BENNETT. Seidman?

Mr. FAIR. Yes, sir.

The CHAIRMAN. Seidman. Would you mind spelling those names?

Mr. SEIDMAN. My name is spelled, Mr. Chairman, S-e-i-d-m-a-n, and my first name is Bert.

The CHAIRMAN. Thank you.

What is your name, Mr. Fair?

Mr. FAIR. Clinton, C-l-i-n-t-o-n.

The CHAIRMAN. Thanks very much.

We have been operating under a 10-minute rule and I would like to ask you to summarize this statement to come within its 10-minute rule.

Mr. FAIR. The first statement attached there is a reading statement for the committee. The full statement is attached thereto.

The CHAIRMAN. Fine. Then I take it you came with every intention of staying within the 10 minutes.

Mr. FAIR. Your able counsel wrote a very good telegram.

The CHAIRMAN. Yes.

Well, I am sure that your appearance will take a lot longer than that because members will want to ask you questions, but I think it is a good example for other witnesses.

If the statements of the AFL-CIO can stay within 10 minutes it might set an example.

Mr. FAIR. We appreciate this opportunity to appear in support of the principles of the family assistance program. We would, however, hasten to add that there are many features of the proposal to which we take vigorous exception.

Following President Nixon's announcement of his program to resolve the Nation's welfare and manpower problems, President Meany stated:

The President has forcefully turned public attention toward a major problem in America and has established laudable goals for his Administration. This in itself merits commendation.

The AFL-CIO is deeply concerned for those in America who live in poverty and do not enjoy the nation's general affluence. We have long shared, and vigorously pressed, the view that the nation's existing welfare system is grossly deficient and in need of comprehensive reform.

The deficiencies of our welfare system have manifested themselves in various ways. Though nowhere are they adequate, AFDC benefit payments for a family of four are 5.7 times greater in the highest State than in the lowest State. There are as many tests of need as there are different benefit payment jurisdictions. Almost as if the confusion were planned, our States have developed intricate and complicated administrative procedures.

The conscientious social worker is weighted down under an avalanche of paperwork, and although he carries no gun, he is required to assume the role of the police officer in the protection of the public's money. One of the most frustrating and discouraging features of all is that a male worker, employed full time, may be worse off than his neighbor, working only part time, but receiving welfare.

Indeed, the present system replaces the rational with the irrational, the rehabilitative with the debilitating and, yes, the moral with the immoral. The system has fallen into disgrace, but let no one conclude that the solutions are easy. They are certainly not cheap.

We face a problem of great magnitude and what appear to be the rational solutions remain untried. If we are to achieve a sound and just welfare program, we ought to fix certain goals. First and foremost:

(1) Strong assurances that job exploitation of welfare recipients will not take place;

(2) Adequate cash benefits;

(3) Uniform and reasonable requirements for eligibility;

(4) Efficient and just administration;

(5) Realistic work incentives; and,

(6) Basic equity between and among the full-time working poor, the part-time working poor and the unemployed.

Before I turn to our specific recommendations, I want to take a moment to convey to you the basic approach we in the labor movement have taken toward this very difficult problem. We recognize and welcome the apparent intention of the family assistance proposal to bring about a fair, humane welfare program with minimum national standards of administration and payment levels. Unfortunately, the House-passed bill—and even more, subsequent administration proposals for change—will fall far short of those well-intentioned goals.

The labor movement does not ask for and it does not expect perfection, especially in a bold, new, innovative social program. But neither will we accept subjecting the disadvantaged to cruel exploitation as the price for launching the new program. We insist on some evidence that the lofty social goals of welfare reform will be achieved but not by degradation of the very people whose welfare the program intended to serve. Without that assurance, Mr. Chairman, the AFL-CIO will be unable to support the program.

Let me turn then to our specific recommendations. I will only mention those we consider most important. They are set forth in detail in our longer statement which I respectfully request be incorporated in the record of the hearing, as well as the statement of the executive council of the AFL-CIO appended to it.

First and foremost, Mr. Chairman, we ask for restoration and strengthening of the basic protection of welfare recipients who may be assigned to training and employment under the program. We were shocked when during floor consideration, the House of Representatives deleted reference to such fundamental protections, long recognized in unemployment insurance, as those relating to suitability, health and safety, physical fitness, prior training and distance from work.

But this is not enough. Welfare recipients assigned to jobs have the right to a living wage and decent working conditions. Such jobs must therefore pay at least the prevailing wage or the statutory minimum wage, whichever is higher, with prevailing standards of hours and working conditions.

We ask for restoration of the original protections of the bill reported by the Ways and Means Committee.

Mr. Chairman, the labor movement will not buy welfare reforms at the price of human exploitation. Therefore, without these minimal protections, we cannot support this bill.

We insist that mandatory work and training programs make no sense in a welfare program if the wrong people are forced into it and there are no decent jobs for those who finish training. Mandatory training for nonexistent jobs is plain foolishness.

Mothers should have the right to put their children's welfare first. Mothers, especially those who must be both mother and father to their children, should not be forced into training or employment if they feel they are needed at home to care for their children. But they should have every opportunity to obtain training, followed by decent, remunerative jobs, if they wish to do so.

WIN has failed because it has failed to provide day care, effective training, and real jobs at decent pay, and FAP will fail to unless it does much better.

Mr. Chairman, we have no confidence that private employers are in a position to provide nearly enough jobs at decent pay for welfare

recipients who want them. The only logical answer to this problem is a large-scale, federally financed and administered public service employment program which would provide jobs for welfare recipients and badly needed public service for America's communities.

We commend those members of the committee who have proposed inclusion of public service employment in the family assistance bill.

Some welfare recipients may obtain private employment, but they must be in meaningful jobs at decent pay. They must not involve either direct Federal payments or hidden tax subsidies to employers. It may be appropriate for the Government to pay for unusual costs incurred in employment of the severely disadvantaged, such as basic education and counseling. But there is no reason why the Government, through wage subsidies or tax credits, should "buy" low-level jobs for welfare recipients. Public funds should not be used to reimburse employers for their normal operating expenses. If the jobs are real and not fictitious, the employer should pay the wages. If they are false jobs, it would be self-defeating and demeaning to assign welfare recipients to them.

Vitally important as training is for developing skills for the unskilled and upgrading skills, it can be abused. Therefore, FAP legislation should imply no authority for training which can be used to assist in relocating establishments from one area to another or for entering into arrangements for any training programs in the lower wage industries where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high.

Day care is an indispensable requirement for the training and employment of mothers. But day care facilities and services are woefully inadequate.

Mr. Chairman, your day-care amendment would be an important first step in developing the vastly expanded comprehensive day-care program which is so desperately needed. We commend your initiative and hope your proposal will be included in the final bill.

Decent jobs at decent pay are the road to a better life for the employable people on welfare. But there will still be large numbers who cannot work and will have to depend entirely upon their family assistance payments. That is why the AFL-CIO has long advocated—and we now reiterate—that minimum welfare payments must be no less than the poverty level. We, therefore, support the proposals of Senators Harris, Ribicoff, and Javits for inclusion in the bill of a goal of minimum payments no less than the poverty level. This goal should be achieved within a very few years. In addition, payment levels should be adjusted periodically to reflect increases in living costs.

So that there is no question about our position, Mr. Chairman, let me state that our emphasis on the need of unemployable people for a decent minimum income does not detract in the slightest from our support for inclusion of the unemployed fathers and the working poor in the family assistance program.

We also ask that payments to the aged, blind, and disabled be raised immediately to at least the \$110 a month in the House-passed bill and as rapidly as possible to at least the poverty level for all recipients.

The administration has proposed a new program of social services. In the main, we support the proposal. However, the funds are inad-

equate and the two different matching formulas—90 percent for employment-related services and 75 percent for others—should be made uniform at 90 percent. Since this is a Federal program, largely federally financed, it must be federally guided.

We especially oppose the provision permitting a Governor, with the approval of the Secretary of Health, Education, and Welfare, to divert funds from other health, education, and welfare programs. While we approve of some measure of flexibility in State programs, we are opposed to extending such broad authority to two individuals. Such discretionary authority could eliminate or jeopardize important programs authorized by the Congress. We, therefore, strongly urge this committee to reject this provision proposed by the administration.

Finally, Mr. Chairman, let me turn to some questions relating to the administration of the program. In its present term, the bill is an invitation to the utmost administrative confusion. We think there is only one way out of this morass. The goal must be a single welfare program with a single payment standard in all jurisdictions and uniform nationwide administration. Only Federal administration and Federal financing can achieve this goal. Therefore, federalization of the program should be achieved as quickly as possible.

Thousands of State and local government employees are presently employed in the administration of welfare programs. Many have devoted a lifetime to such work. We urge your committee to fix affirmative guidelines for the Secretary of HEW when approving contracts transferring the administration of state and local health and welfare programs to the Federal Government. These guidelines should include not only job rights but wages, hours, bargaining rights and other conditions of employment. These workers should not suffer the loss of any of their rights or benefits because of reorganization.

In conclusion, Mr. Chairman, let me re-emphasize our conviction that there is great and growing need for reforming, recasing and revitalizing the public welfare program.

But nothing could be worse than to adopt, in the name of reform, a program that debases those it alleges to help or that will magnify the injustices, inequities and insufficiencies of the present system—one that is really no system at all.

Instead, we need a program that is realistic and workable, that guarantees human dignity. The recommendations we have made will achieve that kind of program.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir, Mr. Fair. Please express my regards to Mr. Biemiller and Mr. Meany. I regret that they cannot be with us today, but we have the highest regard for both of them, and I am sure that is true of every member of this committee.

May I say I agree with Mr. Meany's general statement with regard to President Nixon's proposal. Those two paragraphs you quote on page 1, I could endorse word for word. I also agree with the majority leader's statement over the weekend that we should vote on the proposal before we go home, and I find a lot of support for some of the amendments that I think ought to be in the bill.

I am pleased that you think one of the amendments ought to be a proposal I made to provide adequate day care so that these working mothers can have someone to take care of their children while they are employed.

Let me ask you this: With regard to the standards that you favor, what objection would you have if we simply provided, subject to proper administration, that those people in the low-income brackets receive the benefit of the money that is available here hopefully in ways that would not discourage them from accepting employment.

Maybe I could be a little more explicit. If you saw over the weekend the program I saw about these migrant laborers, which put the Coca-Cola Co. and the State of Florida in a bad light, you would agree that those people ought to receive more wages.

Now, I do not know whether we could do it precisely the way you would want it, but I would be willing to vote to provide a large amount of money in some fashion to benefit those people, especially if we are going to vote it in a way that would not discourage them from continuing to work.

Now, that might not provide them with as high a level of income as you might want them to have, but would you feel that you should still oppose the bill because it does not provide them as high a level of income as you would like to see them have?

Mr. FAIR. No, sir.

Mr. SEIDMAN. Mr. Chairman, in our statement we have indicated that we think that it is very important that in the legislation there should be stated explicitly that the level of payments should rise to the poverty level within a few years, and we would reiterate that recommendation.

We do feel that the \$1,600 in the administration bill is not adequate, and we would like to see the program start at a higher level, but we put our preliminary emphasis, as do several of the bills that have been introduced, on the idea that the level of payments should rise to the poverty level as quickly as possible.

The CHAIRMAN. Now why should we provide a poverty level income for able-bodied people who have a job available and will not work? Why should we do that?

If a man is not disposed to work when he has a job available to him, why should we pay him for doing nothing?

Mr. SEIDMAN. I neglected to answer the other part of your statement, Mr. Chairman, and that is that we are not in favor of including disincentives to work for people who are employable in the program.

We have stated that we do not think that mothers with children in their care should be required to work, but we are not opposed to the idea, as for example, in unemployment insurance that able-bodied men or women for that matter who do not have children in their care would be required to seek training and employment. But we do not think that the mandatory principle should apply to women, to mothers with children in their care who, as we said in our statement, have to be in effect both mother and father to their children.

The CHAIRMAN. Well, the point I am getting to is that the wage that a man receives does not look very big to him if all he is getting is about 10 or 20 percent more than he would get by just laying around and doing nothing.

On the other hand, if we have a program where an able-bodied person able to work gets nothing unless he is willing to work and then the wage he gets is a very significant wage. When you talk about a meaningful job, if that job is the difference between eating supper

at night and not eating supper at night, that could be a very meaningful job. But if you are going to provide him plenty of money to live on and to get by on anyway, then the job is not very meaningful to him.

Do you support the principle that able-bodied who have a job available should not have welfare payments available to them so long as they do not take the jobs that are available?

Mr. SEIDMAN. Yes, sir; we do, provided the job is a suitable job as defined in the bill as it originally came out of the House Ways and Means Committee.

We do think that such factors as the health of the individual, the safety of the individual, the distance from work, the level of skills, and the type of jobs that the individual is able to do, these are the kinds of things that we think must be taken into consideration in assignment to work and, therefore, we favor restoration of these protections which have long been tested in the unemployment insurance program.

The CHAIRMAN. Well, now, you favor minimum wages, but I am a little confused about this: Suppose there is no minimum wage job available to the man or the woman, as the case may be. I am not going to be arguing with you about the mothers, I understand your position on that, but let's take a person whose child is of school age and is well cared for in a day care center. There are signs all over town, "Help Wanted," not minimum wage jobs perhaps but not hard work, not a bit harder than the work she is doing in her own home. Why should she not take that job?

As far as I am concerned, I am willing to subsidize the job, but why should we have to commit ourselves to a prevailing wage or a minimum wage and why should the person be privileged to turn down the job?

Mr. SEIDMAN. Mr. Chairman, the AFL-CIO has taken the position, and President Meany has appeared before a committee of the House of Representatives very recently urging that the minimum wage be extended to all workers in the United States.

There are presently some 11 million or 12 million workers, I do not remember the exact figure, who are not covered by the minimum wage, and we have strongly urged that all workers should be covered by the minimum wage.

We do not know what the Congress will do with respect to this recommendation which AFL-CIO has made.

But with respect to this particular program, we think that people who are going to be assigned to work under this program should be assigned to work which will pay them the minimum wage, and that unless this is done it will not only mean that they will be working in substandard employment, but it will threaten the opportunity of those workers not in this program who are working in those jobs to improve these conditions, their conditions.

The CHAIRMAN. I understand that. You want everybody to make a minimum wage. But suppose we have a situation, and the best we can afford without the President vetoing the bill might be to say to a working man, "Take whatever job you can get and we will make up half of the difference between that and the minimum wage, the minimum wage or the prevailing wage. If the minimum wage is \$1.60 and you are working for a dollar, we will make up half of it. If the pre-

vailing wage is \$2 and you are making \$1, we will make up half of that.

In one case it would be 30 cents an hour, let's say, and in the other case it would be 50 cents an hour. Would that not be a long step in the right direction to increase the income of those people?

Mr. SEIDMAN. It might increase the income of those people somewhat, but it would do so, first of all, by subsidizing the employer under those circumstances and, secondly, those people would still be getting less than the minimum wage, they would be adding an element of substandard competition for those workers who are already in such jobs and would be depriving them of an opportunity to raise the standards, their standards in those jobs.

The CHAIRMAN. Well, suppose the worker is already in the job. He is already in the job. All we are talking about doing is adding something to what he makes or increasing his income in the job that he is doing right now. What about that?

Mr. SEIDMAN. We made it quite clear, Mr. Chairman, in the statement, and I would like to repeat, that we are in favor of the provisions in the bill and especially as the bill has been suggested for amendment by certain members of the committee, we are in favor of the provisions in the bill for payments to the people who are called the working poor. So that we have no quarrel with that.

Mr. Fair wants to supplement what I am saying.

Mr. FAIR. Senator, let me give you a specific example. Here is an Esso gas station in a small town doing \$251,000 worth of business. His employer must pay the minimum wage. But I own a Shell station across the street and I only do \$240,000 worth of business. I do not have to pay the minimum wage. I am excluded from minimum wage coverage. And it seems to me if we say we will subsidize the worker at the Shell station, what we are really doing is giving an unfair competitive advantage to the Esso station who is doing the \$250,000 worth of business. The inequities will continue in this system, the same will be applied to agriculture.

The farmer who has a farm, who has 500 man-days in his peak quarter, has to pay the minimum wage now but if it is a farmer just below that level the 500 man-days in the peak quarter, he does not have to pay the minimum wage.

So I am afraid without putting in the minimum wage, what we do is create great inequities among the employers in that situation. That is one thing that worries us.

The CHAIRMAN. You have answered my questions. Thank you.

Senator Williams?

Senator Bennett?

Senator BENNETT. I am just left with one little confusion.

On page 5 of your statement you say, "We support the proposals of Senators Harris, Ribicoff, and Javits for inclusion in the bill of the goal of minimum payments no less than the poverty level. This goal should be achieved within a very few years."

So I took from that that you realized that it would take a little time for this to work through the economic system.

The minimum wage and the poverty level are not too far apart. So is this a contradiction in your testimony or are you saying that in spite of the fact that you are willing to allow a few years to bring

this up to standard, you actually do not want anybody to get less than the minimum wage from the first day?

Mr. SEIDMAN. Senator, our position on this is that here we are talking about the minimum level of payments for anybody who is eligible to receive such payments under this program. These may be people who do not work at all, who are unemployable, who are mothers with children in their care or others who are unemployable for other reasons.

We are saying on the other hand, if there are employable people who are assigned to jobs under this program, that they should be assigned to jobs which pay at least the minimum wage or the prevailing wage, whichever is higher.

We are saying that the goal of the minimum payments should be no less than the poverty level, and we recognize that it may take a few years to reach that, and there would be for anybody under the program, working or not working, but for those who are working we think they should be assigned only to jobs that pay the minimum wage.

Senator BENNETT. In other words, if the people cannot earn the minimum wage, they should stay on relief until they can?

Mr. SEIDMAN. No; we are saying that people should be assigned to jobs that do pay the minimum wage. We do not think that this will come only under private employment and, therefore, we are recommending, as a matter of fact, we are supporting, the efforts which are being made in several of the amendments which have been introduced on the bill, to establish a public service employment program for people coming into this program.

Senator BENNETT. I understand that. But are you not saying if these people cannot be given the minimum wage immediately, they should stay on welfare until the minimum wage is available? They have no other alternative. You will not let them work for less than the minimum wage.

Mr. SEIDMAN. We are asking that jobs be made available to them that do pay the minimum wage by private employment, if possible, if not through public service employment. And we think that there are many, many jobs that need to be done in this country, in schools, in hospitals, in various health facilities, in libraries of all kinds that would make it possible for these people to work at jobs which are meaningful, which are needed, and which would pay the minimum wage, and we are supporting, as you know, manpower legislation which would create such a program, as well as the amendments which have been introduced to this bill which move in that direction.

Senator BENNETT. I have no other questions.

The CHAIRMAN. Senator Harris?

Senator HARRIS.. First I should say I am very pleased and impressed with your testimony, you have pointed out some deficiencies in this bill which I and others on the committee have also talked about.

What we are talking about right now is the matter of side effects. I recall that when DDT first come out, it was thought to be such a marvelous thing for the farmer in particular, and now we have learned to our great sorrow that it had all sorts of other side effects that we had not considered. It seems to me that is what we are going to have to concern ourselves with in this bill, when we move into a massive re-

quirement for people to take jobs without some requirement about what what sort of jobs they are.

There are millions of people now working full time who do not come up to the poverty level, and I presume we would all pretty much agree that the best poverty program for them would be to see that they were paid better.

Now, if that is true, would we tend in that direction or against that direction by requiring people to go to work with no requirement about what level of payment they would receive?

What would that tend to do to wages generally, if anything?

Mr. FAIR. It freezes them at the level at which they presently are, in those employments which are already the lowest wage employment in the country. And what we are really saying to them if they must take work, and we are not objecting to the "must take work" for those who are able and available for it, we are just simply saying we should not in those areas not covered by minimum wages freeze wages at that low level. That is exactly what we will do to the gas station which I used as an example. We will freeze the wage at \$1.10. By subsidizing his worker, who will then go up to the poverty level, we will freeze that wage and there will be no incentive to go up above it.

That is the problem that worries me about it and that is partly, this is the same problem that is worrying Senator Bennett, only I think we are looking at it slightly differently but I think that will be the factor and the end result is, we will freeze those wages low.

Senator HARRIS. And wind up, of course, defeating our purpose by holding more people below the poverty level because their wages are so low that even though working full time, they do not get above it.

Mr. FAIR. Even as the bill is written, it is my guess, and I do not know where you can get the figures to prove it, if this country would go to a \$2 minimum wage in all employment, this would reduce costs anywhere from \$500 million or more per year.

Now it is a guess and you cannot get the figures. But you take and work out the formula and put the 1.5 million who are now fully employed and then add to it 7.8 million persons, and you will get a tremendous amount of difference in what this bill's costs would be reduced.

Senator HARRIS. Let me ask you one further question that is related. Some people, I understand, have suggested that as an alternative to this welfare assistance for the working poor, we enact, aside from subsidization during a training period or anything like that, a work subsidy, a subsidy that would go to the employer to make up the difference between his wages and what was considered a decent standard of living.

Such a provision would have the effect of freezing wages, would it not?

Mr. FAIR. Yes.

Mr. SEIDMAN. Yes; we would strongly oppose that kind of a provision. We think that there may be certain additional expenses that employers might have in training or counseling and that kind of thing which, for example, are recognized under the jobs program, in the OJT program, and other programs which we now have, and we see no harm in paying employers for their actual additional expenses. But we would not favor paying the employers as a kind of a subsidy

which in effect would mean that they would be relieved of paying a decent wage for the job.

Mr. FAIR. Also, under present law, you would then run into immediately the Fair Labor Standards Act and put competing employers in very serious competitive positions. You take the employer of over the 250,000, it is motel, hotel, restaurants, groceries, all of those who are under that would get a competitive advantage to those who were larger, and I am not talking about chains alone, because this applies to chains as well you see, the A. & P. store which is doing less than 250,000 or the Safeway or whatever it is, is not under fair labor standards, while the store doing above that is. Not only would wage levels be frozen, but also an unfair competitive advantage would result.

Senator HARRIS. Thank you very much.

Senator BENNETT. Mr. Chairman, may I have one more question?

On page 1, you make what is, I think, a statement which is very true, that the AFDC benefit payments for a family of four are 5.7 times greater in the highest State than in the lowest State. Then on page 6 of your statement you say the goal must be a single welfare program with a single payment standard and uniform national administration.

Are you recommending the payments in the low State be raised on the equivalent of those in the highest State or that we try to seek some median and cut back the highest State in order to achieve a single standard?

Mr. SEIDMAN. Senator, we are recommending that the minimum payment for which the Federal Government shall make the entire payment—that is, the 100-percent payment—should be higher than it is now in the bill and should rise to the poverty level as soon as possible. Even at that level there may be some States which would supplement the payments so that you would not get complete equality, but you would—but we are recommending that the Federal payment should be at the poverty level within a very few years and what States do above that would be for them to determine.

Senator BENNETT. That is all, Mr. Chairman.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. I would like to explore that a little further. We all realize that the low State supplement is under \$50 for a family of four and the highest State supplement is \$265 for a family of four.

Now you are recommending that the goal must be a single welfare program with a single payment standard and uniform nationwide administration.

Are you talking about nationalization of the welfare program?

Mr. SEIDMAN. Yes, sir; we are talking about what we would call federalization of the welfare program.

Senator JORDAN. A single standard throughout even though the cost of living in the lowest supplemental State which is presently under \$50 might be 70 or 80 percent as the cost of living in the highest supplemented State at \$265 a month, you would recommend a single standard applied universally with an even amount to every State in the Union?

Mr. SEIDMAN. We would recommend a single standard which would not necessarily be at the same level, but we would expect that if consideration such as the cost of living were to be taken into account, they would be taken into account accurately and realistically, and the

figures seem to show that the difference in the cost of, actual cost of living for poor people from one State to another is not very great, and is nowhere near as great as the ratio, for example, of 5.7 to 1. It is on the order of maybe 10 or 15 percent at most.

Senator JORDAN. Yes. But you would recommend that a factor for that be woven into the general application of the statute?

Mr. SEIDMAN. Right.

We would say that this is a factor which might be taken into account and which would not detract from the basic principle of a single Federal program with Federal standards.

Senator JORDAN. Mr. Fair, one of you said \$1,600 was not enough to start; what is adequate, what would be a fair figure to start in lieu of the \$1,600 that you do not like?

Mr. SEIDMAN. The figure that we would recommend to start with, as our executive council stated last February, is in the bill which has been introduced by Senator Harris, which begins as I recall at \$2,400 for a family of four, and this is the figure that we would like to see in the bill as the starting figure rising to the poverty level about as the bill introduced by Senator Harris does.

Senator JORDAN. You are pretty much in accord with the provisions of the Harris-suggested bill?

Mr. SEIDMAN. Yes, sir.

Our executive council stated as long ago as last February when Senator Harris introduced his bill, that that came closest to meeting the principles which they then stated in their statement.

Senator JORDAN. That is all I have. Thank you.

The CHAIRMAN. Thank you very much, gentlemen. We appreciate your statement and we will include your full statement.

Mr. FAIR. Mr. Chairman, thank you and the gentlemen of the committee.

(Mr. Fair's prepared statement and communications received from locals 600-601 of the International Ladies Garment Workers Union, and the Amalgamated Clothing Workers follows:)

SUMMARY OF AFL-CIO RECOMMENDATIONS AS SUBMITTED IN STATEMENT BY CLINTON FAIR, LEGISLATIVE REPRESENTATIVE, AFL-CIO

I. LABOR STANDARDS

A. Restore the provisions in the bill as reported by the House Ways and Means Committee which required that in assigning family assistance recipients to jobs, the Secretary of Labor take into consideration, suitability, the degree of risk to the individual's health and safety, his physical fitness for the work, prior training, length of unemployment and distance from work.

Without such provision, we would be unable to support the bill.

B. Provide, in addition to the above that (1) the wages payable for such job are at a rate equal to whichever of the following is the higher: (a) the rate prevailing for similar work in the locality, or (b) the minimum hourly rate established by section 6(a)(1) of the Fair Labor Standards Act; (2) the hours or working conditions on such job are as favorable as those prevailing for comparable work in the locality.

C. We are opposed to the use of either direct Federal payments or hidden tax subsidies to employers of welfare recipients.

II. MANDATORY REQUIREMENT

A. WIN experience shows no need for compulsion because it has not provided nearly enough training opportunities or jobs even for volunteers.

B. Mothers with children in their care should not be forced into training or employment if they feel they are needed at home to care for their children. But they should have the opportunity to obtain training, followed by decent remunerative jobs, if they wish to do so.

III. NEED FOR PUBLIC SERVICE EMPLOYMENT

A. The WIN experience has shown that the private sector has not made anywhere near enough decent jobs available to public assistance recipients who are anxious to obtain them.

B. Manpower training is not enough. While we believe in the importance and necessity of training in helping the disadvantaged to achieve self-reliance, training in and of itself is not a job. It would compound the problem to give training and hope to the disadvantaged and then throw them back into the morass from which they came.

C. A national economy that is growing rapidly enough to provide job opportunities for all persons who are able to work and seeking employment is basic to solving the problems of poverty in America's work-oriented society. Under such conditions—linked with an expanded manpower training program—the vast majority of workers will be employed in the normal channels of private and public employment.

D. A large-scale federally financed public-service employment program is the only logical answer for those who remain unemployed or underemployed. Such a program, linked with training and guidance as may be needed, should make it possible for workers to move up the career ladder.

IV. DAY CARE

A. Money to pay for the operation of day care services and a mechanism to get the money to build a sufficient number of day care facilities are essential. Otherwise day care services will continue to be a myth.

B. Barriers, which range from very complicated State plan requirements, strict State and local licensing laws and Federal requirements, have created a set of obstacles so great as to make the establishment of day care facilities all but impossible in many communities.

C. We support the very constructive and comprehensive provisions of the Day Care bill introduced by the Chairman of the Committee, which would provide both the financial incentive and the means to eliminate some of the barriers preventing development of day care centers.

V. ADEQUACY OF FAMILY ASSISTANCE PAYMENTS

A. We have long supported and repeatedly asked for a welfare program providing a Federal minimum payment at no less than the poverty level. The proposed legislation would freeze into law a level providing \$8.00 a week—less than the present national average payment of \$10.00.

B. The bill should provide for a goal of minimum payments at no less than the poverty level to be achieved within three or four years. The urgency of early achievement of this goal has been recognized in the bills introduced by Senators Harris, Ribicoff and Javits.

C. In addition, the bill should provide that periodic adjustments in payment levels be made to reflect cost of living increases.

VI. OTHER GROUPS

A. We support inclusion of unemployed fathers and the working poor in the Family Assistance program.

B. We ask that payments to the aged, blind and disabled be raised immediately to at least \$110 a month and as rapidly as possible to at least the poverty level for all recipients.

VII. ADMINISTRATION

A. We support a single welfare program with a single standard of minimum payments and uniform nationwide administration. Only Federal administration and Federal financing can achieve this goal. Therefore, federalization of the program should be achieved as quickly as possible.

B. Toward this end, we provide for periodic increases in the Federal portion of payments so they reach 100 percent by at least 1976.

VIII. EMPLOYMENT SECURITY

A. Thousands of State and local government employees are presently employed in the administration of welfare programs. Many have devoted a lifetime to such work. We urge your Committee to fix affirmative guidelines for the Secretary of HEW when approving contracts transferring the administration of State and local health and welfare programs to the Federal government. These guidelines should include not only job rights but wages, hours, bargaining rights where applicable and other conditions of employment.

IX. TRAINING

A. FAP legislation should imply no authority for training which can be used to assist in relocating establishments from one area to another or for entering into arrangements for any training programs in the lower wage industries where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high.

STATEMENT BY CLINTON FAIR, LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, we appreciate this opportunity to appear in support of the principles of the Family Assistance program. We would, however, hasten to add that there are many features of the proposal to which we take vigorous exception.

Following President Nixon's announcement of his program to resolve the nation's welfare and manpower problems, President Meany stated:

"The President has forcefully turned public attention toward a major problem in America and has established laudable goals for his Administration. This in itself merits commendation.

"The AFL-CIO is deeply concerned for those in America who live in poverty and do not enjoy the nation's general affluence. We have long shared, and vigorously pressed, the view that the nation's existing welfare system is grossly deficient and in need of comprehensive reform."

The deficiencies of our welfare system have manifested themselves in various ways. Though nowhere are they adequate, AFDC benefit payments for a family of four are 5.7 times greater in the highest State than in the lowest State. There are as many tests of need as there are different benefit payment jurisdictions. Almost as if the confusion were planned, our States have developed intricate and complicated administrative procedures. The conscientious social worker is weighted down under an avalanche of paper work; and although he carries no gun, he is required to assume the role of the police officer in the protection of the public's money. One of the most frustrating and discouraging features of all is that a male worker, employed full-time may be worse off than his neighbor, working only part-time but receiving welfare.

If, indeed, our goal should be a father in every home, then as Secretary Richardson said, "Our current welfare law clearly discriminates against those intact families who are making substantial effort to work themselves out of poverty."

Indeed, the present system replaces the rational with the irrational, the rehabilitative with the debilitating, and, yes, the moral with the immoral. The system has fallen into disgrace, but let no one conclude that the solutions are easy. They are certainly not cheap.

We face a problem of great magnitude and what appears to be the rational solutions remain untried. If we are to achieve a sound and just welfare program, we ought to fix certain goals for our program. First and foremost: (1) strong assurances that exploitation of welfare recipients will not take place; (2) adequate cash benefits; (3) uniform and reasonable requirements for eligibility; (4) efficient and just administration; (5) realistic work incentives; (6) basic equity between and among the full-time working poor, the part-time working poor and the unemployed.

LABOR STANDARDS

We were shocked when the House of Representatives, during consideration of the Bill as first reported by the Committee on Ways and Means, deleted the requirement that the Secretary of Labor take into consideration the degree of risk to the individual's health and safety, suitability, his physical fitness for the work, prior training, length of unemployment and distance from work when referring a family assistance recipient to a job.

The lack of protection for welfare recipients—protections, which have long been extended to workers under unemployment compensation—evidences a callous disregard of the welfare and dignity of persons who will have to depend on family assistance.

Our goal is clear, namely, to get people who are able and available into jobs. But equally clear is the need for protection from exploitation. The Congress has for more than 30 years recognized the need to protect unemployment insurance recipients from exploitation. These safeguards are clearly defined in law. To omit these safeguards for the family assistance recipients is the clearest form of injustice.

These protections should be further strengthened by providing that a person who is referred to a job must be covered by the following protections: (1) that the wages payable for such job are at a rate not less than whichever of the following is the higher: (a) the rate prevailing for similar work in the locality, or (b) the minimum hourly rate established by section 6(a)(1) of the Fair Labor Standards Act; (2) that the hours or working conditions on such job are not less favorable than those prevailing for comparable work in the locality.

Without such minimal protection the AFL-CIO would be unable to support this bill. Therefore, we urge that they be written into the bill.

MANDATORY REQUIREMENT

The bill would continue mandatory work and training programs for welfare recipients. Whatever had been the hopes or expectations for WIN, its experience clearly indicates that it has been able to find jobs for only a fraction of those who have volunteered for the program. Its basic defect appears to be carried over in the Family Assistance Program for it too has no guarantee of meaningful jobs at decent pay for those who finish the training required. Both WIN and now FAP are based on a quicksand of assumptions that are completely contrary to the hard facts.

How can people be compelled to take jobs that aren't available, or take training programs that aren't yet functioning, or put their children in day care centers that haven't been built? A realistic program should provide people with adequate education, provide upgrading training where needed for the underemployed, make jobs available which pay at least the statutory minimum wage, make day care centers available for children of mothers who want to work and make decent health care available to everyone. But in no case should mothers with children in their care be forced out of the home into training or employment, although such opportunities on a voluntary basis should certainly be available to them.

NEED FOR LARGE-SCALE PUBLIC SERVICE EMPLOYMENT

The real guts of this program—and the only way employable people now receiving assistance can improve their lot—is through jobs. In the present high unemployment this is, to say the least, not an encouraging solution. Requiring people on public assistance to go to work is not a new thing—all State and local welfare programs require employable people to take available employment, as has the WIN program. The experience with these programs has told us several things.

One is the obvious need to make jobs available to people at the end of any training. The WIN experience has shown the inability of the private sector to make available enough decent jobs to those public assistance recipients who are anxious to obtain them. As long as the Federal government continues to rely only on the private sector to find jobs for everyone, including the hard core unemployed, the welfare rolls will continue to grow.

There are those who believe the answer lies solely in manpower training. While we believe in the importance and necessity of training to help the disadvantaged to achieve self-reliance, training in and of itself is not enough. It would compound the problem to give training and hope to the disadvantaged and then throw them back into the morass from which they came. This is what has happened under the WIN program. We must not make this mistake again.

A national economy that is growing rapidly enough to provide job opportunities for all persons who are able to work and seeking employment is basic to solving the problems of poverty in America's work-oriented society. With an expanded manpower training program, the vast majority of workers would then be employed in the normal channels of private and public employment.

For those who remain unemployed or underemployed, a large-scale federally financed public-service employment program is the only sound answer. Such a

program would not only create jobs but it would provide urgently needed public services in hospitals, schools, parks, recreation centers and other public and private non-profit facilities. When linked with training and guidance, a public service program should make it possible for workers to move up the career ladder. We wish to commend the several members of this Committee who have introduced amendments to make public service employment an important feature of the Family Assistance Program.

DIRECT FEDERAL PAYMENT TO EMPLOYERS AND HIDDEN TAX CREDITS

The thrust of the training activities is often aimed at "buying" low-wage jobs for workers who would have been able to obtain those jobs in any event. And the "success" in this effort to "buy" jobs has led to a steady stream of proposals which would have the government subsidize employers by either direct Federal payments or hidden subsidies in order to place unemployed workers into low-level jobs which do not require much training. There is no reason why the government should pick up these costs. It may be appropriate for the government to pay for unusual costs incurred in connection with the employment of those who are severely disadvantaged—the kind of costs which might be involved in connection with a wide range of supportive services, such as health, basic education and counseling.

There is abundant evidence that a glaring weakness in the present on-the-job training programs is exactly in this area—in the lack of supportive services. And since many of the jobs that are involved require only minimal occupational training—even for those with relatively little education—it is only reasonable to conclude that such programs are manpower programs in name only.

Public funds should not be used to reimburse employers for costs which previously had been considered a normal operating expense. There is a very real need to strengthen a wide variety of supportive services in order to move the severely disadvantaged into the job market successfully. Reimbursement to employers should be made only for what might be regarded as unusual expenses connected with hiring the disadvantaged, and only in cases where the worker is certified by a public agency—in accordance with criteria developed by the Department of Labor—as requiring such services to be employable.

Everyone agrees that day care is an indispensable adjunct to the employment and training of mothers—many of whom have demonstrated a desire to obtain decent-paying jobs. This Committee, the Congress, the present Administration and the past Administration have attempted to provide the mechanism and the means to achieve such care. Yet despite the undisputed need for vastly expanded day care services, only 94,000 children in the United States are receiving day care this year, and most of these are being cared for in someone else's home. The Administration's budget justification for fiscal 1971 states that almost half of the mothers registered in WIN will be unable to accept training because of an absence of day care.

DAY CARE

The Bill would provide day care for 450,000 children at a cost of \$858 a year per child. Assuming, which we do not, that facilities can somehow be found in the very near future for this number of children, we would question the quality of day care which will be provided in light of HEW's estimated cost of day care being \$2,000 a year. Moreover, even if this were accomplished, it would free a mere 150,000 mothers for training and employment.

Just as important as the money to pay for the operation of day care services is providing a mechanism to get the money to build a sufficient number of day care facilities. Consequently, day care services will continue to be unavailable.

We in the labor movement have been very close to many of the people who are potential users of day care. We hear daily of the frustrations of working people, who with more political influence, sophisticated assistance and money at their disposal than many of the poor, have nevertheless been unable to get needed day care.

Barriers which range from very complicated State plan requirements, strict State and local licensing laws and Federal requirements, have built a set of hurdles so high that they make the establishment of day care facilities all but impossible in many communities. The provisions contained in the very constructive and comprehensive Day Care bill which you have introduced, Mr. Chairman, would provide both the financial incentive and the elimination of some of the barriers preventing development of day care centers.

S. 4101 would establish a new Federal Child Care Corporation. Its function would be to make child care services available throughout the Nation. We applaud this new and innovative approach. We support the self-funding mechanism. S. 4101 fixes sound national standards which will provide adequate space, staffing, health and safety requirements, yet avoids the overly rigid requirements which have served as a barrier to obtaining day care.

If the guts of the workfare program is work, it must be recognized that a vital prerequisite is day care, and this can best be accomplished by adoption of S. 4101. Unless the commitment to the need for day care is coupled with an effective means to make it available, thousands of mothers who want training and employment will continue to be denied the opportunity to obtain it. For mothers, day care is literally the key to jobs. Therefore, we urge the Committee report favorably the provisions of S. 4101.

ADEQUACY OF PAYMENTS

The new Family Assistance Program must provide both adequate payments to unemployable people who can't work and adequate work incentives to those who can. The statement of the Executive Council of the AFL-CIO on Welfare Reform (attached to our statement) stressed these twin goals as follows:

"The AFL-CIO long opposed the former practice of reducing dollar-for-dollar payments to welfare recipients who were able to obtain jobs. We therefore welcomed the 1967 amendment which, though inadequately, instituted for the first time Federal participation in financing of work incentive payments. But incentives for those who can obtain jobs must not be used as an excuse to hold at subpoverty levels incomes of welfare recipients who cannot work. The proposals in S. 3433 would implement both concepts by improved work incentives for those who can work and benefit payments at not less than the poverty level to recipients who cannot work."

The AFL-CIO has long supported and repeatedly asked for a welfare program providing a Federal minimum payment at no less than the poverty level. This bill would freeze into law a level providing \$8.00 a week per recipient—less than the present national average payment of \$10.00.

When we testified in the House, this meager payment would have benefited people in only 10 States. Now it would benefit only those in 7 States, and in two of these by only \$2.00 a month. While we recognize that the Congress may not find it feasible to achieve adequate payments immediately, the Bill should provide minimum payments at no less than the poverty level to be achieved within three or four years.

In addition, the bill should provide for periodic adjustments in payment levels to reflect cost of living increases. The family assistance payment decreases monthly in terms of purchasing power. The \$8.00 weekly payment is already down to approximately \$7.50 in purchasing power.

When the Administration resumed its testimony on H.R. 16311, the Chairman pointed out several provisions in the amendments offered by the Administration adversely affecting the adequacy of payments provided the House-passed bill. One provision is the limitation placed on welfare payments in 22 States. In these States today, the welfare plan provides payments of less than the full need as defined in their statutes. The House bill protects welfare recipients in these States by assuring them that they will receive as much in welfare under the bill as they would under present law. Under the Administration's revision, however, the Secretary would set State welfare payments based on the level paid a family with no income. Thousands of welfare recipients could be cut off the rolls, and many thousands more could find their welfare payments reduced substantially.

The second major cutback proposed by the Administration is the treatment of the unemployed parent program. Whereas the House bill mandated that all States provide this now optional program, the Administration's proposal would eliminate Federal support in the 23 States where it now exists.

The Administration has assured welfare recipients that no one would be worse off than he presently is as a result of passage of the Family Assistance Plan. These two provisions should be restored.

ADMINISTRATION

H.R. 16311 provides that the Secretary of Health, Education and Welfare may enter into an agreement with a State to administer in whole or in part (1) its supplemental cash benefits to (a) families with dependent children and (b) persons in the adult categories; (2) its determination of eligibility for

medical assistance; (3) the distribution of its surplus food commodities, and (4) its food stamp program.

The Secretary may administer FAP or the Secretary may enter into an agreement whereby the State will administer the FAP program.

The various possibilities are almost unlimited.

This is a hodgepodge which is bound to lead to administrative confusion with the likely victims being those whom the program is intended to benefit.

On June 10 the White House issued a statement by the President on Welfare Reform.

In part the "Statement" reads as follows:

"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.

"BASIC PRINCIPLES"

"Administrative efficiency to earn the trust of the taxpayer.

"OTHER MAJOR CHANGES"

"Reducing areas of administrative discretion."

These are part of the President's objectives. We think they can be achieved only (1) if we remove the present inequities in benefits and eligibility and (2) bring about more nearly uniform and efficient administration.

The "past programs to aid the poor have failed." They were state and local programs. The time for federalization has come. It should be achieved as rapidly as administratively practicable.

FEDERAL SUPPLEMENT TO THE STATES

The bill now provides a Federal payment of 30% of the amount paid above the \$1600 Federal payment to those States providing supplemental benefits to families with dependent children. We support a full Federal program and urge this be done by providing periodic increases in the Federal portion of payments until they reach 100% by at least 1976.

UNEARNED INCOME

The Administration has proposed reducing dollar for dollar the amount a recipient can keep from unearned income, such as unemployment insurance, social security benefits and support payments. We feel that people who have earned the right to such payments should receive the benefits from them. We urge that at the very least the 50% disregard allowed in the House-passed bill should be restored.

SOCIAL SERVICES

The AFL-CIO endorses many of the concepts spelled out by the Administration in the proposed Title XX. We applaud the basic directions of first, a non-categorical service system and second, the separation of payments and services. Both of these principles are extremely significant and will set a solid groundwork for a new service system. However, there are some provisions of this proposed program which we cannot support.

Our first concern is the inadequate amounts authorized for appropriation. This represents a cutback in the Federal commitment to child care programs, as well as other social services. This cutback comes, paradoxically enough, at a time when the President himself has stressed early childhood programs and comes accompanied by a mandate to States to improve and expand their service programs to provide a "balance" of services. Few communities can afford to provide an adequate level of social services without sufficient Federal financial support.

The supportive services, those services rendered to support work and training activities would get 90% Federal matching, while other services to individuals and families will receive only 75% Federal matching. This disparity in Federal matching levels will certainly encourage States to move as fully as possible to provide work supported activities. We are not in any way opposed to this, but we are concerned that this emphasis may be at the expense of many other services needed, especially in such areas as voluntary family planning, homemaker services and other services related to family life. We urge that the 90% Federal matching apply to all programs under this bill.

Whereas the payments portion of the Family Assistance Act moves in the direction of a Federal program, the services amendment is a move in the opposite direction. We oppose the Federal government giving total oversight of programs that are supported by 90 percent Federal funds to the States. We are aware that individual services cannot be administered from Washington—but feel strongly that guidelines and priorities must be set on a national level.

As proposed by the Administration, sec. 2020, Title XX, would provide that Governors of States may submit a consolidated health, education and welfare plan to the Secretary of Health, Education, and Welfare; and, if the plan is approved, that with the exception of the Medicaid program or the cash assistance payments of the FAP program and the adult categories program, the Secretary of Health, Education, and Welfare may cut any funds allocated to a state either for education, for health, or for welfare twenty percent and agree to expand any particular program to a maximum of 150 percent.

While we approve of some measure of flexibility in state programs, we are opposed to extending such broad authority to two individuals. We feel that to grant such broad authority to transfer funds within the overall health, education, and welfare program is not in the national interest. We believe that the Executive and Legislative branches of the Federal government are in a better position to determine national priorities. In order to prevent the erosion of national priorities established by the Congress and the President, we urge the Committee to reject this provision proposed by the Administration.

EMPLOYEE SECURITY

Thousands of state and local government employees are presently employed in the administration of welfare programs. Many have devoted a lifetime to such work.

Because H.R. 16311 provides that the Secretary of Health, Education and Welfare may contract with the states to administer not only their cash programs but also medicaid eligibility distribution of surplus foods, and food stamps, it seems only fair and just that those employees who now administer these health and welfare programs to the needy be protected in their conditions of employment.

We, therefore, urge your Committee to fix affirmative guidelines for the Secretary of HEW when approving contracts transferring the administration of state and local health and welfare programs to the Federal government.

We think fair and just guidelines for the Secretary would include not only job rights but wages, hours, bargaining rights where they exist and other conditions of employment.

We recognize the wide variation among the states with regard to wages, hours and bargaining rights and other conditions of employment for their employees. Therefore, it will be necessary to give the Secretary broad discretionary powers in negotiating this area of the contract; however, we feel that the Congress should not abdicate its responsibility to indicate clearly its intent that state and local employees, when transferred, shall have rights no less than those they previously enjoyed.

TRAINING

Vitally important as training is for developing skills for the unskilled and upgrading skills, it can be abused. Therefore, FAP legislation should imply no authority for training which can be used to assist in relocating establishments from one area to another or for entering into arrangements for any training programs in the lower wage industries where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high. On the other hand we do not think that such a limitation on relocations should prohibit assistance to a business enterprise in founding a new branch if the Secretary of Labor should find that such assistance would not result in an increase in unemployment in the area of original location, unless he had reason to believe that such branch was being established with the intention of closing down its operations in the area of original location or in any other area where it conducted such operations.

In conclusion, Mr. Chairman, let me reemphasize our conviction that there is great and growing need for reforming, recasting and revitalizing the Public Welfare Program.

But nothing could be worse than to adopt, in the name of reform, a program that debases those it alleges to help or that will magnify the injustices,

inequities and insufficiencies of the present system—one that is really no system at all.

Instead, we need a program that is realistic and workable, that guarantees human dignity. We believe the recommendations we have made will achieve that kind of program.

STATEMENT BY THE AFL-CIO EXECUTIVE COUNCIL ON WELFARE REFORM, BAL HARBOUR, FLA., FEBRUARY 23, 1970

The Administration's proposal for welfare reform, though manifestly inadequate, has had the merit of focusing public attention on the glaring deficiencies of the present welfare system. The Administration should be credited for recognizing the need for a Federal minimum floor under what are often pitifully meager welfare payments and Federal eligibility standards, improvements the AFL-CIO has long advocated. It has also proposed an income floor of \$90 a month for public assistance recipients who are aged, disabled and blind, the so-called "adult categories." But the level of payments proposed by the Administration for families with children, \$1600 for a family of four, is grossly inadequate and other features of its plan are equally unacceptable.

It is essential that the whole area of public welfare be put in its proper perspective. No conceivable reform of welfare can solve all of America's domestic and social ills. Indeed, to pretend it can, makes correction of these ills impossible. Public welfare cannot assume the responsibility of providing education, health, jobs, housing and legal services, or eradicating racial discrimination, or supplying many other unfilled social needs. In fact, public welfare exists in part because of the failures in other areas to meet human needs.

Public welfare should have one basic purpose—to get cash into the hands of those unable to provide for themselves. Therefore there is just one valid criterion for both eligibility and the payment amount: need. But that need must be assessed realistically and humanely so that people forced to depend on public welfare can live in decency, as measured by acceptable standards in today's America.

The AFL-CIO long opposed the former practice of reducing dollar-for-dollar payments to welfare recipients who were able to obtain jobs. We therefore welcomed the 1967 amendment which, though inadequately, instituted for the first time federal participation in financing of work incentive payments. But incentives for those who can obtain jobs must not be used as an excuse to hold at sub-poverty levels incomes of welfare recipients who cannot work. The proposals in S. 3433 would implement both concepts by improved work incentives for those who can work and benefit payments at no less than the poverty level to recipients who cannot work.

The AFL-CIO is convinced that if public welfare is to adequately meet the need of poor Americans, it must be a federal welfare program, with adequate payments based on the sole criterion of need, and with federal financing and administration of welfare costs. In order that all needy people will be treated alike, it must eliminate the existing artificial categories which have resulted in inequitable treatment of some needy people and complete denial of assistance to others.

The Administration's proposal of a Federal minimum payment of \$1600 for a family of four would leave welfare recipients receiving it, mired far below the poverty line. The \$1600 represents less than half of the poverty level and will be even less adequate in 1972 when the plan is supposed to go into effect. Even with the addition of \$750 in food stamps that the Administration has recommended, such families would still have to eke out a living at approximately 40 percent below the poverty level.

The proposed payment level is so inadequate that less than 20 percent of present recipients of aid to families with dependent children (AFDC) would receive higher payments. Though present stipends average only \$10 per person per week, over 5 million would not benefit at all from the Administration's proposal. Moreover, since it fails to provide for periodic updating, payments might be held at present sub-poverty levels indefinitely while living costs continued to climb.

Since Federal financing above the \$1600 level would be discontinued, AFDC recipients now getting more than this amount might find their benefits cut. Increases would depend wholly on 100 percent financing from strapped state and local treasuries.

The Administration bill would continue mandatory work and training programs for welfare recipients. People cannot be forced into jobs that do not exist. They can't take training programs that aren't yet functioning or put their children in day care centers that haven't been built. America should provide people with adequate education, provide upgraded training where needed for the underemployed, make jobs available which pay at least the statutory minimum wage, make day care centers for children of mothers who want to work and make decent health care available to everyone.

A fundamental fallacy in the Administration's proposal is its fatalistic attitude toward the existence of the working poor. It was the AFL-CIO which first directed attention to the shameful fact that millions of Americans who work full time receive such low wages that they and their families are forced to live in poverty conditions. To correct such conditions, the labor movement has fought through the years to extend minimum wage coverage to all workers and to raise the minimum wage to a decent level. Today, that is, at the very least, \$2 an hour.

The Administration seems to have lost sight of one fundamental fact. Most poor families in America with an actual or potential breadwinner can be lifted from poverty if their wages are at a decent level. If this is done, only the incomes of large families in which there is only a single person working at the minimum wage would still be below the poverty level. But for the rest of the working poor—and there are millions of them—the simple solution for poverty is that employers be required to pay decent wages. For those who cannot obtain private employment, we need a large-scale public service employment program providing well-planned useful jobs paying at least the statutory minimum wage.

The Administration's proposal would require welfare recipients to accept "suitable" work or training as determined by the Labor Department. Only the old, sick, disabled, school children and mothers with children under 6 years of age would be exempt from this requirement. But no criteria are established as to what work or training is "suitable" or what wages must be paid on the jobs to which welfare recipients are referred.

Thus, despite some small improvements, we cannot support the Administration's welfare proposal. It would leave most recipients in poverty and could force many of them into dead-end jobs paying substandard wages.

Instead, the AFL-CIO calls for a bold new approach to public welfare geared to the needs and the potentialities of millions of poor Americans. The main features of such a program should be:

1. Provide uniform national standards of eligibility and payment amounts no lower than the poverty level. Payments should at least keep pace with living costs. This will require a federal welfare system.

2. Provide that employable welfare recipients, without children in their care, be able to participate in work or training, with suitability standards set by the existing time-tested criteria in the unemployment compensation system. There should be no referral to jobs paying substandard wages or in which a labor dispute exists.

3. Provide no hidden subsidies to substandard employers. S 3433 would maintain full welfare payments for recipients who refuse to take jobs paying less than the minimum wage. But this is not enough to assure that unconscionable employers will not exploit welfare recipients. There should be a flat prohibition of payments supplementing substandard wages so that if employers wish to employ welfare recipients, they will have to pay them at least the minimum wage.

4. Provide adequate day care services for mothers who wish to engage in training or employment. This will require sizeable Federal funds for training of personnel and construction of facilities. Appropriate Federal standards should be established for day care so that it will be an enriching experience for the children involved. In addition, other critical gaps in social services must be closed in foster care, adoptions, protective services for children, counselling and guidance and legal services for the poor.

5. Administer public welfare on a decent, humane basis recognizing that its participants are dependent disadvantaged Americans who deserve not further punishment but ungrudging help. Separation of social services from the payments machinery is one important way of meeting this objective.

In summary, the AFL-CIO calls for a federalized public welfare program with payments at no less than the poverty level. The proposals made in S. 3433 come closest to meeting the requirements for a compassionate and equitable welfare

program. For the recipients who can work, there must be available adequate training leading to suitable jobs at decent pay. For all other needy persons, adequate payment levels should be supplemented by a massive expansion of day care, health, counselling, rehabilitative and other supportive services.

In short, we call for a Federal welfare program that brings both security and dignity to its recipients.

LOCALES 600-601 PUERTO RICO,
Santurce, Puerto Rico, September 16, 1970.

Senator RUSSELL B. LONG,
Chairman, Finance Committee, U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR SIR: We want to join the presentation made by the AFL-CIO in the matter of the Family Assistance Program. We particularly want to underline our support of their proposal for including in the bill of a goal of minimum payments in all jurisdictions at no less than the poverty level. We view this as calling for the same standards for Puerto Rico as for the rest of the United States and we, therefore, fully support this proposal which recognizes the equal citizenship status for the Commonwealth of Puerto Rico as for the rest of the United States.

Very truly yours,

ALBERTO E. SANCHEZ,
Vice President, International Ladies Garment Workers Union.

AMALGAMATED CLOTHING WORKERS OF AMERICA—AFL-CIO, CLC,
Santurce, Puerto Rico, September 21, 1970.

Senator RUSSELL B. LONG,
Chairman, Finance Committee, U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR SIR: We want to join the presentation made by the AFL-CIO in the matter of the Family Assistance Program. We particularly want to underline our support of their proposal for including in the bill of a goal of minimum payments in all jurisdictions at no less than the poverty level.

We view this as calling for the same standards for Puerto Rico as for the rest of the United States and we, therefore, fully support this proposal which recognizes the equal citizenship status for the Commonwealth of Puerto Rico as for the rest of the United States.

Very truly yours,

MANUEL MENENDEZ,
Regional Director.

The CHAIRMAN. Now the next witness will be Mr. Whitney Young, Jr., executive director of the Urban League and president of the National Association of Social Workers, accompanied by Mr. Chauncey Alexander, executive director of the National Association of Social Workers.

Mr. Young, we are pleased to have you here today.

**STATEMENT OF WHITNEY YOUNG, JR., EXECUTIVE DIRECTOR,
URBAN LEAGUE, AND PRESIDENT, NATIONAL ASSOCIATION OF
SOCIAL WORKERS; ACCOMPANIED BY CHAUNCEY ALEXANDER,
EXECUTIVE DIRECTOR, NASW**

Mr. YOUNG. Thank you, Senator.

The CHAIRMAN. And also your associate, Mr. Alexander.

Mr. YOUNG. Senator, as we indicated, for the record and other members of the committee, my name is Whitney Young and I am executive director of the National Urban League and president of the National Association of Social Workers.

The CHAIRMAN. I would suggest that you skip over the part that tells about your organization. We are well aware of it.

As you know, we will print your entire statement just as if you read it.

Mr. YOUNG. Yes; we have tried to prepare a summary statement and you have both the summary statement and the larger testimony.

I can, I think, expedite time by skipping our credentials, as you suggest, and moving right into the substance of the statement.

The CHAIRMAN. We are working under a 10-minute limitation and if we are able to prevail upon organizations who have the large following that you have to limit themselves in their presentation in chief, then I think that the smaller organizations will not feel that they are being discriminated against when we ask them to hold themselves within the same limit.

Thank you.

Mr. YOUNG. It is very good judgment, Mr. Chairman.

We are convinced that the House bill H.R. 16311 and the administration's provisions for the Family Assistance Act will not bring about all of the needed changes and assurances of the equity of the recipients.

The legislation, however, does contain some concepts which we endorse as forward steps.

First, the idea of a basic floor of income as a Federal responsibility and the inclusion of Federal supplements to the working poor are both essential to a new and more just approach to welfare reform, and the separation of money payments from social services has a potential for improved operation of both delivery systems. In other words, we feel strongly that what is needed is not a reform of our present welfare program, but major repeal.

Beyond our approval, however, of these concepts, we believe major changes will have to be made in the language of this legislation before these ideas can become workable and before we can in completely good conscience give our unqualified support to the overall proposal for welfare reform.

Within the limited time allotted, we wish to set forth some of our concerns.

First, a primary concern is the matter of the adequacy of the benefit levels proposed in the bill. Sixteen hundred dollars for a family of four, with no other income, is simply too low. Even the President of the United States has acknowledged this. It is less than half of the Government's own standard of poverty as it is established and, in fact, puts Government in a position of giving an amount of money which officially puts people into a poverty level 50 percent below which they say is a poverty level.

Another concern has to do with lack of clarity in the proposed legislation: who is going to operate the program and how it is going to be administered? Our knowledge and experience with the present welfare system and, I might say, other systems such as the U.S. Employment Services and others, leaves little doubt that much of the inequity and injustices and failings are traceable to an administrative structure.

Third, we are concerned that the Family Assistance Act, which establishes a national family approach to the problems of income

maintenance, has become entangled with the provisions of dealing with manpower, workfare, child care and other social services.

Fourth, the controversy surrounding incentive also causes us some concern. To begin with, we question the need for incentives to entice people to work. When I say "we," I would like to make clear that those of us in the National Urban League and in the National Association of Social Workers probably as much as any group of people have this day-to-day contact with people who are poor, who are on welfare, who have need for services, and we have, we think, probably superior knowledge about their motivations and their incentives on the things that will lead them to work or to not work.

We think it is basically unnecessary to make this kind of means test.

Finally, we feel strongly the Family Assistance Act should be fully financed and administered by the Federal Government so that all components of the legislation can be administered equally in all States in terms of our concern.

We would like to propose two things:

First, we believe the Government's own mechanism can serve well to establish the principle of an adequate floor of income as contained in the Bureau of Labor Statistics Index; and, second, we believe a timetable to achieve this goal should be set for 1976 because we know it is technically feasible to reach the goal within that time span and because 1976 will mark the 200th anniversary of our forefathers' vow to achieve the right of liberty and life for all people. There are some additional recommendations which we would like to offer at this time.

Inasmuch as this legislation sets rigid limits on payments and supporting formula, we recommend that a provision be written into the bill establishing a new Joint Committee of Congress. This committee would have the responsibility for studying levels of recipient needs, utilizing all available cost indexes and making biennial recommendations to Congress for the adjustment of the Federal payment levels.

The committee should also be given a mandate to develop new poverty level standards and to seek the advice and consent of people receiving payments as well as representatives of national organizations. In this way we could keep current our efforts to adequately meet the financial and social needs of the poor.

Second, we strongly urge you to establish payments for each individual regardless of age and family membership at the upper levels of the current schedules and to raise them in the future, based on the rising cost of living. Many individuals such as childless couples are not now covered by the proposed bill.

Third, we are not unmindful of the need for development of employment opportunities, training programs and supporting services. Quality social services are the lifeblood of our two organizations, but it is our position that these matters are far better treated on their own merits in conformity with their importance.

We, therefore, strongly recommend the separation of child care and other social services from a bill in support of income maintenance. This would allow us to make a more careful, constructive and adequate response in developing social services reflective of local conditions.

In summary, Mr. Chairman, we believe the Family Assistance Act of 1970 contains some important concepts that could start this Nation on a new course in family income maintenance.

We think that such a course is imperative. The bill, however, has many provisions we believe to be ill-advised, the income floor is essential but it is too low to be realistic. The inclusion of the working poor is essential, but that group is not given equity without the categories of those in need.

The provisions for child care are essential, but all facilities are not available or provided for. The tax provisions for grants recipients are essential, but most of them are not required to pay taxes under the provisions of the Tax Reform Act of 1969.

The work-related exemption is essential, but it is a fixed sum with no provisions for adjustment.

We trust that the distinguished committee will report out a bill that is simple, equitable, and humane, and which will give this country a new concept for helping people in need.

There have been a couple of developments since this material was prepared, especially the Ribicoff amendment, which I understand the administration has gone along with and given support to.

We also feel that there is merit in it. We had the same reservations but we do feel that this trial period might well provide an opportunity for some of the inequities and the weaknesses in the bill that we foresee to be demonstrated.

Our major concern about the Ribicoff amendment is that it does not indicate a time element when the Secretary would in fact have to report back what he is doing about changes that are inevitable that should be made.

I might also add that based on some newspaper stories about attitudes of certain of the opponents of the bill as well as, I think sincere concern of proponents, and some of the questions that have been raised by the AFL-CIO representatives, our basic position on the question of work incentives start off on a little different philosophical base.

It has been our experience, the experience of history, that human beings who are necessarily psychologically or physiologically damaged prefer to work rather than be on assistance, if work is available with dignity and with wages that can support their families.

We do not think that people need to be forced to work by denying them welfare. Our experience is just the opposite. This does not mean that there might not be individual cases of chiseling, but again, our experience shows there is no more chiseling on the part of the poor who try to get welfare than there is on the part of the rich who try to evade some of their taxes. This is a human factor of life.

This bill should try to do more and that was our original thought, than just provide money for people; it is trying to rehabilitate people, it is trying to prevent broken homes, it is trying to strengthen the family life, it is trying to provide assistance with dignity, and to the extent that we build in these so-called work incentives from the standpoint of workfare or forcing people to apply, and again not being clear about what type of jobs they are applying for, we can end up with a Marion Anderson doing domestic work because it is not taken care of in the conditions of the bill.

Finally, we do believe strongly that what we are talking about should be interpreted as more as an investment rather than as an expenditure, and what we are dealing with are generations really of welfare programs that has perpetuated welfare generation after generation.

We are concerned that we are dealing with human potential that cannot only be salvaged, rehabilitated—that people are victims not only of illness, but they are victims of economic conditions of the country, technology, industrialization. This does not reflect so much a moral law as it reflects certain changing conditions in the country. That is why people are on welfare should not be treated punitively or vindictively. We should not approach them as if they are trying to avoid work, but approach them with the idea that they are human beings like we are and want to be self-supporting, with hopes and dreams for their families. Being poor should not be a crime in America in 1970. These people should be seen as victims.

In the final analysis, a large majority of people that we are talking about are unable to work anyway. There are children, there are disabled of one type or the other, and those who are able to work would like nothing better than to work.

I think this is the way we ought to approach it, with the thought in mind that the issue is not what can we afford to spend, but it is what can we afford not to spend.

What are we now spending for generations of perpetuating this kind of dependency, this kind of program that has destroyed family life. We can see these people rehabilitated as good citizens and produce taxpaying citizens rather than as eaters of taxes, if we give them enough time, and with dignity.

Thank you, Mr. Chairman.

The CHAIRMAN. Let me just give you one example in the House bill that came to us that did not make good sense, and get your reaction to it.

If a woman with a family of three children to support increased her earnings from \$5,000 up to \$5,362, how much would her income be today? Her total income—in cash and kind—would drop from \$6,991 to \$5,955. In other words, that person would have a reduction of more than \$1,000 as a result of having increased her earnings by, in that case, \$362.

Now, that of course is an isolated case. But, to that person who is trying to support three children on that amount of money; that is a tragedy. Would that not be so?

Mr. YOUNG. You know, Mr. Chairman, I am even more impressed by the Federal Government's Bureau of Labor Statistics' indication of what is adequate to support a family of four which now is hovering around \$6,000, than I am the so-called poverty level which is a rather arbitrarily established thing, and I would support a law that persons not be penalized for income coming in until they reached that actual level rather than talking about the poverty level.

I would agree that this would cause that person pause, knowing that she would lose this amount of money. I think that is natural with the family needs and with the cost of living being what it is, but I would not automatically assume, that that person would still not prefer to go the other route and continue to get welfare.

You know, I have a great faith in this business of the people not really wanting to be on welfare, and the thing that always amazes me is that anybody who is critical of the people on welfare, and claims that they are chiselers, if you ask them would they change places with

that person on welfare, I still have my first time to run into a person who would say, "I would swap places with her."

The CHAIRMAN. Here is what I am getting at, Mr. Young. In that case the mother is still on welfare.

Mr. YOUNG. That is right.

The CHAIRMAN. But, by the time, by dint of hard work, she makes \$362 more, she winds up \$1,000 worse off.

Mr. YOUNG. I say I would not reduce it; it varies. As you know, in New York City. The level is \$9,000, the Federal Government level for the country is \$6,000.

The CHAIRMAN. The point I am getting at is that a person should be better off because they work and earn something than they would be if they do not work.

Now, I just do not think we are doing a very good job up here if we draw laws where a person is worse off for earning money honestly than they would be if they just sat around and did nothing. Wouldn't you agree with that?

Mr. YOUNG. I think that is another problem that you are discussing. I think what is happening that people are worse off if they are working when the employer is paying below what he should be paying, and I do not think we should be subsidizing inefficient management to the detriment of the people.

Even if, as you said a few minutes ago, if it means subsidizing the employer, I do not believe—well, let me put it another way. I do believe if we again hold to the principle that a man on welfare should under no conditions make more than a person working, then what we, in effect, are ignoring is the issue of need.

It seems to me that the basic criteria by which we assist people ought to be need and not whether, in fact, they are employed in what might be a below minimum wage or substandard job. The pressure should be put upon the employer to see that does not happen. But to simply try to undercut always again assumes that that person is, in fact, seeking welfare more than they are work, and this is where I think we have a philosophical difference of opinion.

The CHAIRMAN. That is not what I am talking about. What I am talking about is people on welfare. We are not talking about what welfare ought to be; they are on welfare, and they are worse off when they are working than when they are not working. What is the point in that?

Wouldn't you agree that a person ought to have something to show for it over and above the welfare cut when he goes to work or do you think he should not?

Mr. YOUNG. I would think if he goes to work, as you suggest, even though he still remains on welfare, in the great American tradition he is on the road to getting an income that may be twice as high as he would be getting on welfare, and I think it is an incentive in itself.

The CHAIRMAN. Well, now, under this bill that we have before us, generally speaking, when a person is on welfare and he goes to work to increase his earnings, to try to work his way on up and to try to improve his conditions, he keeps about 20 cents of each dollar he makes. In other words, to phase out the welfare payments that he is getting, he suffers an 80-cent reduction for every dollar he makes. That is about the prevailing tax; I call it the welfare tax. It is the

welfare cut you are taking while you are trying to work your way up the ladder. It would seem to me not to be a very good incentive to reduce his overall income by 80 cents out of every dollar that he earns. What is your reaction to that?

Mr. YOUNG. I would like for Mr. Alexander to speak to that.

Mr. ALEXANDER. I think our position would be, Mr. Chairman, that the amount the person retains should be more, and we should eliminate the notch problem.

The CHAIRMAN. That, I think, should be our objective.

Now, what percentage of an ordinary working man's or working woman's wage do you think they should keep in order to provide an adequate incentive to go to work, if they have not worked before, and to try to improve their condition?

Mr. ALEXANDER. Well, it would seem to me we have to start at another level with that person, and that is that the person who has the opportunity for working should be in the position of getting a minimum wage; and that as they, if they are not at that point, if you have a problem of the people below the minimum wage, our problem is to develop on the other side the manpower opportunities and the employment opportunities for people.

I think we feel that part of the problem of this legislation is that it is attempting to do too many things, and if we could just deal with the adequate income maintenance of the people, and then not try to handle the whole matter of employment through this bill, and handle that in a separate way—that should be done. We are supporting the idea of Government intervention into the employment picture in order to guarantee wages. We are concerned with the total economy of the Nation.

The CHAIRMAN. I know you are concerned about all that, but it seems to me you have to be concerned about the rest of it, too.

As far as we are concerned, when we looked at the bill the House sent us, we were appalled to see in example after example of people trying to improve their situation, by winding up worse off than they would have been if they had not gone to work.

Now, as desirable as it is to provide that people would be assured of enough income and enough help to get by in some degree of decency, we would like to have the prospect that they could get themselves a job and improve their conditions and, hopefully, eventually work themselves up to where they would be a taxpayer rather than a tax eater and that, on balance, they would be supporting the Government rather than the Government supporting them.

What I was trying to get from you is some sort of an indication, if you have thought about that, as to about how much of a person's earnings he should be permitted to keep as an adequate incentive to go to work?

Mr. YOUNG. I think that amount that would give him the minimum standard of living, it seems to me.

I think this committee and the Senate are going to be hard-pressed to come up with a bill in which you could not cite individual incidents.

It think this will be overcome, but there will be cases of where people with large numbers of children will be making more money than some individuals who will be working at below minimum wage incomes.

But the minimum standard, it seems to me, of living, is what we ought to be shooting for and not whether that is less than some person or more than some person who happens to be working.

The CHAIRMAN. I am aware of a situation that occurred a few days ago. A woman was trying to persuade a person to go to work in her business. Now, the working conditions are desirable. There is air-conditioned comfort and it is not hard work. The wage is \$2 an hour, which is above the minimum wage, that is about the prevailing wage in the Washington area. This small business woman is very happy to think that she has persuaded someone to go to work, and she desperately needs someone to help with her operations.

Then the person calls back and says, "I am sorry but I have changed my mind; my social worker called me and said 'don't take the job.' I can make more on welfare."

Now, my thought about that matter is that we should not be using the welfare program to outbid an honest, legitimate, hard-working employer who works in his own business from obtaining some help to operate the business. It would be better if we would subsidize him to provide something to help this person who turned this job down, to improve that person's conditions by going to work rather than outbid the employer who has to pay taxes to support all of this, to prevent that person from finding someone to accept good, honorable, legitimate, pleasant, employment in good surroundings.

Mr. YOUNG. You know, Mr. Chairman, I think welfare clients are the victims of what people in all other categories are, whether they be Congressmen or Senators or what have you of those cases that depart from the norm, being singled out.

The 99 percent of the welfare clients or the social workers where this would not be the case is not used any more than the one Congressman or one Senator whose junket becomes news when 99 percent who are doing serious work is not news.

The elder woman who dies, and who has had old age assistance all her life, and they find \$10,000 in her mattress, is news. The mother who was found in a tavern with a welfare check buying beer is news. The 99 percent who take their checks and are barely able to buy milk and to buy the necessities of life is not news. I just think it is terribly unfair, whether we are talking about a category of the professional people or nonprofessional people, to in any way let our policies be influenced by these exceptions because I do not believe this type of thing is normal that you have suggested for the social worker who advised this or for the welfare client any more than I would believe it for what you might generalize about businessmen, about Congressmen, or anybody else.

The CHAIRMAN. Well, Mr. Young, all any of us can do, all you can do, and all I can do is to try to do the best we can for them, knowing what little we know, and so when you are looking at this bill, I would assume you would do something like I do. I try to picture the people I know, people who are on welfare and people who are not on welfare. I am well aware of the workingman who has 11 children, and he is making low wages and needs help, and I would like to benefit him with this bill.

I know of other people whose earnings we ought to try to increase. I know other people whom we have difficulty prevailing upon to go to

work. I am willing to help them, but I would like for them to do something to help themselves. And, as one working on this bill, it seems to me, we ought to cause the whole thing to make sense, not just part of it. That is what we are going to do in this committee, to try to fix what we find wrong. We are going to try to do something more than just find fault with the House bill. We are going to try to improve on it and correct it.

That is why I am asking you what sort of incentive you think we need to make the job meaningful.

Mr. ALEXANDER. Mr. Chairman, I think we are agreeing in principle with you on this.

We are concerned, however, with some of the thrust of this bill and its attitude toward the poor. But, on the principle that certainly a person who is working or has an opportunity to work should be encouraged, both financially and otherwise in that direction, I think we are together on that.

We would think that, generally, to start with the work tax should not be greater than about 50 percent. But we would like to research the details because there are variations in this bill of the possibilities, and we certainly will come back with specific recommendations. But, in general, it would be that the work tax should not be greater than 50 percent.

The CHAIRMAN. Well, now, when the Secretary of Health, Education, and Welfare, was up here testifying on his confirmation, was asked that question, and here is the answer he gave. He said:

It seems to me that you should not take from a person more than 50 percent of what he is earning. If you do take more than that there is just not much incentive for a person to work. It is a very discouraging thing.

Do you agree with that, Mr. Young?

Mr. YOUNG. Yes; I agree with it.

The CHAIRMAN. Fine.

Senator HARRIS.

Senator HARRIS. Thank you, Mr. Chairman. Thank you, gentlemen, for a very good statement.

We were talking a while ago about requiring work: that ties in exactly with your statement, Mr. Young, about the myth that poor people somehow are different from the rest of us and do not want to work. We are almost schizophrenic, I think, in this country with regard to our idea of the work ethic.

We say that it is typical of Americans, and the work ethic is what built this country, and so forth, and, then, when we start to write our welfare laws we tend to indicate we do not believe that at all. We seem to believe that if people are made to work they won't do it. I agree with you that if people are not psychologically or physically handicapped they would like to work.

All this ties in with the free enterprise idea and the operative word is "required."

If there is a great mass of millions of people in this country required by law to take a job without some kind of qualifying conditions about the type of job, the market really cannot operate freely to determine what they will be paid, but the employer will know that he has a chance at those people, at whatever wage he can get by with. Is that not correct?

Mr. Young. This is correct.

The experience has also shown, Senator Harris, that the more restrictive the tests that you impose, the more you suggest that a person in trying to avoid work; what you really end up doing is discouraging those that welfare is most likely to help, those with the greater pride and greater sense of dignity who won't permit themselves to be demeaned in this way, and you simply encourage those who have lost all sense of pride and dignity to figure out some way to get it.

The very people you have tried to help, and who could be—by giving help, are lost, and pretty soon they also lose their dignity.

Senator HARRIS. There is so much in this bill, as you have indicated, one wishes somehow we could split it apart. But I suppose that is a vain hope. For example, we have focused so little, because of so many others things in this bill on the social services proposal. And I think that the point you made about the confusing nature of how that is going to be carried out. The problems, particularly in regard to the incomes test or the means test, again seems to be getting away from what we had in mind when we said we needed to separate social services from welfare.

Could you comment some more on that?

Mr. Young. Well, this is precisely one of our major concerns. We think there is merit in each of these: child care, manpower, and other provisions. We just do not think we ought to be confusing the two together.

One of the reasons we have had such a great problem with welfare in this country is that workers who are supposed to, in fact, be employed and qualified to provide counseling and rehabilitative services were burdened with the kind of bookkeeping tasks of establishing eligibility, tracing the possible relatives around, coming in to see whether there was a man in the house, so the real social services are an entirely different concept. They are necessary and needed, but to tie these two things together is to again put the worker back in the situation of not being able to perform this type of service that is necessary.

We need a manpower bill in this country, whether we talk about welfare or not, because of the right to work, the people ought not to be idled in an economy of this kind. If Germany and Japan can have full employment, mainly because of our help, then certainly we in this country ought to have full employment, and that ought to be a major goal whether we are talking about welfare or not. That is manpower.

Child care is crucial. Not that we just have a woman's lib or woman's liberation movement which says women ought to have options about working, but child care is absolutely necessary in a society where 40 percent of the women do work, and children need care because of that. But women should not be forced to work, women who have children, or you will have five of the kids on welfare, where if you kept the mother at home none of them would have ended up on welfare.

So, I think these things ought to be separated. I understand, for political reasons, why they should be together. But, a committee as astute as this committee ought to help educate the public that these are different things. In a Western industrial society these things ought not to be thrown together.

Senator HARRIS. One last question, Mr. Young: one morning not so long ago on the NBC "Today Show" I saw Pat Moynihan inter-

viewed—you may have seen it also since you were on the same program earlier, he in Washington and you in New York. The question asked Mr. Moynihan was something like this:

“Mr. Moynihan, you have said certain groups that ought to be supporting the family assistance plan are not doing so. Who did you have in mind?”

He answered something like, “Well, the Urban League, for example.” Then he continued to the effect, “I can understand that.” “They have done excellent work in the field of social work. But, “Social workers are against this bill generally”—I am paraphrasing him, of course—he said, “Because it is going to put them out of a job. They like to give the poor advice and this bill gives the poor money, and they are against the bill because this bill attempts to give the poor money.”

I thought that was terribly unfair in general and about the Urban League, specifically. You would hope that a man like Pat Moynihan would not really believe that himself. Perhaps it was a tactical or political move on his part. I wonder if you might want to respond to that for the record.

Mr. YOUNG. I would like very much to because we were most indignant. It was a distortion of the facts.

The truth of the matter is that a number of organizations, including the National Association of Social Workers and the Urban League have testified in support of the bill, the bill that came from the Ways and Means Committee. We did support it. We, however, stated some of our reservations about the bill.

But the suggestion that social workers were against and greatly disapproved the reform of our welfare program because it might jeopardize their jobs is, to me, irresponsible. Mr. Moynihan is much too intelligent a fellow to be that ill-informed, so it could only be considered as malicious and political and an attempt to possibly divert the attention away from the people who are really opposing this bill, some of whom are in the party of the administration which, in fact, has introduced the bill.

I think that was an attempt to divert. It is much easier to do that, but fortunately, the reporter picked him back up on it, and I do recall him saying I was, as I recall, an honorable and very important man in the country.

Senator HARRIS. Thank you very much, Mr. Young. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. Mr. Young, you make a statement that \$1,600 for a family of four with no other income is simply not enough. With that we all agree, but there is no such situation where this obtains because that is the basic level, as the bill provides, to be supplemented by a State supplement, by food stamps, by social services, by public housing if and when it is available, and by rent supplement. Yet you say it is not enough, and standing alone, of course, it would not be enough. So, if we were to rewrite this bill, tell us what should be substituted in the bill for this figure that says \$1,600.

Mr. YOUNG. First of all, recognizing that there are the supplementary benefits, but as you must also recognize, most States are already above this level and already have these supplementary benefits.

We are talking about rewriting the welfare program. So this bill really lends itself to continued variations. Forty-four States are already above it.

I personally would not use food stamps. I would much prefer instead of saying \$1,600 plus \$800 or \$700 worth of food stamps to make it \$2,400.

I would prefer that social services be included in another bill. This \$1,600 is supposed to represent a basic income maintenance floor, and income is what it does not actually adequately represent.

I would, you know, if I had the ideal situation, like to see this bill at least set at the poverty level. I would certainly expect us to move into that by 1976. I would expect us to move even closer to what the Federal Government says is adequate for a family of four, which is around \$6,000.

I would like to see this committee, Senator Jordan, really do something about looking at what we are spending in this country for not providing adequate welfare services.

We keep talking about how much more we will spend and we forget what we are spending now and what is escalating in most of our urban communities.

This is becoming the largest expenditure of funds.

Senator JORDAN. Just answer my question: What would you recommend as a substitute for \$1,600.

Mr. YOUNG. Ideally \$6,000. I realize that is a little unrealistic.

Senator JORDAN. You would substitute \$6,000 for the \$1,600—

Mr. YOUNG. Ideally.

Senator JORDAN (continuing). In the bill.

Mr. YOUNG. If I were actually trying to do what the Federal Government says is necessary for a family of four. I recognize the economics of it, and I would settle for the poverty level.

The Federal Government says there is a Federal poverty level. I would eliminate food stamps; I would separate the social services, and health services, so we cut down on those in another department, and I would move toward the adequate amount by 1976.

Senator JORDAN. You would start with the poverty level of around \$3,920 or whatever it is?

Mr. YOUNG. Yes; whatever it is.

Senator JORDAN. And escalate it to \$6,000 by 1976?

Mr. YOUNG. Well, the cost of living, whatever the Federal Government has declared is the increased cost of living and what it requires for a family of four.

In other words, I would not want our Government to be in the position of saying for a family of four to live at an adequate level is a certain amount, and then be a party to giving them one-fourth or one-half of it. There is an inconsistency there. You say this is what it takes, but we are not going to do it.

Senator JORDAN. Thank you. I do not have any more questions.

Senator HARRIS (presiding). Thank you very much, Mr. Young and Mr. Alexander.

Mr. YOUNG. Thank you.

(Mr. YOUNG's prepared statement follows:)

TESTIMONY OF WHITNEY M. YOUNG, JR., NATIONAL URBAN LEAGUE, AND CHAUNCEY ALEXANDER, NATIONAL ASSOCIATION OF SOCIAL WORKERS

Mr. Chairman and members of the Committee, my name is Whitney M. Young, Jr. I am the Executive Director of the National Urban League and President of the National Association of Social Workers. With me today is Chauncey Alexander, Executive Director of the National Association of Social Workers.

The National Urban League is a non-profit, charitable and educational organization founded in 1910 to secure equal opportunities for black Americans. Its scope has since been enlarged to include all minority group members and poor and disadvantaged Americans wherever they may be, but our emphasis is on the unfulfilled needs of black people in urban areas. The National Urban League is non-partisan and interracial in its leadership and staff. It has affiliates in more than 97 cities and in 36 states and the District of Columbia. It maintains a national headquarters in New York City, regional offices in Akron, Atlanta, Los Angeles, New York and St. Louis. Our Department of Research and a Washington Bureau are located in Washington, D.C.

A professional staff of about 1600, trained in the social sciences and in social welfare practices, conducts the day-to-day activities of the Urban League throughout the country. It is assisted by some 10,000 volunteers who bring expert knowledge and experience to the resolution of problems affecting minority groups and the inner cities.

The National Association of Social Workers is a professional organization of more than 50,000 members with representatives from every state in the Union and with chapters in most major cities in the United States.

NASW members are involved in the administration of every title of the Social Security Act. Its leadership and members have long sought to eliminate the causes of the major social problems in this country and they work directly to assist those of our citizens in need.

We are grateful for the Committee's invitation to testify today and welcome this opportunity to share with the Committee the position of the National Urban League and the National Association of Social Workers on the Administration's revision of the Family Assistance Act of 1970 (H.R. 16311) and related amendments now before you.

Mr. Chairman, both of the organizations which we represent have had extensive experience with the operation of the present public welfare programs and know better than most the injustices and inequities it contains. We believe that the nation has passed the point when piecemeal reform of the welfare system can succeed. We need, in effect, repeal of the welfare system.

The Administration's revisions of the Family Assistance Act will not as written bring either the necessary changes in the welfare system or the assurance of equity to the recipients.

This Bill does contain some concepts which we can endorse as forward steps. The idea of a basic floor of income as a Federal responsibility and the inclusion of Federal supplements to the "working poor" are both essential to a new and more just approach. Also the separation of money payments from the providing of social services has the potential for improved operation of both delivery systems. But beyond our approval of these concepts we believe that major changes will have to be made in the language of H.R. 16311 before these ideas can become workable and before we can in good conscience give our unqualified support.

First, is the matter of the adequacy of the benefit level. Sixteen-hundred dollars for a family of four with no other income is simply not enough. The President himself has acknowledged this. It is less than half of the Government's own identification of what constitutes poverty. Without an adequate floor there is nothing equitable about this proposal.

While we do not wish to place a specific figure on the level of grant that should be established by the Federal Government, it is fruitless to set one at less than what it costs a family to live at a standard of health and decency. We believe the Family Assistance Act of 1970 should plainly state what this country sets as an adequate level of income and then further establish in law a timetable to achieve this goal.

In this regard we propose two things. First, we believe the Government's own present mechanism can serve well to establish the principle of an adequate floor of income by use of the moderate budget as contained in the Bureau of Labor Statistics index. Secondly, we believe the timetable to achieve this goal should be fixed at 1976, the 200th anniversary of the Republic. This would be a fulfillment of our forefathers' vow to achieve the right of life and liberty for all people.

We know that it is technically feasible to achieve the goal within this time span.

Inasmuch as this legislation sets rigid limits on payments and supporting formulae, we would further urge that a provision be written into the bill establishing and financing a new Joint Committee of Congress with the responsibility for studying levels of recipient need, utilizing *all* available cost indexes in the process, and making biennial recommendations to Congress for the adjustment of Federal payment levels. Provision should further be made for the proposed Joint Committee to seek the advice and counsel of people receiving payments as well as representatives of national organizations. The Committee should also be given a mandate to develop new poverty level standards. In this way we could keep current our efforts to adequately meet the financial and social needs of the poor.

We also call your attention to the adult categories contained in Title II of this bill. Here a federally supported floor of income is provided at a level of \$110.00 *per month* for *one* aged person and although we believe this is not enough still it stands in marked contrast to the \$25.00 *per month* for a child. How can these families feel anything but short-changed by such an inequity and variation in treatment and how can we justify such discriminatory treatment of children? According to recent estimates of the Agricultural Research Service (covering all regions, urban and rural), the annual cost of raising a child at the lower-than-moderate level of living is about \$1,000 in babyhood and almost \$1,500 in the teens.

Under the provisions of H.R. 16311, which is advertised as treating all the poor alike and to be especially tailored to the needs of families, an aged person is assured a minimum of \$1,320 a year without working, a sum close to the Bureau of Labor Statistics lower budget standard of about \$1,500. By contrast, a family of four with an employed father earning \$2,000 a year would receive \$900 above his earning for a total of \$2,900 for the family, or \$740 for each member of the family. This is not only far below the allowance for an aged person, but less than half the BLS's lower budget of \$3,567 for a family of four. Considering this, how can we seriously accept the claim that this is a "family bill?" I am reminded of the bread commercial showing children growing by leaps and bounds before one's eyes; a commercial stressing the fact that children get 90 per cent of their growth between the ages of three and twelve and their critical need for adequate nutrition. We know the ravages of under-nourishment in both physical and mental development. Our children are the future of our nation. There is an obvious need for a Federalized program with general assistance provisions to help individuals not now covered by the bill such as childless couples.

In short, we would strongly urge you to establish payments now for each individual, regardless of age and family membership, at the upper levels of present schedules and to raise them, in the future, on a scale based on the cost of living.

Mr. Chairman, the next major concern we have is in the lack of clarity in the administration of the Family Assistance Act; who is going to run this program and how will it be run? Our knowledge and experience with the present welfare system leaves little doubt that most of the inequities, injustices and failings are traceable to the administrative structure.

Although the intention of the drafters of the FAP bill seems to favor a Federal administration, the language does not make this a certainty. It does in fact contain the possibility that the present three-tier form of administration will be continued but with more money and greater chance of abuse.

Our organizations believe that the Federal government's full assumption of financial and administrative responsibility for the program is the only way to insure even-handed administration throughout the country, the only way to create uniform standards. The present welfare system has shown its most singular failing in its administrative procedures. Any plan that fails to simplify and improve them will do the nation a profound disservice and will maintain and intensify the current crisis in social welfare.

Our third point of concern is that the Family Assistance Act which establishes a basic national approach to the problem of income maintenance has become entangled with provisions dealing with manpower, "workfare", child care and other social services.

Our organizations are in accord in believing that the provisions of H.R. 16311 establishing and governing an income floor should be treated alone, in separate legislation. An unencumbered bill would permit us to relate to the major subject at hand, clearly and without confusion.

We are in no way unmindful of the need to develop employment opportunities, training programs, and supportive services. Quality social services are the lifeblood of our two organizations, but it is our position that these matters are far better treated on their own merits in conformity with their importance as such. The separation of the child care and other social services from a bill in support of income maintenance would allow us to make available a more carefully constructed and adequate response in developing social services reflective of local conditions. We would, therefore, strongly urge that in the process of further revision, H.R. 16311 be divided into its major components and that each be legislatively dealt with on its own terms.

A fourth major concern that we bring to your attention is the question of "incentives." We question the need for incentives to induce people to work. We have already noted the inadequacy of the \$1,600.00 floor and according to the figures presented to you by the Secretary of Health, Education, and Welfare the Administration has no plans to upgrade this. For example, the \$720 exemption for work-related expenses allowed within this bill is a welcome provision, acknowledging as it does that it costs money to go to work. The \$720, however, is derived from the Standard Budget of the Department of Labor in which costs are frozen on basic items which have, in fact, increased. The items allowed for here are, essentially, transportation, additional clothing, and food away from home. Increases in the costs of these items in the last year have risen substantially so that, even now, the lump sum expended would be closer to \$800 than to \$720. In short, we are proposing that such figures not be considered static, but flexible, and that the proposed Joint Committee be responsible for recommending need adjustments.

An example of another kind of incentive in this bill is seen in the differential levels of support for working poor. In principle, the inclusion of the working poor is not only welcome, but essential. The formal recognition that having a full time job in this country doesn't guarantee a living wage is a major step forward both within the framework of social legislation and the life of the nation. But in both this bill and the previous version, the working poor, while included, are not treated on a par with other recipients. They are entitled to the Federal grant, but states are not reimbursed for supplementation for the working poor and there is no incentive for them to support the program. There is no adequate rationale for this differential treatment. The working poor are, by definition, those who work full time and still remain poor. It is essential that they be treated on a par with other recipients, receiving the same benefits on the same terms.

We cannot escape the fact (and the poor cannot escape the reality) that despite a prolonged period of continuous economic growth we still have more than 24.3 million people living in poverty, the bulk of them in families in which the head is clearly classifiable as the working poor.

Equally serious is the regression in the present version eliminating Federal reimbursement for state supplementation to the unemployed male parent.

The President in his original message on the Family Assistance Plan noted that one of the most insidious aspects of the Welfare System has been to drive the father from the home to make his family eligible for payments. The Administration version and the House passed bill made state supplementation of the unemployed parent mandatory on all states. The revised plan makes matters much worse than they are today, under present law which provides for the unemployed father as a state option.

HEW Secretary Elliot Richardson, in testimony before this Committee, indicated that he would offer an amendment that would develop a plan that would continue state supplementation for those families currently receiving it. However, no new families with unemployed male heads would be eligible. This "grandfather" clause is unjust and is possibly unconstitutional.

The most misplaced emphasis on incentives in the entire Family Assistance Act is centered on those provisions dealing with work.

It is folly, and dangerous folly, to perpetuate the myth that the poor must be forced to work and it is worse to convert the myth into precepts upon which reasonable men must legislate.

In accord with the philosophy of "workfare," it is proposed that everyone, with the sole exception of female family heads with preschool age children, but including 16-year-olds out of school, must register for work or work training regardless of all other considerations.

Proponents of this school of thought hold that a woman with school age children should have no freedom of choice in the matter of work although this judgement is made, free of coercion, by millions of other women throughout the nation. Again, this outlook rests upon a frightful judgement about the character and characteristics of the poor, that they are somehow different from the rest of us, that they require different and special measures for the regulation of their lives as part from the rest of us. Compulsory work provisions wedded to an income guarantee are, purely and simply, punitive, censorious, moralistic and inconsistent with the facts.

Moreover, under the "suitable work" provisions there is in truth no choice of work. If work is available, the person is required to take it. If the job available is not appropriate to the skills of the person, this becomes forced labor. Benign neglect would have been preferable to this. May I say that we view this proposition with benign revulsion. A further underlying assumption would appear to be that a 16-year-old out of school from a poor family has no need for special programs geared to his or her further education. Who has more need for it?

Mr. Chairman, the facts of the matter are these; the majority of the poor do work. When opportunities for a decent job at decent pay are available the poor eagerly apply in great numbers. Rather than spend great sums on the terms and punishments for failure to work the better course is to discard this stick and generously supply the carrot of an assured job at a livable pay. This society has work to be done, lots of it, much in the public sector such as caring for the elderly, the retarded, children, in preserving our environment and conserving our resources. We don't need "workfare" when we have ample, fair, and good work to be done. This kind of provision should be incorporated in a comprehensive manpower policy.

In short, we are thoroughly opposed to the inclusion of manpower provisions within a measure for income maintenance and recommend that the two be severed. If they must be joined and if there must be a work registration feature, then we strongly urge you to make the initial age 18, with special programs for out of school youth.

As noted earlier, we are not insensitive to manpower and training needs but we hold that the issue of an income guarantee should not be confused with either the regulation of work or the training of people for the labor market. Parenthetically, with jobs declining, this phase of the bill couldn't be successfully fulfilled even if enacted.

We do not minimize the importance of manpower policy, but rather insist that manpower considerations are best treated in the context of a comprehensive manpower policy designed to make the widest use of the contribution and potential of each of our citizens to the fullest of his or her ability. The key in any measure for income maintenance must be opportunity, not employment and training measures designed to coerce those who merit, not punishment, but generous and warm-hearted assistance.

To treat the bill as it now stands we find that the revised bill has far more objectionable features than the earlier version about which we had serious reservations. In broad terms, we find the bill laden with provisions and procedures which cannot fail to produce serious inequities in administration and application. We believe that it is punitive in many of its provisions, and grossly unrealistic in terms of support levels.

The addition in the revision of the social services section, Title XX, is of course of great interest to us. Again, as said before, we prefer separate legislation, but since we deal daily with social workers, we feel obliged to offer some comments.

The bill defines an adequate array of services and then provides no assurances that they will all be adequately available. The intention is obviously to reach people where they are and then the bill provides no structure to achieve this. The bill erects a means tests for services and a welter of funding formulae, all of which lead us right back to the inequities and bureaucratic quagmire which the separation of services is supposed to remedy.

A range of personnel and the necessary training programs to assure quality and standards of performance are also lacking and the financing would not even serve present caseloads, not to mention the tens of thousands who would be added by the potential for broadened coverage.

In those portions of the bill dealing with funds available for education, training, or staff development necessary to insure the capacity to provide and improve services, there is a lack of clarity and specificity as to amounts or allocations

for the range of education and training programs required. The funds for all levels of education must be assured for proper planning and program development, hence the necessity for adequate amounts, clearly identifiable.

The social services portion as written would be a horror to administer and would keep the localities in such a state of political pressure and struggle that all service programs would suffer. Therefore, we favor severing the social services provisions now appended as Title XX. Joining the two belies separation of services from payments. It serves to perpetuate the myth that services can substitute for income.

We believe that social services should be universally available to everyone regardless of income. Those who can pay, should pay, but the services should come from the same source. Services geared to the poor are inevitably poor services when they should be of a quality to meet the needs of the wealthiest person in the country. When, however, services are tied to the level of income, as here, it necessarily results in duplicate and unequal services. By contrast, I would cite services for crippled children, which usually come from one source, regardless of the income of the child's family, and Children's Hospital, here in Washington, D.C., which functions the same way.

It has been asserted that the \$800 million sought in support of the social services in Title XX represents a major increase, but when the \$261 million earmarked for special purposes are deducted, the total left for services (\$539 million) comes to less than funds for services for fiscal 1970. As a result, the bill stipulates a net constriction of services. Given the appropriations process, it is doubtful that even the aforementioned sum will be forthcoming. In addition, the bill stipulates closed-end financing as opposed to present arrangements whereby the Federal government matches state monies without limitation. This latter arrangement allows for flexibility, making it possible to meet needs on a flexible schedule wherever they arise.

While services are not stipulated in the bill, those indicated represent a narrow range, therapeutic and remedial in kind rather than preventive and developmental. Decentralization of services is worthwhile, but provisions for discretionary funds at the statehouse level, the designation of prime sponsors in cities over 250,000 and other provisions which may logically serve to fragment any balanced plan, or any attempt to establish a balanced plan, give rise to alarm. The multiplicity of plans mandated is likely to mean chaos in many states and we are concerned about the discretionary use of funds in states whose records for serving the poor and the black are marginal and disheartening. It can be said with certainty that unless the legislation clearly specifies what "balance" of services are to be provided, we will not get "balanced" plans in those states. A strong public social service program must form the basis for any social services delivery system. This might be combined with purchase of services from other sources. However, the purchase of services must be controlled by guidelines or standards.

Title XX purports to separate income and services but at the same time specifies services in support of manpower training (reimbursed at the 90 per cent level, whereas all other services are reimbursed at the 75 per cent level), and, while failing to specify the full spectrum of services, it does specify day care to enable mothers to go to work, another manpower device.

The only identifiable paid personnel in providing services are to be the poor themselves, supported by unpaid volunteers. We welcome this participation on the part of the poor and the interest and usefulness of volunteers, but to be effective both will need the help of professionals in the field and the recognition that a wide range of qualified professional skills is required in helping people is specifically absent.

In short, not only do we believe that the social services section should be severed from the present bill but we would hope for a far more compassionate, humane and functional social services proposal, one that is generously and professionally conceived for maximum human development, adequately funded and

administered on terms that guarantee equitable conduct of the program throughout all jurisdictions.

In summary, our position on H.R. 16311, The Family Assistance Act of 1970, is that we believe it does contain some important concepts that could start this Nation on a new course in family income maintenance. We think that such a change is imperative. However, the bill, as a whole, has many provisions we believe to be ill-advised. It is salted with others which can only be categorized as "yes-buts."

The income floor is essential, but it is too low to be realistic. The inclusion of the working poor is also essential, but Federal benefits are not mandated. We believe that full Federal administration and financing are the only way to insure equity from state to state.

The provisions for child care are to be approved in principle, but actual facilities are not available or provided for. The work related exemption is good, but it is a fixed sum and there is no present provision for adjusting it. And so forth throughout the entirety of the document.

Proposals for intensified investigations, work registration requirements, establishing paternity, and the Federal prosecution of absent fathers whose families are receiving assistance are both *more* punitive than present measures and administratively more costly. In addition, the vagueness of the language and the failure to provide answers for some of the questions raised, leaves the bill wide open to even more punitive and arbitrary interpretation than now exists.

Throughout this legislation there is the relentless implication that the poor are shiftless, lazy, worthless and irresponsible, particularly toward each other, when, in truth, the poor are lacking in money. Such attitudes and assumptions are regressive and will not contribute to solutions in the present desperate crisis in public welfare or the social crisis that will emerge if this crisis goes unresolved. It does not help to codify inequities or make harsh, not to say brutal, assumptions about the poor.

We need to take progressive, not regressive action. We need legislation that is based on sound and realistic assumptions. In large part, H.R. 16311 rests on a web of vengeful fantasies which can only compound our problems the further they deviate from reality. Pejorative attitudes and categorical distinctions must be eliminated and a uniform program established which is simple, dignified and easily administered in order to get the best results at the least cost.

Finally, we are committed to the concept of an income floor and Federal benefits for the working poor and the unemployed parent. We are opposed to the perpetuation of categorical distinction among people equally in need and any proliferation of differentials. We favor a simple affidavit procedure for determining need and we are opposed to all punitive provisions and pejorative assumptions about the poor.

The sentiment which blames people for their poverty and denies them the means to escape it while giving money to others, considered more deserving, largely because they are *not* poor, is a pathology from which the American social and political economy must escape. The most important goal of any government is the welfare of its people.

We are very hopeful that this Committee will, because of your extensive hearings, the increased public debate, and the sharpening of issues, present a bill that is simple, equitable and humane, and which will give this country the new start in helping people in need of money and in need of services. The hour calls for thoughtful and decisive action and we look to you now for it.

Thank you, Mr. Chairman.

Senator HARRIS. Our next witness is Mr. John E. Cosgrove, director, department of social development, U.S. Catholic Conference.

Mr. Cosgrove, why don't you begin by introducing your associates, and stating who they represent. Then we will be pleased to hear from you.

STATEMENT OF JOHN E. COSGROVE, DIRECTOR, DEPARTMENT OF SOCIAL DEVELOPMENT, U.S. CATHOLIC CONFERENCE; ACCOMPANIED BY DAVID M. ACKERMAN, STAFF ASSOCIATE, WASHINGTON OFFICE, NATIONAL COUNCIL OF CHURCHES; AND RABBI RICHARD HIRSCH, DIRECTOR, RELIGIOUS ACTION CENTER, UNION OF AMERICAN HEBREW CONGREGATIONS FOR THE SYNAGOGUE COUNCIL OF AMERICA

Mr. COSGROVE. Thank you, Mr. Chairman.

I am accompanied in this testimony by Rabbi Richard Hirsch on my left, representing the Synagogue Council of America; and by David Ackerman, on my right, representing the National Council of Churches.

I am with the U.S. Catholic Conference.

May I first say we appreciate the opportunity to testify before this committee on this extremely important legislation.

Mr. Chairman and members of the committee, the U.S. Catholic Conference, the National Council of Churches, and the Synagogue of America strongly support H.R. 16311, the family assistance plan. We support it because it recognizes the value of the family unit to society and recognizes the present program of Aid to Families with Dependent Children (AFDC) as chaotic and wholly inadequate.

The chief weaknesses of the present system are known and widely understood. We believe these weaknesses include (1) the inadequate benefit levels that perpetuate poverty; (2) the fact that half the States do not have the unemployed fathers' program; and (3) the lack of a supplement to the income of the working poor.

The proposed family assistance plan will provide a nationwide federally guaranteed minimum benefit and will help the working poor. It would be a step toward a fully Federal program, which deserves careful consideration as a goal—though not of such priority, we think, as to be allowed to endanger the present proposal.

Because of the important new dimensions of the proposal, it is endorsed by the general secretaries of the three umbrella religious organizations which we represent. As a supplement to our testimony there are attached copies of the official action of our national organizations.

Senator HARRIS. Very well. Without objection they will be made a part of the record.*

Mr. COSGROVE. Thank you, sir.

The Council Secretaries, in addition to the resolutions and positions of the organizations, directed a joint statement last April to the Members of the House of Representatives when this bill was before the House, and I would like to read that, if I may. It appears in the written testimony itself beginning at the bottom of page 6:

The system—if indeed it can be called a system at all—

Referring to the AFDC—

disrupts families, often fails to provide minimal subsistence, demeans the recipient, reaches less than half of those in need, fosters dependence, and is geographically inequitable. Furthermore, under present cost-sharing principles, it is straining the resources of many localities and states. Finally, it has given rise

*See p. 1770.

in the body politic to numerous dehumanizing myths about the poor that are repugnant to the Judeo-Christian heritage and that contribute to the divisiveness in our land."

Despite our enthusiasm for the basic thrust of this legislation, we must note the inadequacies of the benefit amount. We urge its increase as far as is compatible with passage of the bill by Congress and approval by the President. We do not think that earlier expressions as to the maximum that would be so approved can govern the Senate's action, although these expressions should be considered.

We are concerned with the elimination of the House-passed provision for the Federal contribution to the unemployed father's program. Would this reimpose the "man-in-the-house" rule?

We are concerned that training or employment for mothers of school-aged children, who seek benefits as family heads, would deprive the home of their ministrations as mothers. In many cases, this is a situation that is admissible because of the circumstances, and the mother would prefer employment and would take employment. However, the option, we suggest, should be the mother's and training or a job should not be a prerequisite to benefits. The mother who is a family head, as distinct from a family with a father as its head, has special problems. It serves no useful purpose to add to her burdens.

One other requirement causes us grave concern—the type of work to which people will be referred as a prerequisite to receiving benefits. While the word "suitable" I believe, no longer appears, the question remains. It is not completely clear whether jobs paying substantially below the Federal minimum wage will still be considered proper for referral simply because the Federal minimum does not apply. We think that for purposes of referral under this program, it should be considered to apply to all employment.

Finally, we suggest that the family assistance plan be accompanied in separate legislation by other remedial social measures, including a higher minimum wage with broader coverage; including renewed efforts to end racial or religious discrimination; including a fully funded, low-income housing program; including a full-recognition of the Federal Government as the employer of last resort to be sure there are jobs for which people could be trained and to which they could be referred.

Mr. Chairman and members of the committee, this is the résumé of the testimony that we have submitted.

Senator HARRIS. Thank you.

May I say that Mr. Tom Vail, of the Finance Committee Staff, has pointed out to me how closely your three organizations have worked together to prepare this joint testimony, and, speaking for the committee, I want to say we appreciate that very much. It is helpful to us with the long list of people who want to be heard in connection with this important bill.

Senator Bennett.

Senator BENNETT. I just have two questions. Have you made any attempt to estimate the cost of this expanded program that you recommend to us, the additional cost?

Mr. COSGROVE. No, sir; we are conscious of the estimates that have been provided. Our feeling is that it could well be that there is no cost at all in this program, but rather an investment in human resources and an investment in human dignity. Our difficulty is, of

course, that our social accounting system is such that we cannot ascertain what the cost of not providing adequate benefits will be.

So we view this, frankly, as primarily an investment in people rather than as a cost.

Senator BENNETT. That is a very pleasant phrase, and I agree that it has interesting social values. But we on this committee have the responsibility of providing income to balance the Federal budget. That is our primary responsibility. So, we have to deal with direct money costs, and we cannot say, "Well, it is fine; we can have a budget deficit of \$25 billion next year because we have made this as a social investment."

Would your three organizations be willing to support increases in taxes to cover the additional Federal money costs if the program were changed in the way you suggest?

Mr. COSGROVE. Senator, I want to, first, before I respond, that I hope Mr. Ackerman and Rabbi Hirsch will join, I am sure you will agree, with any of the comments because of their particular insights and expertise.

If I might, though, give my reaction to this, I think that we cannot postulate social programs or, indeed, much legislation, in terms of either/or, in terms of we reach an inadequate level or we raise the tax rate. The latter alternative if not one that is precluded, certainly, but I think the question is basically one of national priorities.

It seems to me within the budget of a given year, every year, there can be sufficient resources, sufficient revenues, to meet the requirements of the society as the Congress determines these to be met by Federal legislation. As a result, I would think that the issue here really is whether we determine this is a matter of such priorities as to rank with the vast array of other Federal expenditures, and rank, hopefully, very high on the scale, and if we so rank it, I think we will find the revenues to meet it.

But, if I may, I would defer to my colleagues for further comments on this.

Senator BENNETT. Are you one of those who says we should, if we wind up the Vietnamese war tomorrow, we will have money enough to spend for these social programs?

Mr. ACKERMAN. I wish I were confident that that were the case, but I have seen the peace dividend gradually erode since it first came into public discussion, so I am not sure that would be the case.

But I would like to associate myself with the comments of Mr. Cosgrove. It seems to me that talk about the cost of this program comes down fundamentally to a question of will, how much of a priority do we actually want to make to eradicate poverty from this country.

It seems to me that the Government has, ordinarily, little difficulty in finding funds for those programs which it believes to be of high priority.

In my opinion and in the opinion of my organization, there are no higher priorities than attempting to help those who are poor move into a fuller and more decent life, and I think if the Government makes that commitment, and I hope it does make that commitment in this legislation, it will also, at the same time, find the funds to do it.

Senator BENNETT. Well, we cannot find funds. We cannot go into the next room and pick them up off the table. We have got to take them away from you, the taxpayers.

Now, when you talk about priority and say this should be of such high priority, that we should find the money, don't forget, we are operating now at a deficit, unfortunately. We operated at a \$25 billion deficit in 1968. Now, what major activities of the Federal Government can we scrap or eliminate in order to find funds for this kind of an operation? I have been in the Senate 20 years, and I know that the American people—they are a very heterogeneous group—and each part of the country, and each group, each social group, each educational group, has its own set of priorities, and if you try to—I will shock you—if you try to find money for this program by taking it out of education, every school teacher in the United States would be on the phone tomorrow. In fact, we have had a witness before this committee who says we cannot continue our welfare program unless we are prepared to multiply funds for the education of social workers from \$5 to \$40 million this year.

So there is no such thing as a simple, single national priority pattern. What we have to deal with is the most complex system of priorities which has a political face, and much as we would like to, and much as I would like to, be able to say we can do this and find the funds, in the end if we put another \$10 or \$15 billion into this program we have either got to accept it as an additional deficit, with the resulting inflation, which we are fighting hard to control, or we have got to raise taxes. I am point out to you the kind of problem that we have to face up here at this end of the table. I ask, are you willing to support the increase in taxes that it would take to provide these additional funds?

Rabbi HIRSCH. Let me try to respond to it, if I may, Senator.

I think all of us are cognizant of the many difficulties which confront the Senate in trying to balance the money interests and many needs of the citizens of the country.

If you would ask me, I would say, yes, I am in favor of increasing taxes, recognizing full well all of the economic and political ramifications of that. But I do not think that is our responsibility up here at table. It seems to me that is primarily—

Senator BENNETT. That is ours.

Rabbi HIRSCH. It is primarily the responsibility of the Senate.

The responsibility that we have, I think, is to indicate to you that to the extent we represent significant groups in society, we would urge the country and the Government, the representatives in the Senate, to be willing to express the values of the country by recognizing that the fight against poverty—we used to talk about a war against poverty—I do not know whatever happened to that war—but if we are fighting that war, we are not fighting it with the kind of vigor with which we began some 5 or 6 years ago. And that it is, therefore, essential that the leadership of the country, as embodied in the Senate, undertake the kind of measures which are necessary to eliminate poverty.

The fact is that with all of the increase in productivity, and with all of the economic advances and social advances which have been made, the gap between the poor and the rich is growing. There should be

ways, other than raising taxes, but if in the final analysis and in the best judgment of the Senate, if there were no other way than raising taxes, I would say the people of the country should have to pay the bill for trying to establish an enlightened and just society, and you cannot have an enlightened and just society if you have millions of citizens who do not have the means with which to purchase the basic necessities of life.

Senator BENNETT. Well, the main thrust and the philosophical principle behind this new approach represented in this bill is to get as many people off an idle situation where they are wards of the Government, and getting them back to become at least partially self-supporting and getting them back to work. Yet your testimony and the testimony of the other witnesses this morning is unanimous that people should not be required to work; they should be allowed to work when they want to work, and when they do not want to work welfare should be there for their support.

Mr. COSGROVE. Senator, my hearing of the testimony this morning, and it certainly would be my view—is that the American people overwhelmingly, given the opportunity, desire to work and will work, whether these are professional people, whether they are business people, whether they are part people or working people or people on welfare. The task, therefore, is: (1) to so order our economy so assist the development of this free economy so that it can do its job which, among other things, certainly as a matter of high priority, is to provide the opportunity for work. Now 5 percent of the people of the workforce are unemployed. The goal is to attempt to reduce to the lowest possible point unemployment; then, secondly, for those for whom employment is not the answer, then special provision should be made.

As you know, despite the emphasis here this morning and throughout in this discussion of the "work-fare" concept or the role of work in this whole question, in terms of the perspective that, perhaps, should be maintained, work is not the central feature. The central fact is, as I understand it, that a great majority of the people who receive welfare are too old to work or too young to work or too ill to work, so this is not the centerpiece of the discussion. But to the degree that it is important, we would have the faith that, given the opportunity to work, most people will respond affirmatively and do it.

Senator BENNETT. You have not read the bill very carefully because this bill refers only to people who are on the family assistance plan, which assumes an able-bodied adult. The sick, the blind, the maimed, the old, are not involved in this discussion.

Mr. COSGROVE. But they are part of the welfare system, Senator.

Senator BENNETT. Yes; but this bill does not concern itself with them except to provide the increase of a minimum for those people to \$110.

The only thing I am concerned with personally, the thing that attracts me to this legislation, and puzzles me, is its use as a vehicle for making those who are capable of working self-supporting. I do not want to get into and I am not involving myself with those people who cannot work.

But all we have heard here today are reasons why we have got to take care of people at, one man suggests as high as \$6,000 a year without requiring the able-bodied to work unless they want to.

Mr. COSGROVE. I think the position is, sir, that if, as a precondition to benefits, the family head is referred to (a) training or (b) a job, that in the (a) instance the training be relevant to a job that is likely to exist and not an irrelevant thing; and (b) that the reference to the work, the work to which one will be referred as a precondition for benefits as a family head, that this work be truly suitable.

Senator BENNETT. I cannot quarrel with you about that.

But, it seems to me, that the bill says as a precondition ahead of that that a person who is able to work should be willing to be referred for training or referred for a job and should take that responsibility.

Mr. COSGROVE. The only exception I would have to that, Senator, is the mother of school-age children, for example, 7 or 8 or 9 years old.

Senator BENNETT. That is half of the people on family assistance.

Mr. COSGROVE. It seems to me the option should be hers and not be imposed by the Government by statute that she must take the training or the work.

I think the statute undervalues her role as a mother in the home in relation to the strength of the family unit as part of society and in relation to the welfare of the children.

Senator BENNETT. Well, I have engaged in too long a discussion with you now, but I think this is a very serious problem, and if we cannot find a way to move these people out of welfare into work, then it will be a long time before another attempt will be made, and we will continue to perpetuate the welfare system which encourages idleness and is growing in numbers faster than the population.

Mr. COSGROVE. Senator, may I make one observation on your key point, your last point.

I believe we have at least one experience; namely, during World War II probably around 1944, when we really reached very near to what must be defined as full employment.

Senator BENNETT. Right.

Mr. COSGROVE. What were the conditions then in economic terms, the horrors of the war aside for the moment? In economic terms there were plenty of decent-paying jobs available, and people took them.

Senator BENNETT. The economic terms were there were 13 million men who were not available for work, and their places had to be filled, and we were fighting a war at the same time. We needed production very much beyond our normal rate of production because we were blowing up a good part of our production. We had 12 to 13 million men there who were not there to help us produce.

Mr. COSGROVE. Senator, I suggest that, if we put America to work today to meet the unmet needs this society has, on anything like the scale that was required for the great enterprises of World War II, the space program, the atomic energy program, and the rest, that there would be, in a society now far above what it was in those days, now reaching \$1 trillion GNP, there would be the possibility of full employment in a constantly expanding economy that would largely meet the point that you raise of giving everyone the opportunity to work.

I think we have (a) the context, social and economic context to do it; and (b) we have the know-how to do it socially, politically, economically, if we had the will to do it. Pray God this committee is addressing itself to this question, and, pray God, the answer will be affirmative.

Senator BENNETT. I have talked too long.

Rabbi HIRSCH. I just wanted to add, Senator, I did not read our testimony nor, frankly, did I read the testimony of the others who preceded us, as saying that people should be given welfare or given assistance who are capable of working.

I read our testimony as saying that the Government has the responsibility to provide jobs and that, to me, is the key. I think that is also in keeping with our religious dictates. I am reminded of the fact that there is a statement in the Talmud that "if a man does not work he is not blessed."

I am not in favor of giving money to people who are capable of working. I think that that has all kinds of deleterious consequences, both for the individual and for society, and I think what we are saying here is that every man is entitled to a job, but do not expect the man who is on the lowest rung of society to go ahead and provide that job for himself.

The reason they do not have a job is due to all kinds of factors which they should not be held responsible for, and by not providing the kinds of jobs which these people may fill, we are making those who are least capable of affording the ills of society bear the price for those who do have jobs and who should be seeing to it that the less privileged should have the same opportunity.

Mr. ACKERMAN. Let me add to it our concern for the work requirement, as Mr. Hirsch just pointed out, that we are not opposed to it philosophically. We do not oppose it; we think it is a proper exercise of the governmental power of setting up a program that provides benefits.

Our concern, however, is the danger that it can become a club to harrass the poor rather than a way of helping the poor move into the mainstream of society.

We have for too long in this country, I think, treated the poor as social outcasts in their own land. We have treated them as morally culpable for their own poverty. I think it is time we ended that.

The work requirement is okay, but we need to set standards in the legislation to make sure that it will be fairly administered in a way that preserves the dignity of the recipients.

Senator BENNETT. Well, assuming those standards, do you think the work requirement is proper?

Mr. ACKERMAN. Yes; assuming those standards, but that is a critical assumption.

Senator BENNETT. Of course, you immediately discover that each person who looks at the standards is going to set his own. Now, the union man says in effect, you must not pay him less than the union wage, and yet he won't open his union to let the people in.

It is a very interesting and very difficult problem, and I think the Federal Government in the end must have the responsibility of finding jobs, even if it supplies them itself, but I think if we lose the job-related orientation of this legislation, then we have perpetuated the welfare system for a long time to come.

I do not think we will make another effort.

Senator HARRIS. Anything further, Mr. Cosgrove?

Mr. COSGROVE. Only, sir, that I would agree the Federal Government should be the employer who would step in if there are not enough other jobs available.

I think that the Employment Act of 1946 should be implemented, the policy expressed there should be implemented by the Federal Government.

Senator HARRIS. Rabbi Hirsch, anything further?

Rabbi HIRSCH. No; thank you.

Senator HARRIS. Mr. Ackerman, anything further?

Mr. ACKERMAN. No.

Senator HARRIS. Gentlemen, thank you very much.

(The preceding witnesses' prepared statement with attachment, follows:)

TESTIMONY OF JOHN E. COSGROVE, DIRECTOR OF SOCIAL DEVELOPMENT, U.S. CATHOLIC CONFERENCE; DAVID M. ACKERMAN, STAFF ASSOCIATE, WASHINGTON OFFICE, NATIONAL COUNCIL OF CHURCHES; AND RABBI RICHARD HIRSCH, DIRECTOR, RELIGIOUS ACTION CENTER, UNION OF AMERICAN HEBREW CONGREGATIONS FOR SYNAGOGUE COUNCIL OF AMERICA

Mr. Chairman and members of the committee, the United States Catholic Conference is an agency of the Catholic Bishops of the United States, designed to unify and coordinate activities of the Church, in social and public affairs.

The National Council of Churches of Christ in America is an organization of thirty-three Protestant, Anglican, and Orthodox communions. One of the stated purposes of the Council as set forth in its Constitution is "to study and speak and act on conditions and issues in the nation and the world which involve moral, ethical, and spiritual principles inherent in the Christian gospel." It is this purpose which leads the Council to testify before you today.

The Synagogue Council of America is the coordinating agency of Orthodox, Conservative and Reform Judaism. Its constituent organizations are: Central Conference of American Rabbis; Rabbinical Assembly; Rabbinical Council of America; Union of American Hebrew Congregations; Union of Orthodox Jewish Congregations of America; United Synagogue of America.

We will concentrate our testimony primarily on H.R. 16311 and the general policies which we believe should guide a family assistance program.

FAMILY ASSISTANCE

Recognizing that considerable testimony will be given the Committee on specific sections of the Bill, we wish to state at the outset that a primary focus of our remarks is the underlying intent of H.R. 16311, that is, the establishment of a Family Assistance Plan providing basic benefits to low-income families with children that will replace our present program of welfare assistance to dependent children.

The Family Assistance Plan authorized by H.R. 16311 represents a new and realistic attempt to provide basic income for poor families, and thereby merits our endorsement and support. It maintains family unity and is directed toward helping the family unit function under its own power, thereby insuring stability and cohesion, while at the same time it contains incentives for job training and employment for the head of the family. The effects of this employment incentive should not be overlooked. To build a financial base, a person needs a job. To obtain a job in our society, a person needs training. Job training and employment for the family head help the poor family acquire a source of steady income, and it also helps the head of the family achieve a sense of self-worth and achievement. Too many Americans, freed from the conditions of poverty and family instability, are socially myopic in their conviction that poor families choose the welfare system in preference to working for a living.

Theoretically, the importance of family stability to the good of society has always been recognized, but the family itself has not always been considered as a specific social unit in the formulation of sound social policy. Conversely, we have long realized that poverty is often the cause of family breakdown, and the instability of many families is at least partially due to our failure to adopt comprehensive and realistic family-centered policies in an effort to eliminate poverty. Some of our welfare policies led to the disruption of the family unit, such as the provision that financial assistance would not be granted to a family in which there was an able-bodied father; or the requirement that mothers of young children must work or take job training as a *condition* for receiving

welfare assistance. The diversity of standards and the difficulties of administering our present system sometimes provided greater income to those who did not work than to many who struggled to maintain some type of employment. It wasn't the poor who were at fault, nor only those who were shrewd at beating the system; to some degree we are all at fault because we realized the inadequacy of the welfare system, but we have been unwilling to take the risk of a new approach and to commit ourselves to an increased investment.

In recent years, there has been a growing realization that our welfare system was beyond the help of a series of well-intentioned amendments, and that a drastic overhaul was now in order. In fact, some experiments were already underway in 1968. In New York, Teamsters Local 327 demanded a \$5.00 weekly allowance for each child in the member's family as part of the contract for employees of the City Housing Authority. In Trenton, New Jersey, 20 poor families were engaged in an experiment with negative income tax which provided \$3,300 per year for a family of four that had no other income.

We might add to this the urgings of social and political scientists in their scholarly journals, recommending a variety of alternate approaches that would center on providing income to the family unit instead of assistance to individuals who fall within specifically defined welfare categories.

On August 8, 1969, President Nixon proposed the revision of the welfare system in his message to the American people. His proposals covered a wide range of topics, but there was wide agreement that the Family Assistance Plan was a positive and workable alternative to our previous welfare system.

H.R. 16311 is important then, not only because it is an alternative to a welfare system that has become increasingly cumbersome and inefficient, but because it is the first step toward a series of family-centered policies that will benefit not only the poor, but all other portions of our society as well.

We have to determine whether these will be purposeful policies that are directed to supporting family stability, or haphazard, ad hoc policies that create more problems than they solve. H.R. 16311 is an example of purposefulness that is in open contrast to the annual patching up of the welfare system.

WEAKNESSES OF THE PRESENT SYSTEM

The weaknesses of the present system have been thoroughly exposed. Possibly the chief weakness of the present welfare program, as it has evolved, are:

1. It fails to lift families with children out of poverty and penalizes efforts by the beneficiaries to accomplish this. Because of the inadequate benefit amounts, \$10.00 per person per month in Mississippi, with more in richer, more liberal States (where living costs are also higher), the payments fail to do the job.
2. In about half the States there is no payment to families which have an unemployed parent at home, regardless of need, so that it often is economically "better" for the father to desert the family.
3. There is now no Federal program of support for families where the father is working full time but is earning insufficient income to support to family.

As the General Secretaries of our organizations said in a joint statement last April:

The system—if indeed it can be called a system at all—disrupts families, often fails to provide minimal subsistence, demeans the recipient, reaches less than half of those in need, fosters dependence, and is geographically inequitable. Furthermore, under present cost-sharing principles, it is straining the resources of many localities and states. Finally, it has given rise in the body politic to numerous dehumanizing myths about the poor that are repugnant to our Judeo-Christian heritage and that contribute to the divisiveness in our land.

ADDITIONAL STRENGTHS OF THE FAMILY ASSISTANCE PROGRAM

As we have noted, we subscribe to the basic thrust of the family assistance proposal; i.e., to provide a workable system of income support for poor families. We think the setting of a minimum Federal floor under income is a significant step forward. We believe the addition of the working poor to eligibility for Federal assistance is a highly desirable and long overdue step, for this means that for the first time this nation would have a clear policy of Federal responsibility for financial support of the family unit when the family head is employed at below-poverty wages. We endorse the mandate given the use of the declaration method of determining eligibility, for this would eliminate the demeaning and wastefully detailed investigations that are onerous to social worker and beneficiary alike.

We welcome the commitment of the Federal government to a larger responsibility for solution of the problem of "lack of income adequate to sustain a decent level of life."

We concur also in the proposals to: integrate the administration of food stamps with FAP (though we might suggest this could be better accomplished by adoption of Senate Amendment 532); place an upper limit on the percentage of income a public housing tenant must pay for rent; and, provide for a comprehensive medical insurance program for all families with incomes of \$5020 per year or less. We believe, however, that the \$500 per year premium for a family with a \$5020 annual income is much too high—it would cost nearly as much per month as group insurance plans in the Washington, D.C. area. We hope to have the opportunity to comment upon these proposals as they are developed.

THE GOAL

The patent inequity of a society as rich as ours failing to order its priorities to provide for the fundamental requirements of its members should require little elaboration. We suggest that each member of a national or local community has some responsibility for and should feel some sense of solidarity with all the other members. A particular obligation rests on the more fortunate to help those not so fortunate. The question is the degree of responsibility and the way to meet it best.

What is needed is a program to assure that each person, each family in the country has an adequate annual income, either through employment or, where that is not a proper or practical means, through an alternate method. This goal, a system of adequate guaranteed annual income, which could be achieved through other programs or a combination of programs, we submit, is both desirable "to promote the general welfare" and feasible in the near future.

As desirable as is the central purpose of the Proposed Act, we view it as a starting point toward a fully adequate program of guaranteed annual income, which, of course, the proposed program is not.

WEAKNESSES OF THE PROPOSAL

Benefits and amounts.—As important and beneficial as are several of the central features of the Administration proposal, other features tend to contradict the goal expressed in the President's message of August and in the bill. H.R. 16311's Findings and Declaration of Policy (Title IV, Sec. 2, (a) (4) note the chief welfare problems and includes the following statement:

In the light of the harm to individual and family development and well-being caused by lack of income adequate to sustain a decent level of life, and the consequent damage to the human resources of the entire nation, the Federal Government has a positive interest and responsibility in assuring the correction of these problems.

One of the chief purposes, then, of the proposed Family Assistance Program is to assure an adequate income. However, in most states, the levels of family assistance in fact proposed—though an improvement for some—will not do this. In the interest of improving the proposal, we suggest careful consideration of this elemental point.

There are many working definitions of poverty, or—on the other hand—the income levels needed to sustain the family. These are established by the OEO (based on the Department of Agriculture's inadequate "Economy" Food Plan) and the U.S. Department of Labor's *Lower Standard Budget*. The President's Commission on Family Income Maintenance (the Heineman Commission) suggested yet another norm.

The proposed Federal minimum benefit level—\$1,600 a year for a four-member family—is some \$30.00 per week per family, or less than \$8.00 per week per person. This is unconscionably low for a society which is probably the richest the world has known, and whose annual Gross National Product will exceed \$1 trillion in the 1970's.

Even the beneficiary family whose head earns over \$60.00 monthly with the family payment reduced by \$1.00 for each additional \$2.00 earned—a good idea in principle—would have all benefits when income reaches some \$3,020.00, slightly above the minimal poverty level used by OEO.

The point here is that the Government variously defines "poverty." The Administration has proposed, and the House has already adopted in the subject legislation, a declaration that the Nation has a responsibility to meet the problem of inadequate income, Section 441, H.R. 16311. However, the pending proposal is for

a minimum Federal benefit amount which, on its face, fails to approach 50 percent of the minimum definition of poverty. For those families with lower incomes, this is literally not even a half-measure. To demonstrate the inadequacies of the proposed family assistance plan, and the present Federal minimum wage, the following chart has been constructed to demonstrate the income gaps between the minimum wage and the different poverty indices.

INCOME GAP BETWEEN 3 POVERTY INDEXES AND MINIMUM WAGE FOR A FAMILY OF 4 (BASED ON 1968 FIGURE)

	"Official" Government poverty Income	Heineman Commission 1/2 median family Income for United States	Department of Labor suggested Income needed for a city family
Federal minimum.....	\$3,553.00	\$4,316.00	\$5,913.00
Wage at 2,080 hours per year.....	3,328.00	3,328.00	3,328.00
Income gap per year.....	125.00	988.00	2,585.00
Hourly wage gap.....	.06	.48	1.24
Minimum wage required to close gap.....	1.66	2.08	2.84

The request to increase the Federal minimum wage to \$2.00 per hour is probably a dollar an hour inadequate right now.

We suggest that the benefit level in the family assistance program could be increased to an adequate level and still be economically and legislatively feasible. It should rise proportionately as the Consumer Price Index rises.

COST-SHARING

In addition to the inadequate benefit amount, there is a question of whether the level of funding by the national Government should not be raised. Some States and municipalities are virtually unable to meet the rising welfare costs and may need more help than this Bill provides.

ELIMINATION OF NATIONWIDE UNEMPLOYED FATHER PROGRAM

We are most distressed by the proposed Section 451 of the Administration's recommendations. Eliminating the Federal contribution to the Unemployed Fathers Program and making this program optional is merely another way of reimposing the "man-in-the-house" rule no matter how many additional provisions there are to penalize desertion.

No matter what public and private institutions are used to locate "deserters," the kind of social and economic environment in which these Fathers carry on their day-to-day battle for survival is characterized by anonymity, and we strongly feel our over-burdened police departments, welfare departments, and local courts should not have to assume this additional load. Besides, we know of no evidence that indicates the "poor" are less honest than the "well-to-do." In fact, perhaps contrary to the popular conception, less than 100,000 able-bodied men are now on the Nation's welfare rolls. Most of the poor are "poor" because they are unemployed or work at jobs paying very low wages. (See Heinemann report, "Poverty Amid Plenty: The American Paradox")

WORK STANDARDS

Most of the poor in America are members of families whose head is employed. Thus, while the opportunity and training for work is important, it can be overstressed in relation to the reality. Employment is a relevant answer to poverty only if one is not too young, or old, or unskilled or too remote from the jobs, or too ill or too incapacitated or physically or psychologically handicapped and only if one can find a job with truly adequate pay.

Even in proper perspective, employment is undoubtedly important. It is important as a positive factor if it is joined to practical training, enlarged opportunities (more jobs) and an upgrading of earned income. It is most important negatively if it is a club to harass the poor, a penalty to threaten the worker, or a tool to disqualify on grounds of dubious validity varying from State to State. The work training and work requirement preconditions are acceptable if we can be assured that their possible use to disqualify for benefits is carefully circum-

scribed. The poor need no more watchmen or "guardians" to police their activities. They need a respect for their privacy, a protection of their God-given dignity.

The Administration estimated that of the 6.6 million persons in families presently receiving A.F.D.C., only something over one million would have to register. The exclusions are good. They underscore the reality, that new work/training programs are not the decisive correctives in attacking poverty though they are a factor in meeting unemployment. The decisive factor in poverty is need and the public action necessary to meet it.

The central dangers to be avoided include, we suggest: training people for non-existent jobs and training for, and referral of people to, jobs paying so little as to keep them in poverty while granting a human subsidy to marginal enterprises.

The proposed training program is largely isolated from any job creation program. Obviously, the chief reason people are unemployed is that they have not found jobs. Our unemployment rate has been increasing, more rapidly than the anti-inflation program of "cooling" the economy. For what jobs is it proposed that the welfare recipient be trained? Is there a safeguard that one would not be referred to a job paying below the national minimum wage? While it is desirable that registered beneficiaries accept truly suitable employment or training, when they are reasonably able to do so, disqualifications should follow refusal to do so only where the employment offered is genuinely suitable or the training clearly relevant.

The amendment on the House Floor provides that there will be no denial or reductions of benefits for a failure to accept employment, if, among other things, " * * (2) if the wages, hours, or other terms or conditions of the work offered are contrary to or less than those prescribed by Federal, State or local law or are substantially less favorable to the individual than those prevailing for similar work in the locality * * " The prevailing wage norm is good if over the Federal minimum. The recommendation that the applicable minimum wage be paid is good, except where there is no minimum wage coverage, or where there is an exemption for the particular job. In those cases, the job should be—nevertheless—required to pay the required minimum Federal wage that would be applicable if there was coverage or it would not qualify as a job to which one is referred.

The history of analogous programs gives us cause for concern. The Employment Security Program, since 1935, has not had a happy record on this point. Its unemployment insurance program typically requires an applicant to accept a job unless he quits "for good cause" or for "good cause attributable to his employer," or if he refuses to accept "suitable employment." This has been abused in practice. The "good cause" norm now reappears in Section 448 of H.R. 16311, providing that to be eligible for benefits an individual who has registered must not have " * * refused without good cause to participate in manpower services, training or employment, or to have refused without good cause to accept suitable employment * * " if the employment offered is " * * a bona fide offer of employment." While the registration will be with the local public employment office of the state, the failure to register "without good cause" will be determined by the Department of Health, Education and Welfare. However, it is the State Employment Service which will be referring the applicants to the work thought to be "suitable."

The history of administrative findings and judicial determinations show the varying and, in too many cases, unjust decisions which have resulted from these words and phrases when used in previous legislation. The liberal administration of these provisions will be vitally important if they are not to be used to drive people from the qualified roles. It is essential that there be strong, vigorously-enforced Federal standards on referrals to insure even-handed interpretation and equitable application of these requirements.

A workman has good cause to refuse employment, in our judgment, if, for example, the offer is of a job below the Federal minimum wage or the prevailing wage, whichever is higher, if it is an unusually hazardous job, if the commuting time is unreasonable, or if experience shows that the prospective employer consistently discriminates in hiring or upgrading on the basis of race, creed or color. This seems to accord with the Administration's recommendations.

Unless the statute, the legislative intent and the regulations are crystal clear, however, the abuse of this section can vitiate much of what the Bill would otherwise accomplish. We are not sure that the Bill now is adequate on this score. There should be more explicit Federal statutory standards for work referral, and minimum wages to be paid.

REGISTRATION OF MOTHERS OF SCHOOL-AGE CHILDREN

We propose that the provision requiring registration of mothers of children age 6 or over—where heads of families—be optional as long as they have school-age children in the home. While many of the mothers who are heads of families and have school-age children will desire to register, train and seek employment, this should not be a pre-condition to benefits. The value of the maternal presence in the home, for school-age children, is important, morally and socially. She should have an option on this point.

COST

Everyone is concerned about the cost of the program. We suggest as H.R. 16311 may well recognize—that it is more an investment than cost; an investment in human resource and development. Our social accounting system makes it difficult to balance the outlay for family assistance against the cost of suffering, and indignity that presently exist; we know, however, that these incalculable expenses are great, far greater than the direct expense of the proposed Family Assistance program.

CONCLUSION

The overriding moral imperatives in this question suggest we should look to reordering our national priorities.

We recommend that great care be taken that the problem of inflation be met by expansion of the economy, by an increased supply of goods and services, and not be asking the worker and the poor to carry the brunt by increased unemployment. The rate of unemployment, over 4.5% for the past several months, gives cause for concern. The July figure of 5 percent is not reassuring.

We recommend, as part of an overall family economic security that coverage of unemployment insurance to be expanded, to include many others and specifically farm workers.

An immediately effective means of lessening poverty, a tried and proven method, would be to raise the minimum wage, under the Fair Labor Standards Act to \$2.00 an hour and extend its coverage. Millions of Americans could be raised from the minimum definition of poverty by this action alone. A wage of \$80.00 for a 40-hour week is minimal at this point in history, and just \$240 per year above the poverty cut-off point for family of four.

We consider no welfare program sufficient unless accompanied by a job-creating program, the end of racial discrimination in employment and housing, a fully-funded low income housing program and a renewed attention to urban problems.

We commend this Committee for taking a broad look at the basic assistance programs for families, and would hope that this kind of comprehensive approach will establish a new precedent for all of the Committees of Congress.

Finally, we would raise the serious question of whether the program should not be wholly Federally-financed and Federally administered with national standards. The provision enabling the States, indeed encouraging them, to turn over administration of the State part of the Family Assistance program to the Secretary of H.E.W. is most desirable. With a highly mobile population and a truly interdependent national economy, some fifty-four separate programs scarcely make sense.

Economic security is everybody's responsibility and rather than argue about the appropriate level of Government to administer this program, we should consider and set out to meet most effectively the needs of the people. The patchwork system is too costly in human terms. If the present proposals do not result in substantial progress toward ending human want, we will surely come to consider a wholly Federal Program in the very near future.

We appreciate the opportunity to have presented our views relating to H.R. 16311 to this distinguished Committee and hope to be able to supplement them, if developments warrant, as the discussion of the proposals take shape further on.

In summary, we have raised serious questions about H.R. 16311 and we hope these will be carefully considered. In net, however, because of its new commitment to family assistance, as such, we support the basic purpose of this legislation. We are for its basic thrust and we trust that it will be strengthened and improved further by Senate action. We strongly urge your active support of the basic features of this bill. The people need this legislation.

STATEMENTS ENDORSING THE FAMILY ASSISTANCE PLAN BY THE U.S. BISHOPS

One year ago, the National Conference of Catholic Bishops addressed itself to some of the problems confronting families in our nation in their pastoral letter, *Human Life in Our Day*. Pertinent to the question before us, the bishops noted:

Informed social critics are asserting that family instability in the urban areas of America, is the result, in part at least, of our national failure to adopt comprehensive and realistic family-centered policies during the course of this century. The breakdown of the family has intrinsic causes, some of them moral, but these have been aggravated by the indifference or neglect of society and by the consequences of poverty and racist attitudes. The object of wise social policy is not only the physical well-being of persons but their emotional stability and moral growth, not as individuals but, whenever possible, within family units.

To again quote from the Bishops' 1968 pastoral letter:

The challenges and threats to contemporary family life may often seem insuperable. However, the resources of this nation are more than sufficient to enhance the security and prosperity of our families at home while leaving us free to fulfill our duties in charity and justice abroad. The scientific, educational and financial resources of our nation cannot be better utilized than in defense and development of the family.

 U.S. CATHOLIC CONFERENCE

RESOLUTION—WELFARE REFORM LEGISLATION

Whereas: Poverty in the midst of affluence is indefensible, particularly the privation of children, the old and the handicapped, who are poor through no fault of their own, and who make up the great bulk of those receiving assistance; and

Whereas: The welfare system, including the Aid for Families with Dependent Children (AFDC) Program, has proven wholly inadequate to provide either a decent standard of living or incentive to the "beneficiary" families but, instead, is in many cases counter-productive and destructive of family life; and

Whereas: The Family Assistance Act of 1970, passed by the House of Representatives and pending before the Senate Finance Committee, would constitute a substantial social advance in providing a federal minimum payment to poor families and in helping the "working poor" as well as the poor who are unemployed;

Now therefore be it resolved, That the Catholic Bishops of the United States assembled as the United States Catholic Conference urge prompt enactment of the Family Assistance Act or some similar family assistance program, at the same time urging that the minimum dollar amount of \$1,600 for a family of four, be substantially raised. Strong and clear federal guidelines, to assure equitable administration, must be provided. If training for, or acceptance of, employment by the family head is a condition precedent to the obtaining of benefits, it is important that such employment be truly suitable.

We consider this legislation one of the most important and urgent issues to come before the Congress in recent years. We express the hope that the Governmental responsibility will be met. We ask all people of good will to address their attention to this problem and the pending, landmark legislation.

Adopted by the American Bishops, meeting as the United States Catholic Conference, San Francisco, April 23, 1970.

 SYNAGOGUE COUNCIL OF AMERICA POLICY STATEMENT ON PRESIDENT NIXON'S WELFARE PROPOSALS

The Administration welfare proposals (which have now moved from the House Ways and Means Committee to the floor of the House and will reach the Senate within the next few months) are a beginning measure towards establishing a guaranteed minimum income for resident of this country. In spite of our reservations about the adequacy of this program, we recognize that the Administration is pressing for a long overdue overhauling of the welfare system

in the United States. The Synagogue Council of America has long been aware that welfare reform is a complex undertaking, but an unavoidable moral imperative in the wealthiest country in the world.

The following are the major aspects of the proposed reforms which initiate Federal responsibility in the area of welfare.

(1) The President's proposals would create a family assistance floor of \$1,600 a year for a family of four, plus \$300 for every additional member, to be financed entirely by the federal government. Supplementation to these minimal payments would come primarily from state and local funds. Family assistance would be available to families with children without any categorical limitation—e.g., it would be available to working families, families where the father is unemployed and living at home, etc. It would not be available to childless couples and single individuals. Marginal wage earners could make \$720 a year without having the \$1,600 Federal grant reduced. Above \$720, each dollar earned would lead to a 50¢ reduction on the welfare grant until, when earnings totalled \$3,920, they would no longer receive assistance.

(2) Jobless head of welfare families would be required to enter work training programs.

(3) The plan proposed by the President exempts mothers of pre-school children from the provision requiring recipients of assistance to register for work and training, but requires mothers of children over six to register.

(4) As already indicated in point #1 above, childless couples and individuals will be dealt with according to former laws, the new provisions of family assistance not pertaining to them.

We support these proposals, and we append the following additional recommended measures which we believe will improve and strengthen the President's program.

(1) The Department of Labor reports that \$5,500 per year is required to provide a minimum adequate standard of living for a family of four. The poverty level income for a family of four is variously estimated at figures between \$3,300 and \$3,800 per year. We must question a guaranteed Federal income floor which is less than half of the poverty level for a family where there is no one employable. We cannot be content with levels of income which permit fellow citizens to live in acknowledged poverty.

(2) It is urgent to stress the necessity to establish job creation programs. There is the distinct danger that the new training opportunities proposed by the President will simply become a revolving door through which potential employees pass without obtaining employment. We are concerned, too, that states will assign employment that is demeaning and far below the national minimum requirements. This aspect must be dealt with as carefully as with the job creation program.

(3) The President's plan can be strengthened if it is recognized that mothers of children over six might serve society best by remaining with their children and doing a good job in raising them. We feel that it is a decision for the mother to make, and that government's involvement in it may create very serious personal and administrative problems. We urge that at the very least, some latitude be provided to allow for individual circumstances.

(4) While we recognize and regard highly the "family assistance" aspects of the proposals, we cannot, in good conscience, forget the human problems of individuals and childless couples. Included in this group are people who are among the rootless and deprived members of our society; they must be given the same concern and support as families.

In conclusion, we offer our support to the intent and to many of the provisions of the Administration's welfare proposals. As these proposals move onto the Senate floor and into joint committee consideration, we urge our governmental representatives to include the suggestions made above.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.

RESOLUTION ON A FEDERAL FAMILY ASSISTANCE SYSTEM

(Adopted by the General Board, September 12, 1969)

The churches of the United States have long been concerned for the plight of the poor. This concern has been expressed in actions taken by the General Board which have supported both social insurance and public assistance as methods by which our society can enable its less fortunate members to provide

for themselves and their families the necessities of life. It has expressed its preference for social insurance over public assistance for this purpose. It has specified certain conditions which should be met by a program of adequate income maintenance (The Churches' Concern for Public Assistance, 1958; The Churches' Concern for People Without the Necessities of Life, 1960; Guaranteed Income, 1968).

The beginning of a turnabout in a welfare system badly in need of reform, as indicated in President Nixon's message to the people of August 8th, 1969 is welcomed by the General Board.

As the Administration and Congress formulate actual legislation to implement the President's proposals, the General Board calls attention to criteria which have been set forth by this Board as essential to be met if any system of income maintenance is to be adequate.

The assurance of a suitable job at a living wage for every person able and willing to work is the foundation upon which an income maintenance system should be established. Therefore, improvement in job training and job placement services so that people who can work will be able to earn enough to provide adequately for themselves and their families is essential. If all poor people able to work are to be placed in jobs, there must be, not only incentives to increase jobs in the private sector, but an increase in public employment as well.

We welcome the proposal which calls for supplemental assistance for working people unable to maintain themselves and their dependents on an adequate standard of living. The incentive which President Nixon proposes, that the low income worker keep the first \$60.00 of his earnings plus one-half the remainder up to the stipulated maximum, represents an improvement on the incentives provided in the present Social Security Law.

The establishment of a federal floor on income for poor families has been endorsed by this Board in the past (Guaranteed Income, 1968). However, a contribution of \$1600.00 by the Federal Government for a family of four is entirely too low. We urge the Congress to enact legislation with an initial Federal level higher than \$1600.00 and providing for the progressive rising of the Federal contribution as rapidly as possible to an adequate level of subsistence. So long as we have a program of federal-state contribution so that no persons are living below the poverty level. If this is not done, in many states the poor family, under the proposed program, will actually have less to live on than it does under the present system.

Welfare reform legislation should make adequate provision for single individuals and married couples under 65 without children, as well as for families with dependent children. We applaud the President's proposal to remove any necessity for applying "a man in the house rule" which has worked a hardship on so many families.

Provision should also be made, however, to assure that the food stamp program only be phased out as cash payments approach the minimum necessary to lift a family out of poverty.

The principle of self-determination, endorsed by this Board on several occasions (Crisis in the Nation, 1967; Guaranteed Income, 1968) requires that mothers of school-age children have the same opportunity as mothers of pre-school children to decide whether their family responsibilities can be carried along with employment or a training program.

The General Board of the National Council of the Churches of Christ in the U.S.A. therefore, records its agreement with the view that the welfare system of our country is in need of substantial reform. It expresses approval for those features of the proposed family assistance system which tend to improve the standard of living and undergird the human dignity of poor people. It welcomes the separation of money payments from the provision of social services which is implicit in the President's proposals, since that will facilitate the development of needed social services. The General Board calls the attention of government and the churches to certain dangers in the proposals which must be guarded against as legislation is prepared and enacted to implement this program of welfare reform. It calls upon church people to support programs of adequate income maintenance and effective job training and employment services which will afford to all people full and equal opportunity to maintain themselves and their families at a standard of living which is conducive to health and human dignity.

Senator HARRIS. Our next witness is Mr. Sanford Solender, who is the executive vice president of the Federation of Jewish Philan-

thropies, and is appearing here with associates representing other organizations.

We are very pleased you are here, Mr. Solender. Please introduce your associates and state whom they represent. We will be glad to hear from you.

I want to thank you also, the three of you, for coordinating your testimony. It is very helpful to us.

STATEMENT OF SANFORD SOLENDER, EXECUTIVE VICE PRESIDENT, FEDERATION OF JEWISH PHILANTHROPIES OF NEW YORK; ACCOMPANIED BY JOHN J. KEPPLER, EXECUTIVE VICE PRESIDENT, FEDERATION OF PROTESTANT WELFARE AGENCIES OF NEW YORK; AND THE VERY REVEREND JOHN B. AHERN, CATHOLIC CHARITIES OF THE ARCHDIOCESE OF NEW YORK AND BROOKLYN

Mr. SOLENDER. Thank you very much, Senator Harris.

I would like to correct the listing on the witness list and indicate that I am accompanied today, on my left, by Mr. John Keppler, who is the executive vice president of the Federation of Protestant Welfare Agencies of New York. He represents that organization.

On my right, the Very Reverend John B. Ahern, who represents the Catholic charities of the archdiocese of New York and Brooklyn and, as indicated, my name is Sanford Solender, and I am the executive vice president of the Federation of Jewish Philanthropies of New York.

I wish to thank you on behalf of my colleagues whom I have named for this opportunity to appear this morning to testify on this bill.

We see the objectives of this bill as a milestone in the field of national social welfare policy, second only, in our opinion, to those of the Social Security Act of 1935. It is because we share this view, and because we are convinced that action on this vital subject of national import should not be deferred by the present session of Congress that we present this concerted appeal to you.

Never before, to our knowledge, have the heads of the federated Catholic, Jewish, and Protestant welfare agencies of New York appeared before this committee, or perhaps any other congressional committee, to testify with one voice on behalf of any legislative proposal to aid the poor and needy. That we establish this precedent today should make it amply clear that we would regard a failure to enact this legislation at the current session as a most unfortunate omission, and one which would decidedly not be in the best interest of our country.

May I say, sir, we emphasize the very unusual character of our joint appearance as a measure of the very great seriousness and importance that we attach to this legislation and to the urgency that we feel about it being passed in this section.

This is not to say that we approve all the provisions of the bill, as we shall make clear. We believe the bill can and should be materially improved in a number of respects. However, we do regard as imperative the enactment into law of its basic reform and innovative features, and we would like to be very clear about the fact that we are here today to urge its passage.

These noteworthy features are (1) the establishment of national minimum income standards, (2) a federally-financed income maintenance system, (3) the inclusion of the so-called working poor within the family assistance plan. And, may I pause to say, that we regard this as a very important breakthrough, and the Congress is to be complimented for the fact that its bill is considering this; (4) the establishment of a correlative system of training and employment to enable poor persons to break the cycle of poverty, and (5) the development of a definitive system of social services separate and apart from income maintenance, and, may I add, the acceptance of new levels of responsibility for child welfare services.

The establishment of the principles reflected in this bill is essential if we are to rid ourselves of the outmoded, and by now, counterproductive system of categorical public assistance grants—a system which was useful in its time, but which is today largely responsible for the failure and frustration which pervade the welfare programs in this country. The inequities built into these programs in many of our poorer States are responsible in considerable measure for the crisis in our urban ghettos and for the moral breakdown in thousands of families. The lack of federally financed, minimum national standards has led to grossly inadequate allowances, discrimination against the working poor, particularly those with large families, and the disruption of family life through “man in the house” rules and other devices.

Having said this, we address ourselves to certain clear weaknesses in this bill. In the first place, as even the bill's strongest supporters have consistently pointed out, the stated minimum income level is too low. Every person should have an income which meets at least the lower living standards of the Bureau of Labor Statistics. If it is not fiscally feasible to establish this at once, we suggest that provision be included by means of a timetable written into the law for an annual increase in the minimum standard until the desired level is reached at the end of perhaps 3, but no more than 5 years.

I wish to emphasize, gentlemen, that we are strongly committed to the principle that there must not only be a national minimum standard but that it must be higher than the one which is now in the bill because it bears so little relationship to either the poverty level or the Bureau of Labor Statistics level, to any index of what is a minimum adequate standard that is required, and this we consider to be the case even if one credits all the credits that might be attached, the food stamp credits, the housing credits, and the other credits which might accrue to that basic standard.

A second basic weakness is the exclusion of single persons and childless couples. There is, in our judgment, no sound reason for such a discriminatory policy. Common humanity demands that no person be denied the means of subsistence and certainly not on the basis of artificial criteria or shortsighted economies.

May I say that this noninclusion of these two categories is a long-standing deficiency in our Federal practices, and we earnestly urge that this matter be reconsidered.

Third, the requirement that all mothers, except those with pre-school children, be required to work is both unreasonable and impracticable. The need of children for their mothers cannot be regulated by such arbitrary and unnatural requirements. Age is merely one of many factors in determining whether a mother's presence in

the home is required. Who is to say whether a child of 8 years may not, under certain circumstances, more desperately require a mother's presence than another child of 4 or 5 years? To legislate arbitrary requirements on a subject of this nature, touching the welfare of children, is to promote hardship and suffering for certain families and to encourage a disrespect and disregard for the program as well. Considering the large number of mothers involved, we believe it will be a long time and perhaps never, before there will be available a sufficient number of day care centers or homemakers to act as parent substitutes. Moreover, from a coldly financial point of view, maintenance of the mother at home with her child will in countless instances be cheaper than day care or homemaker service for the same family.

What we are earnestly urging is that there be a discretionary approach to this problem so that it is possible to distinguish between those mothers staying at home with their children above the age of 6 is of the greatest importance rather than an arbitrary requirement of the kind that is in the bill.

Fourth, we believe the recent addition of the provision withholding Federal reimbursement for State supplemental payments to families headed by unemployed fathers is a serious mistake, as is the exclusion of those headed by employed fathers. Since a family headed by a mother will be entitled to both Federal payments and State supplemental payments, this policy will merely encourage the embittered father to leave the household and thus perpetuate the tragic error of our present laws in disrupting the stability and integrity of the family. No saving in tax funds can justify this result. Any saving in this respect is illusory in view of the enormous price we must pay for the consequences of family breakdown and the eventual separation of parents and children.

May we respectfully suggest that the aim of the change from the House bill, which was feared to create a disincentive to work by providing supplementation under one circumstance and not under the other by removing the supplementation, we have taken a serious step backward, a regressive step, because I well remember the struggles in this Congress to make provision for the unemployed parent years back, and it would be a tragedy to step back. Would it not be preferable to eliminate the disincentive by providing the supplementation both to the unemployed father and to the other situation as well.

Finally, we wish to comment briefly on title XX relative to individual and family services. We view this title as a major element of needed reform. The proposed separation of financial assistance from delivery of service is basic to any structural improvement of the welfare system.

There are at least two areas in which present policy and programs are altered in a way we consider undesirable:

For the first time, a ceiling is placed upon allotments of Federal funds to States for social services based upon expenditures for fiscal 1971. The obvious effect of this is to limit Federal expenditures for social services in future years, regardless of the extent to which States may find it necessary to expand services to needy people.

If we believe these services, gentlemen, are such as to enable people to be restored to independence and to work, it would be a tragedy to place a ceiling on the development of those services at this time.

Eligibility for free services is restricted to families with incomes below the poverty line. This would be true even in the several States whose assistance benefits exceed the poverty level. In these States, assistance recipients would be required to pay a fee for services. The number served would be very small, since only 10 percent of Federal service funds could be used for those who pay a fee. The poverty-line eligibility restriction would also cut off free services from families who need them to keep from falling into poverty.

We strongly recommend that eligibility for free services be established at the same level as that recently established for participation in the food stamp program.

Nevertheless, we appreciate the underlying values and sound objectives of this plan. We endorse the effort to strengthen family life through these services.

We would underscore three basic principles which we believe should be clearly and unequivocally enunciated in the final draft of the Title dealing with social services. These are:

1. The concept of public—nonprofit partnership in welfare should be stated, and assurance provided for the role of the nonprofit sector in the planning and provision of a wide range of adequately-funded social services.

2. Respect for individual dignity and the right to self-determination. The individual must be free to either accept or reject the service. Further, he must be free to choose the service from whatever source he deems appropriate, from either the public or nonprofit sector, it being fundamental that both nonprofit and public agencies be available to supply the services.

3. Clear authority should be set forth for the utilization of the services of the nonprofit sector through purchase of services and other contractual arrangement.

Our point, gentlemen, is we believe that this is an opportunity in the provision of services for a sound partnership between the public and the voluntary agencies which is implicit in the whole nature of our voluntary society and we, as voluntary agencies, are eager and ready to share in that partnership.

We close, gentlemen, by urging as strongly as we can at this time when the national conscience is so deeply concerned about social deprivation and poverty that this important step forward be taken, that this bill be passed, and even though it will not achieve all the goals that all of us would like to ascribe to it, it can represent a giant step forward for our country in confronting the grievous problems of poverty which face us.

Thank you very much.

Senator HARRIS. Thank you very much for an excellent and thoughtful statement and testimony.

I have heard a supporter of the mandatory work requirements in this bill, as they apply to mother of school age children, criticize the Woman's Liberation Movement for tending to force mothers out of the

home with the idea that housework and care for children are dull and low value work. Nevertheless, that would seem to be the effect of the position he takes in regard to this bill and welfare mothers.

I wonder if we have thought out well enough what sort of day care there will be aside from the work requirement and I, of course, agree with you on that. Have we thought of the consequences for society and for the children involved simply because of the pressures, the monetary pressures, for placing children in day care and working? Do we yet know what sort of day care we are interested in? Are there any goals or criteria?

Will it simply be caretaking or will we have some kind of goals that we would hope these children could achieve as a result of the day care? Are those the kinds of legitimate questions that ought to be asked here, and have they been seriously enough asked?

Mr. SOLENDER. Monsignor Ahern, would you like to comment?

Monsignor AHERN. I think one of the underlying thoughts that may be involved in a mandatory work requirement for mothers of school-age children may well be the thought that the most helpful thing for these children is to get them out of the environment of their own family, and I would oppose that strenuously as a matter of principle.

If we are talking of providing a woman with the option of caring for her children herself or having them cared for in the day care facility I would support that.

Insofar as the day care facilities are concerned, since we are talking of school-age children, we are talking essentially of an educational program with, perhaps, an hour before the start of the schoolday and, perhaps, 2 or 3 hours after the schoolday, and I think educators would have to answer to the question of what educational content there can be in a 10- or 12-hour day for a youngster.

I would tend to think very, very little, so you are talking essentially of a social and recreational program.

I think there is also some serious question as to what kind of supportive social services would be offered to the mother and the children to make up for this deprivation of a close, intimate, personal contact with her. She is the central figure in their lives.

So, in structuring a day care center we are talking in this bill of an age of children in which they are in school, and we are talking of recreation, social activities, cultural activities? It is not especially clear.

But I would hold very strongly that the mother has the right to make the choice as she sees fit for the best interests of her family and herself.

Mr. SOLENDER. I believe Mr. Keppler would like to make a comment.

Senator HARRIS. My wife and I were recently in Colombia. We visited a very well-run day-care center sponsored by a private organization called "Pro Familia." We went into a play yard where there were a hundred or so little kids, I suppose, 4 or 5 years old. Most kids on a playground would not, be distracted by adults; they would want to go ahead with what they were doing.

These kids, however, all pressed around us and all wanted to touch us and all wanted to shake hands with us, and they kept shaking hands with us and saying, "como esta? Buenas Dias," and some would come back three and four times. There was something missing for those children in that aseptic atmosphere.

We know that little kids can just dwindle and die while receiving the best hospital care in the world if they do not have some kind of affection.

Have we thought out what we are talking about in requiring a mother's children to be taken away and put off in a day-care center and her sent to work? Those are the kinds of human concerns, it seems to me, we must consider.

Mr. Keppler, would you want to make a statement?

Mr. KEPPLER. Senator, I suspect the way you raised the question you already have the answer.

Senator HARRIS. I do not have the answer, but I am really worried about what this says about us, how we can deal with other people's children in this day when we know that sick people can sometimes just be given a placebo pill that has no medical effect and they get better because of the care and attention and interest that are also shown them. That is what worries me about the day care center program.

Mr. KEPPLER. We have seen the kind of aseptic program that you talk about in our hospitals in New York City. We have at any time 50 to 150 well babies in the acute general hospitals ready for discharge in the foster care, and no foster homes immediately available, and these children will deteriorate for lack of affection of adults and the nearness of adults, and I think this goes to your first question about what should be one of the aims and objectives of day care, and one of the goals should be parents' involvement, and by this with parents' involvement on the board, with parents' involvement as a case aides and as teachers in day care, and I suspect this is the reason why the children gathered around you in Colombia. They saw adults who were interested in them and wanted to feel their presence and make presence known to them.

Senator HARRIS. It seems to me that some of your suggestions regarding case aides, and parental involvement in decisions should be strongly spelled out in this bill. I also think we should have a rather strong requirement for continuing evaluation of the program. Such a program will obviously change this Nation and if we are going to move into day care on such a large scale and it should not be limited just to those receiving assistance; I think it ought to be available to others as well. But all of this is obviously going to change us.

By requiring a regular and early and continuing evaluation, we would force people to define what it is they are trying to do. The mere process of evaluation would require some setting of standards, which, of course, the bill does not, itself, do. I am not sure we would ever get around to saying what we are trying to do unless we required some continuing evaluation and review.

Mr. SOLENDER. I would hope the principle of evaluation and standard-setting and constant review would be built in to provide all of the social services provided under the bill. I consider it most important.

Senator HARRIS. Senator Jordan.

Senator JORDAN. No questions.

Senator HARRIS. Again I want to say to each one of you that we are grateful for your testimony. It will be very helpful to us. We appreciate it very much.

Mr. SOLENDER. Thank you very much.

Mr. KEPPLER. Thank you.

Monsignor AHERN. Thank you.

Senator HARRIS. I think we have time for Monsignor Corcoran, who is here. If we could hear from you before lunch, then we will recess.

Msgr. Lawrence J. Corcoran is secretary of the National Conference of Catholic Charities. We are very pleased you are here, and the fact that you have come in person to present your testimony will add weight to it when it is considered by this committee.

**STATEMENT OF REV. MSGR. LAWRENCE J. CORCORAN, SECRETARY,
NATIONAL CONFERENCE OF CATHOLIC CHARITIES**

Monsignor CORCORAN. Thank you very much.

I want to say in my own name and on behalf of those various agencies and institutions that we represent how pleased we are for the opportunity to come and express our concerns which are reflected in the bill, not that I want to start out by saying that we have concerns in a negative way relative to the bill.

Our particulars are, as you know, contained in the statement that we have submitted to this committee.

I would just like to emphasize three or four points which would take particular prominence, in our opinion, because I think we would want to say that this Family Assistance Act of 1970, H.R. 16311, has many very beneficial effects, but probably the most important one is where it addresses itself to the whole question of welfare reform, reform of the public welfare system.

This is generally acknowledged as long overdue because the system that we have is not doing the job that is required of a welfare system. We have detailed certain specifics that we see as reforms in the system.

The separation of assistance and service which has been mentioned constantly is an advance. The transfer of the basic responsibility for assistance from the State to the Federal level, the establishment of State standards, provision for Federal administration, and so on are important.

On the latter point we would hope that most of the States would opt for Federal administration. There is a strong incentive for this but, hopefully, eventually there would be a requirement for it.

So, therefore, we think that the first and most important thing is that there be this reform of the system, that this makes a beginning toward that reform, and we think that whatever piece of legislation comes out of this committee and out of the Congress should certainly embody welfare reform.

Secondly, there is the question of providing adequate assistance to all persons in need, and I cannot help but say, Mr. Chairman, that the most frequent discussion that you will hear is about keeping off those people on welfare who should not be on, because somebody considers them unworthy or because maybe they did not have the incentive to work or the desire to work.

No one has particularly identified the percentage of people we are talking about here. I think Mr. Young used a figure of 8 percent. I think that is a guess. I am sure it would be much less than that myself, but I have not heard anybody say a thing about the 50 percent of the people who are eligible for welfare and who are not seeking welfare or are not receiving welfare. There is nothing built into this legislation

which, in the family assistance part which, does anything of an outreach measure to try to make sure that these people are receiving the welfare that they should receive and they have an entitlement to?

As I recall, Secretary Richardson used the figure of 50 percent. I think that Mayor Lindsay used a figure of two-thirds and, therefore, I think something should be built into this to make sure these people become aware of what they are entitled to, and something is done to try to bring them into the system and have the income that they need.

Now, on the social services side—and this is getting ahead a little bit—there is the provision for this outreach, an income referral service, a seeking out, and so forth. If this is enacted, it would be helpful.

But I think even on the family assistance side of the bill there should be something that would articulate the need to reach out to these people.

Senator HARRIS. It is strange, that most everybody, I think, starts off by saying we ought to have some kind of income maintenance system—either because it is morally right that we should do so, thereby responding to our duty to others less fortunate—or that it is in our own self-interest for various reasons to do so, or both. But, then, I think that most people who would agree to that statement would still probably find repugnant the idea that we should follow it through to the degree you have suggested by going out to be sure that people receive what is rightfully theirs. Thereby, we reveal that we really did not believe all we were saying.

I agree with what you have said. But several people, from time to time, who are general supporters of the concept of this bill have said to me, "Couldn't you point out to the more conservative members of the committee that this bill won't cost as much as they are saying it will because a lot of people will not actually get benefits?"

I have always declined to do that. You are the first who has just come right out and said that if we really want people to have the benefit of this bill we ought to go out and tell them so, and I agree with that.

Monsignor CORCORAN. This touches also, at least indirectly, the whole question of welfare reform, reform of the welfare system because, as you know, down on the local level when it is a matter of operating the program, the general attitude is to try to put up obstacles, to screen people out rather than to screen people in, and try to eliminate as many people as possible rather than trying to bring them what they have a right to.

Senator HARRIS. That always is a shock to people that I talk to privately about welfare. It is one more myth that is awfully strong, that the welfare rules and the administration of the rules are very loose. All the time while I was in the State senate, which was for 8 years before I came here, I used to see a number of people each week, whose gas had been shut off, or the electricity was about to be shut off, and the kids did not have anything to eat, and they had been excluded from welfare for one reason or another, and in order to get back on, if they had been receiving assistance, it was going to take a long period, a month or so, before they could run through all the evaluations and so forth. People are always amazed to hear that, because that is not their view of the way it operates.

We have done an awfully poor job, it seems to me, of exploding these myths. I am really amazed at how strong they are, but it is really basic to all this discussion.

Monsignor CORCORAN. It is indeed.

Senator HARRIS. Go ahead.

Monsignor CORCORAN. I will introduce my other point on the basis of something you have mentioned there, that it is going to take so long for the people to get on welfare and so forth, and this touches on the relationship between the public welfare system and the private welfare system, because invariably when it is going to take a long time like that then the private system has to pick it up. So we emphasize, too, in our testimony—and I will say very much in line with what has been presented by the previous witnesses—this whole question and system, if you will, of a public-private partnership, that this be not only espoused as it is in the bill in some practical applications in terms of the use of the private sector in certain instances, and so forth, but that this whole approach to reform of the public welfare system espouse the idea that there be a partnership between the two systems so that they will mutually enhance each other so that there will be the greatest resources and support and help brought to the people who are in need.

I could see even in this area of the determination of need, it is going to take 3, 4 weeks to determine the need, and a private agency is going to have to pick up the tab in the meantime, that there might even be some reimbursement if eligibility is determined.

So there will be fewer gaps for people to fall through and really suffer while they are awaiting determination of whether or not they are or are not eligible.

Another item on this whole question of the public-private partnership is the use of advisory committees and advisory boards.

It is interesting as far as—and I think, as I can say, and I think I have read the bill very carefully—there are only two places where such are mentioned in this bill and each time it is an oblique reference, namely: indicating that where aides are used or where people who represent the recipients of welfare and the disadvantaged, that one thing they might do is serve these advisory committees, but yet it does not say anything about establishing advisory committees, and we think there should be such establishment on all levels starting on the Federal level, that there should be an advisory board or an advisory committee or an advisory commission on family assistance, on social services, and on a State level, and this becomes very, very necessary when you start carving up the State into these various service areas because especially in some outlying areas where you are going to need all the input that you can to try to shore up the kind of an operation that you have there.

Therefore, I think there should be an explicit reference to the establishment of advisory committees, representative geographically and of the various groups established at every level of operations.

Then, finally, I want to speak, although we have made several reference to it already, to the social services, the need for this group, but really it is a reorganization of the social services under public welfare. There are social services now, but they are stuck in here and there, so to speak, and this is an attempt to bring them together, to present a systematized pattern and to enable a good, strong social service effort to come about, and I think that here, particularly a public-private par-

nership it is very, very necessary to purchase a service that has been mentioned, and also very important is the ability of the individual to have some say in where he is going to receive the services because usually a person will go to where he feels most comfortable, can relate better, and his possibility of rehabilitation is greater when he is on the level dealing with people he is familiar with and relates well to in this freedom of choice in social services, which is a very necessary thing, we feel.

So I would just conclude this with an expression of gratitude for the opportunity to make this presentation.

Senator HARRIS. Thank you very much. Without objection, we will place your entire statement in the record.

I appreciate your coming, and I appreciate the thought-provoking discussion that we have had.

Thank you very much.

(Monsignor Corcoran's prepared statement follows:)

PREPARED STATEMENT OF REV. MSGR. LAWRENCE J. CORCORAN, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

I appear today to present the views of the National Conference of Catholic Charities on the Family Assistance Act of 1970. We are pleased to have the opportunity to speak to this very important piece of legislation. It affects the lives of millions of persons in this country, especially the poor and disadvantaged. These persons form the very group about whom Catholic Charities are concerned, and for whom Catholic Charities provides various types of assistance.

The National Conference of Catholic Charities represents and coordinates the work of the social welfare agencies of the Catholic Church in the United States. Included in this operation are 530 agencies providing social and community services, over 1000 institutions for children, the aged and unmarried mothers, over 100 day care centers, many settlement houses and neighborhood centers, housing programs, mental health programs, community development, and other activities. This includes not only extensive professional staffs, but many thousands of volunteers. In sum, Catholic Charities represents the largest non-governmental program in the field of social welfare.

It is obvious that the policies and programs of the public welfare system have an effect upon the programs of Catholic Charities. This happens in many ways, but three (3) general types might be mentioned:

(1) Catholic Charities seeks to promote the social health of the total community, and this community condition depends greatly upon the quality of public social welfare programs.

(2) In many areas contractual agreements have been worked out between public welfare agencies and Catholic agencies or institutions in an effort to provide the best possible service through the cooperative use of local resources, both public and private.

(3) Frequently, Catholic Charities and/or its affiliated groups receive requests from persons whom the public welfare agency is unable to assist because of lack of resources.

It is understandable, then, that Catholic Charities has always taken a keen interest in the public welfare system in our country. On local, State, and national levels we have supported the efforts of the public system, and on every level have sought its improvement. This interest and involvement reaches a high point at this time as we address ourselves to the Family Assistance Act of 1970, including both the Family Assistance Plan and the newly proposed Individual and Family Service and Consolidated Health, Education and Welfare Plans. This is indeed an important and comprehensive piece of legislation. It will set the course of this country's concern for the poor for the next decade, and perhaps for the next quarter of a century.

For all of these reasons, we welcome the opportunity to present our views on H.R. 16311. We are glad that this Committee on Finance of the United States Senate is interested in hearing from the wide non-public sector which we represent.

We will comment on the Family Assistance Plan under five headings (including comments on the adult categories): Welfare Reform; Financial Assistance to Needy Persons; Work, Work-training and Work Incentives; Partnership between the Public and the Private Sectors in Social Welfare; and certain Specific Items. After this we will comment on Individual and Family Services and Consolidated Health, Education and Welfare Plans.

I. THE FAMILY ASSISTANCE PLAN

1. Welfare Reform

The primary value of the Family Assistance Plan is its provisions for the reform of the presently existing public welfare system. It is not necessary to dwell on the need for welfare reform, which is acknowledged by almost everyone—the general public, the welfare recipient, welfare administrators and workers, and indeed by the Congress of the United States which has pursued this task so diligently during this 2d Session of the 91st Congress.

There are several provisions of H.R. 16311 which add up to significant welfare reform. First among these is the requirement that the provision of social services must be organizationally and administratively separated from the provision of financial assistance. This recognizes the distinct character of these two functions, and should enable them to identify the distinctive skills necessary for each function and to develop the different administrative methods adapted to the separate requirements of each. In addition, such separation removes the danger that social services be forced upon a needy person as a requirement for obtaining financial assistance. Not only is such pressure abhorrent to the dignity of the individual, but it obstructs the rehabilitative effect of social services. To achieve their maximum effectiveness, these services must be voluntarily requested by the client.

Equally significant for reform of the present welfare system is the transfer of basic responsibility from the State to the Federal level. Essentially this lies in charging the Federal government with the responsibility for providing the basic floor of income—the first payment to the person in need—to which the State will provide supplementation. This contrasts with the present system wherein the State carries the basic responsibility by making the first determination of financial assistance to which the Federal government provides a matching grant. This has caused great inequities between one area of the country and another, and has laid tremendous financial burdens upon the States.

In keeping with the shift of basic responsibility to the Federal government, Federal welfare standards are provided in the present legislation, or mandated to the Secretary of the Department of Health, Education and Welfare. This is part of the element of reform contained in H.R. 16311. Thus, it rests with the Federal government to determine the level of basic assistance grants, to determine the types and amount of income to be excluded in determining the resources of recipients, to define the meaning of family and child, and to determine the suitability of work to which a welfare recipient can be referred. These are some examples of the movement to make the public welfare system a truly national one, with basic equality throughout the country.

Of prime importance is the provision and incentive in H.R. 16311 for Federal administration of the Family Assistance Plan, and of the program of assistance to the needy aged, blind and disabled—the “adult categories.” It is true that the States have the option to administer the program, but financial reimbursement for administration favors making this a Federal function. This would enhance the possibility of equality of treatment in every geographic area. It would also encourage more strongly the development of administrative techniques which would result in greater efficiency in the welfare system.

As part of the effort at welfare reform, we are pleased to note that the three separate programs for Old Age Assistance, Aid to the Blind and Aid to the Permanently and Totally Disabled are combined into a single program. This should advance the effort to eliminate the inequities which have traditionally resulted from the separate categorical programs.

These five provisions are important and fundamental for achieving reform of the public welfare system and must be retained in the legislation which this Congress enacts. There are additional measures which are necessary to achieve this objective of reform. The welfare system should be completely Federalized. H.R. 16311 makes a good beginning, but there should soon be only Federal administration and financing of the entire system. Only in this way can we identify the single point of responsibility for meeting the needs of the poor and for eliminating poverty in this affluent land. Only in this way can we eliminate the inequities

which are bound to exist when we have a diffusion of responsibility for the public welfare program.

A glaring absence of reform in H.R. 16311, as revised by the Administration, is the lack of a requirement that State supplementation must be paid to parents who are unemployed. This continues the present pernicious condition which presents some parents with the terrible choice of remaining with their family but no supplemental welfare benefits being received, or deserting their spouse and children so that the family can receive the financial assistance it needs to exist. We realize that such families, remaining intact, may still receive the basic Federal grant, and we understand the reason for the change in the provision for State supplementation. We still deplore it.

2. *Financial Assistance to Needy Persons*

Three main concerns always emerge in any consideration of the furnishing of financial assistance through the public welfare system: adequacy of grants, coverage of needy persons, and methods for determining eligibility.

Under the Family Assistance Plan, grants in most cases will probably still be inadequate. To attain any degree of adequacy, the Federal basic income floor (\$1,600 for a family of four) must be augmented by earnings or by State supplementation. Yet States are *required* to supplement only up to the amounts paid AFDC families on January 1, 1970 (as long as this does not exceed the poverty level). Thus, where the January 1, 1970, grant was inadequate, the Family Assistance grant will likely be inadequate. It is true that there is an *incentive* (30% Federal matching) for State supplementation up to the poverty level, but as long as this is not required, many will not do it.

It should be required that States supplement the basic Federal grant at least up to the poverty level, and Federal matching should be provided even for grants which exceed the poverty level.

We support the provision which makes Family Assistance recipients eligible for Food Stamps. For the present this is an acceptable method for assuring more adequate resources to alleviate the basic needs of poor families.

Public financial assistance should be provided for persons who are truly in need of such assistance because they are unable to provide for themselves in accord with their abilities. The primary concern of the public welfare system should be to assure such assistance to all such persons. The inclusion of the "working poor" is an excellent step in this direction. Single individuals and childless couples should also be included. There is no cogent reason to exclude them. They are no less in need because they are single or childless. They too merit the concern of their fellow citizens.

Thus, the primary concern of the public program should be to "screen in" those who are eligible. Presently, only half of the 15 million persons eligible for welfare actually collect benefits. These are people in need, and the welfare system should incorporate methods and instrumentalities for reaching out to them. There has been great concern over the small percentage of persons who might receive welfare benefits and perhaps not be duly in need, considering their capacity to work. Yet very little concern is being shown for the 50% of the persons who meet the criteria of need and yet receive no benefits. This reflects a distortion of concerns.

The determination of eligibility for Family Assistance must be done in a non-complicated manner which respects the dignity of the applicant. Responsibility for this is lodged with the Secretary of Health, Education and Welfare, to be discharged through regulations which he will issue. It is not specified (for Family Assistance) that eligibility determination be accomplished through the use of a simplified statement by the applicant. Such should be the approach as expressly stated in the requirements for Aid to the Aged, Blind and Disabled.

3. *Work, Work-training and Work Incentives*

It is to be expected that, in our production-oriented society, a work incentive program is incorporated into the public welfare system. Our attention, therefore, is focused on the type of work program which is outlined and the manner in which it operates. The overwhelming question is whether or not there is employment for those available for it. With an unemployment rate of 5% (much larger for minority groups and especially minority youths—those usually most in need), it seems that the normal workings of the job market and of the business-industrial complex in this country cannot assure employment for all who seek it. If the work-training program of the public welfare system provides additional workers, it may well happen that the unemployment rate will increase rather than the number of job-holders expand. Therefore, there must be a program

established, through legislative action, guaranteeing that there will be work for those receiving work-training. This should be part of a broader program providing such guarantees for all citizens, with the government standing in the role of "employer of last resort"

A step in this direction is included in H.R. 16311 wherein the Secretary of Labor is instructed to provide special work projects for the placement of persons in regular employment. We strongly urge an immediate and effective implementation of this provision as soon as H.R. 16311 becomes law.

The requirements for the type of work which a Family Assistance recipient must accept leave room for forcing a person to perform labor which is less than "suitable" according to many unemployment insurance programs. A more stringent definition of suitable work should be included in this piece of legislation.

Some improvement is made in the provision that mothers of children must register for and accept work or work training, inasmuch as mothers of preschool children are exempted. Mothers of school-age children are still included, however. Perhaps some such mothers desire to work, but they should not be forced to do so. The inclusion of this forceful pressure detracts from the reform qualities of H.R. 16311. It also implies the espousal of a philosophy and a policy which downgrades the childbearing function of mothers. This provision should be changed.

4. Public-Private Partnership in Social Welfare

The pluralism which is one of the strengths of our society exists in the social welfare field. There is a broad complex of public and private organizations, agencies and institutions offering assistance to persons in need. These agencies work together to provide the resource best able to meet the needs of those unable to function completely on their own. These cooperative relationships are necessary because no one group or system is adequate to meet all the needs of all the people in the United States. This inter-dependence gives rise to an effective partnership between the public and private sectors in the field of social welfare. This benefits the person in need, enhances the public welfare system and adds strength to the concept and practice of voluntarism in our country.

In any social welfare legislation there should be recognition of this concept, both in policies espoused as well as in the formulation and execution of programs. The Family Assistance Plan offers many opportunities for carrying out this partnership. There is mention of Advisory Committees, and these are practical mechanisms for involving representatives of the private sector. In providing the manpower training and employment services and opportunities, all sectors of the economy are to be involved. Special work projects are to be established and this can be done through nonprofit private agencies. Child care is to be provided for the children of those registered for work or work training, and this child care can be provided through public or private agencies.

Such provisions in public law for the involvement of the private sector and the use of private agencies implies adherence to the public-private partnership principle. It would be well to expressly proclaim this principle in the very beginning of Part D, where the purpose is set forth in Section 441. This would clarify the intent of subsequent provisions and strengthen the total system which emerges from this new legislation.

5. Specific Items

a. We have serious question about the provision contained in Section 436(a) (2) which states: "To the extent appropriate, such care for children attending school which is provided on a group or institutional basis shall be provided through arrangements with the appropriate local educational agency." "Such care" means child care. This opens the possibility of trying to conduct a broad comprehensive child care program under educational auspices. Yet, these are two different functions, requiring separate competencies and directed toward differing goals.

Perhaps some after-school care of children could take place on the school precincts, but this is different from incorporating child care into the school system. Section 436(a) (2) should be changed to assure that child care programs are undertaken, directed and administered by appropriate child care agencies and staffs.

b. We wish to commend the inclusion of the provision for the construction (acquisition, alteration, remodeling or renovation) of child care facilities, under public or private auspices. This should be most helpful for increasing day care

facilities, which are greatly needed for the work and work training programs. One of the main reasons that more day care is not available is the cost of constructing or remodeling facilities.

c. Under the provisions of H.R. 16311, Family Assistance benefits can, if approved by the Secretary of Health, Education and Welfare, be paid to "any person, other than a member of such family, who is interested in or concerned with the welfare of the family." This implies the possibility of very broad use of third party payments. Actually these should be used very sparingly. They can be open to serious abuse. The language of Section 446(a)(2) should be modified to indicate a restricted use of such payments to other than members of the family receiving assistance. It should only be done when there is definite proof of incompetency or misuse of Family Assistance grants.

d. The provisions of Part D, the Family Assistance Plan, include many types of social services (e.g., child care, counselling, social and other supportive services). Yet in the same piece of legislation there is a separate division devoted entirely to social services (the proposed new Title XX of the Social Security Act). These should be more closely coordinated. The social services system being proposed should be the source from which the Family Assistance Plan (including the work and work training program) obtains the types of services needed for persons receiving Family Assistance and for persons registered for work and work training.

II. INDIVIDUAL AND FAMILY SERVICES

1. The reorganization of the public welfare social service program is long overdue. Social services have only gradually been incorporated into the law and the programs for public welfare, and then mainly as an adjunct to the categories of financial assistance. What constitutes social services has not been clearly indicated. And always, they have been under-financed.

The portion of H.R. 16311 dealing with social services (Individual and Family Services) is a good beginning effort to identify, organize and provide these services. Many features are drawn from the existing provisions of the Social Security Act. These are collated and clarified. Positive purposes are stated which provide adequate guidelines for the establishment and operation of social service programs.

The list of social services which make up Individual and Family Services is sufficiently extensive and clear to enable a State to provide a good program within its boundaries. From these categories of services a State must provide a "reasonable balance" of services. This is very general and, although it provides much flexibility, it also can lead to misunderstandings, perhaps inequities, and may depend too much on personal interpretation. Greater clarification of "reasonable balance" is needed.

In the enumeration of "Individual and Family Services" there is some overlapping. Foster care and adoption are mentioned following the listing of child welfare services. Certainly foster care and adoption are fundamental types of child welfare services.

2. Principles to be Applied

a. The public-private partnership, referred to above in relation to the Family Assistance Plan, has found notable expression in the area of social services. It should be espoused in this new piece of legislation, to provide the best combined program of services in any locality.

b. In any plan devised for social services under this new program, whether for a total State or for a particular service area, the combined efforts of the public and private sectors should be taken into consideration. The plans for the public sector should recognize and enhance the work of the private sector. There should be no attempt to develop or continue a monolithic system. The Federal law should require States to include such provisions in their State plan.

c. The use of existing social service facilities and programs should be encouraged. It would be contradictory, considering the shortage of staff and resources, to establish new programs where such already exist. There should be provisions for the purchase of care and services by the public agency from agencies in the private sector. Happily, such provisions do exist in the proposal for Individual and Family Services. These should be retained in any legislation emanating from the Senate Finance Committee.

d. An individual in need of social services should have a realistic opportunity to choose the source (agency) from which he receives services. This respects the

dignity of the person by recognizing his ability to choose and providing him with the means to do it. Thus, the public program, having ascertained the eligibility of the person, should provide reimbursement for services rendered. When the person needing service chooses the agency to which he wishes to go for service, the probability of those services being effective is greatly increased.

3. Specific Provisions

a. The "local prime sponsor" is so defined that it could be any type of a unit of general local government or any type of local public agency. This should be limited to a governmental unit or agency which is in the social service field.

b. Section 2004(a)(3) states that the State agency or local prime sponsor administering the social services program must be separate and distinct from "any agency in the State which is administering a program under which cash benefits are provided on the basis of need." At the same time, "temporary emergency assistance" (which includes cash assistance) is considered a social service and could be included in the State's program of a "reasonable balance" of services. Some exception will be necessary so that the temporary emergency assistance can be given through the social service agency.

c. The manner of financing this new program must be examined very carefully. It is proposed that the funding of social services be by way of a "closed-end" appropriation. Such appropriations are usually below authorizations and usually inadequate. One of the best means for the Federal government to stimulate the development of good service programs is to provide adequate funding and to provide it in a manner to encourage States to make adequate appropriations. This is best done through a Federal appropriation which is "open-ended."

"Closed-end" funding likewise makes administrative planning more difficult. Under an "open-ended" system, the administrator knows what Federal funds will be available once the State appropriation is made, which is not true under the "closed-end" system.

d. The increased funding for foster care and adoptions is very welcome and should assure some expansion of these programs, especially if the public sector relates positively to the private sector through purchase of care and service. However, the figure of \$300.00 per child as the annual rate for foster care is much too low. In our agencies, the range is very broad, but generally the lowest is approximately \$45.00 per month per child.

e. The program of individual and Family Services proposed in H.R. 16311 rightly seeks to assure that such services will be made available to the poor. Social services have not been as available to persons of the lowest economic status, in spite of the efforts of social service agencies to provide for this. The lack of a publicly sponsored program, adequate to the task and adequately funded, has prevented this. The new program in H.R. 16311 seeks to remedy this by requiring that no more than 10% of Federal funds for social services can be allocated for provision of services for which a fee is charged.

It is good to have this concrete assurance that priority will be given to serving the poor, those who are unable to pay a fee. However, 10% seems to be too small a ratio to be assigned to those above the poverty level. This should be raised to 20% or 25%.

f. In Section 2005(a)(c) mention is made of advisory committees, indicating that persons participating in a social service volunteer program should assist advisory committees established by the State. This is the only mention. There is no requirement, or even suggestion, that advisory committees be established.

Advisory committees offer an excellent vehicle for citizen participation and for tapping the expertise of persons from the field of social service. They should be required at every level. There should be a National Advisory Committee on Social Services, a State Committee, and one in each "service area" of the State.

These Advisory Committees should actively function, and be provided with staff to assist them in carrying out their responsibilities.

g. A major deficiency in H.R. 16311 lies in its provisions, or lack of them, for an adequate supply of manpower to carry out the Family Assistance Plan, the new adult categorical program, and Individual and Family Services. The solid establishment and effective operation of these programs will depend greatly on the adequacy of the staff, especially in technical and professional training. Much stronger provisions should be written to provide for the training of all levels of social service personnel.

In conclusion, therefore, we welcome and support the effort, manifested by the introduction of H.R. 16311, to bring about reform of the public welfare system and to inaugurate a reorganized public social service system. We cannot endorse

the bill in its entirety because of the deficiencies which we have noted. It is imperative, however, that some legislation be enacted this year, legislation which will provide the necessary reform, adequate financial assistance and social services of high quality. H.R. 16311 goes far to attain this and we are happy that it has been placed before the Congress and the country. It should be improved and enacted.

Senator HARRIS. The committee will stand in recess until 2 p.m. this afternoon.

(Whereupon, at 12:30 p.m. the hearing was recessed to resume at 2 p.m. this day.)

AFTERNOON SESSION

The CHAIRMAN. Our first witness this afternoon will be Mr. Hyman Bookbinder, Washington representative of the American Jewish Committee. I will ask you to proceed.

STATEMENT OF HYMAN BOOKBINDER, WASHINGTON REPRESENTATIVE, AMERICAN JEWISH COMMITTEE

Mr. BOOKBINDER. Mr. Chairman, I know you have already had a full day of hearings. I have a very brief statement, but I will summarize even this brief statement in order to save time.

The CHAIRMAN. We will print your entire statement as it appears.

Mr. BOOKBINDER. Included is a letter that the chairman of our National Social Welfare Committee had written to you about 6 weeks ago. It is appended to my statement, and I hope it will be made a part of the permanent record.

I am impressed with the fact, as you must be, that this morning you had a number of witnesses who came together in a spirit of ecumenism; I think it is a happy day indeed when Catholic, Jewish, and Protestant spokesmen work and talk together on behalf of an objective like welfare reform.

If I am appearing now "solo," I hope you won't think that I do not share that ecumenical spirit, Mr. Chairman. It is just that, I hope, in my case, perhaps because of the unique opportunity I had in the last few years to serve in and near the antipoverty program, perhaps I can add something to the record of these hearings.

Before joining the American Jewish Committee about 3 years ago, I did spend 7 years in the executive branch of the Government. I served as special assistant to the Secretary of Commerce, Luther Hodges; I served in the early months of the poverty program as executive officer of the President's Task Force on Poverty, and then for about 3½ years I served as Assistant Director of the Office of Economic Opportunity, and jointly with that last service I also served as a special assistant to Vice President Humphrey.

I cite these things not because I want to engage in some name dropping, but because I want to point out that I did have this opportunity to study at close hand some of the important programs affecting the poor, and also because, if I may say so good naturedly, I hope this will prove that I am not coming here in any narrow partisan spirit when I say, as a man who did not campaign for the President of the United States, I have felt for this whole year now that his recommendations for welfare reform are, in fact, a very, very significant contribution to the social programs of this country.

I made this judgment about a year ago; I have followed the debate closely, and I have not changed my mind.

I do have some serious problems with it. I share some of the problems already enunciated, and I won't take much of your time to repeat them, but I would today prefer to express what is good about the program rather than what is bad about the program. One can look at a half-filled glass and describe it as either "half filled" or "half empty." I prefer to think of the welfare reform proposal as a half-filled glass, and I hope we can start enjoying the benefits of it.

I think it is an historic breakthrough, and I would hope that this committee will keep the essential principles of the proposals in a piece of legislation that can be enacted this year.

Almost a year ago, when I first testified before the other House, I must say, Mr. Chairman, that I made a prediction that, unhappily, has seemed to have come true already. I said then that "it would be a great tragedy if the combination of those who think the program goes too far and those who think it does not go far enough should succeed in keeping this program from being launched."

The best, it has been said, can be the enemy of the good; the victims of such a consequence of indefinite delay would only be several million of our very, very poorest countrymen.

Now, Mr. Chairman, I do not want to be misunderstood. I am not saying that you, as chairman, or your colleagues as members of this committee should brush aside the differences, and should ignore problems that you have identified, and just get a bill pell-mell onto the floor of the Senate.

I know that you will exercise your right and obligations to put out the most prudent bill; but there is a danger that we will have no legislation this year, as many, many days and weeks and months are spent haggling over some details that, in my humble judgment, only experience can determine the true value, the true merit, of those provisions.

I know that Senator Ribicoff, a member of your committee, has already made one suggestion to meet that problem. He wants to have a period of some tests. I think that is a good idea. But I would subscribe to that only if it did not mean additional delay in the effective date of the program generally and, as I understand his amendment, and as I have read his discussion of it, I gather he agrees with that, that since this program probably could not start until the beginning of 1972 anyway, he is hopeful that in calendar year 1971, as I understand it, some tests can be made.

I would, Mr. Chairman, suggest one other thing that might meet that same objective. While the basic Legislative Reorganization Act gives you the power to do so anyway, I would hope that this committee might explicitly move to have a legislative oversight committee, either a joint committee or a Senate committee, with instructions that it bring in within 2 years, as a result of a close monitoring of this program, changes that it believes ought to be made in that program.

I have learned from 7 years of experience in the Federal Government and from more years of observation of Federal programs that there is, indeed, a great danger that defects in legislation just become permanently institutionalized. It is inevitable that any combination of

provisions you write into this kind of comprehensive change in our social programs, any combination is likely to show some defects before very long and we must avoid making permanent such defects, like we have done in the past.

These have been pointed out to you over and over again. For 30 years, we permitted this unfortunate thing to be taking place where, in effect, there was a 100-percent penalty for working. We cannot have a system like we permitted to go on for 30 years where, in effect, fathers of the children are encouraged to leave the house in order for some income to come to the children for food and clothing and shelter. We should not have that repeated, and it seems to me if this Congress made it clear now that it intends to monitor this program carefully, that it intends every year, every 2 years, to come in with recommendations for changes, you will avoid some of the problems which today are causing delay in moving forward on the proposals.

Just one other thing I want to say, Mr. Chairman, and I have the advantage of having listened to the whole day's debate. In my prepared statement I did go to this issue, in fact, and I want to summarize now what I have said in my written statement.

I believe that the one myth that needs shattering more than any other one about Americans on welfare is that they do not want to work.

Now, I share with you, Senator Bennett, and with you, Senator Long, and with every other Senator—I do not hesitate to do so, I do agree with you—that people who are in a position to work ought to work, period. They ought to work.

I add this additional thing: we ought to make it possible for them to work, with every possible encouragement and every possible opportunity, and every possible incentive.

There are some who will prefer not to work. In every segment of American life there are some who prefer not to work. That goes for some rich kids I know; that goes for some college professors who never showed up on time in class; that goes for some Government officials who were my colleagues when I served in Government, and who were getting much more than a poverty wage; and who can tell, I hope you will not be offended by this, there may even be some Members of Congress who prefer not to work.

I am sure that every Congressman has his own list of other Congressmen that he knows prefer not to work; and, of course, there are some poor people who suffer this same malady.

But every survey and every experience that I am familiar with points to the willingness and readiness of the poor people to accept employment. Granted, there are exceptions, and we have to be concerned about these exceptions. But let's keep it all in perspective.

In fact, as has been testified to here over and over again before this committee, 39 percent of all poor families are headed by a full-time worker.

If we wish to have more of the poor working, our primary task is to make those jobs available. Unfortunately, for too many of our hard-core poor today private jobs are simply not available in many areas of the country. For them, and for the good of their communities that they would serve, public service jobs should be the answer until they have

acquired, and only until they have acquired, the necessary skills and until the private jobs open up.

What I am saying is not idle speculation. We have seen how much good has come from a major public service employment program which we have today. It is amazing to me how few people recognize that the Neighborhood Youth Corps is a public service employment program. To those who say that the poor do not want to work, let them dwell over this fact: In every year since 1965—and I was with the program for 3 years—the Neighborhood Youth Corps provided up to about 400,000 jobs a year for poor young people. Did we have any problem getting people to take those jobs, even though it meant lowered relief or no relief in many cases for the families of those young people? The fact is, as you Senators know, because every year there has been a struggle to get more money, the problem during these years was that there were more young people anxious to go to work for \$15, \$20, and \$25 a week than the number of jobs we were able to provide for them.

There is not a single employment program of the last 10 years that I know of—that goes for programs called Foster Grandparents and Grene Thumb, and CEP, and all the others that have been created—not a single one exists that has not been oversubscribed.

Now, what does that mean except that when jobs are made available to poor people, they take them: they do go to work, and so if I have to settle for only one improvement, for only one change, in the administration's proposal, I would ask for at least a beginning, a modest addition of public service employment, and then the test really can be made.

If a person who is able physically and mentally to accept work is, in fact, offered a public service job, which would presumably be at a reasonable rate of pay, not a great rate, but a reasonable rate of pay, if that job is refused that person, in fact, ought to be challenged as to his entitlement to welfare payments.

Now, I think that is simple; I think that is really the crux of the matter. We could go on debating indefinitely the philosophical differences among some of us as to the extent to which you should force and compel and direct people to work. I am satisfied that experience tells us if you make jobs available for poor people or any people, the overwhelming majority of them want to go to work.

Just a little personal anecdote, for whatever it may be worth. To me, it means a lot.

Just the other night, Friday night, three nights ago, my daughter called me. She graduated from college a year ago. She lives in the Boston area. Her studies were social studies, social work, and psychology. For a year now, she has not been able to get a job in her field, and has gone from one menial job to another. And for months she's had no job at all.

Friday night she said, "Daddy, I have a job. You will be glad to know I have a job." She had a thrill in her voice. She had just accepted a waitress job, working from 8 p.m. to midnight, because it was the best thing she could get.

She is not embarrassed to do that job; I am not embarrassed to have her doing that. I do not think any people are. She did this voluntarily;

did it on her own. She was not forced to do it. She feels good having at least that kind of income. But I do not think she is exceptional. I think most people want to contribute to their own welfare. Our job is to make it possible.

So, I would hope, Senators, that we could, before this year is up at least start this innovative program. Hopefully, in the long run it will mean fewer people dependent upon welfare, more people making it on their own, and all of us can feel good knowing that we have opened up these opportunities for them.

Thank you.

The CHAIRMAN. Thank you for a fine statement here, Mr. Bookbinder.

The American Jewish Committee which you represent is a group of people who came over to this country with very little. I suspect that as an ethnic group, they are probably the wealthiest in the country or at least they come near having the highest per capita income. They worked and really worked for it. And while I am for helping those who, through no fault of their own are in distress, I very much think we ought to try to encourage people to improve their condition and do just what you say your daughter did. She cannot get a job at something else but she can take a job as a waitress and move up from there. I think that is very admirable, may I say, of your daughter, to take the job, and I think you did the right thing to encourage it.

Now, if we can encourage people, I think we ought to do it.

Mr. BOOKBINDER. May I just comment: I do not know whether the Jewish people are the highest economic group.

The CHAIRMAN. I know they work; I have never seen one who did not work.

Mr. BOOKBINDER. That is true, but they are really no different from other people, in a very important regard. If I may just quickly cite one other personal experience.

In 1935, when I was in the second year of college, going to night school and looking for a job during the day but not finding one, my being able to stay in school, to remain in school and finally get a diploma, was dependent upon and did, in fact, depend upon my getting a \$15 a month FERA job—do you remember those initials? Federal Emergency Relief Administration. If the Federal Government had not made that possible for me—the munificent sum of \$15—so that I could pay carfare and lunches in order to stay in school, I might not have finish school. I do not know whether the country would have lost much by my not getting my education, but I am better off, and I have never lost my sense of appreciation to America as a country for having made possible that kind of Federal assistance which helped me get started.

I think I have paid it back, at least in taxes if no other way, so while credit is due to those who are anxious to work, we must also recognize that in our complicated economic system that there must frequently be some kind of assistance in order to make possible that personal initiative. It is not one or the other; it is a combination of the two.

The CHAIRMAN. Thank you very much, sir.

Senator BENNETT. I very much appreciate your statement.

(Mr. Bookbinder's prepared statement follows:)

PREPARED STATEMENT OF HYMAN BOOKBINDER, WASHINGTON REPRESENTATIVE,
AMERICAN JEWISH COMMITTEE

My name is Hyman Bookbinder, Washington Representative of the American Jewish Committee. My agency is one of America's oldest human relations organizations. We are concerned about those issues which contribute to alienation and polarization among Americans; we seek to advance improved human relations for all people.

Although we generally support, in both the public and private sectors, programs designed to wipe out poverty and inequality of opportunity, we do not normally involve ourselves in the legislative process affecting specific social and economic programs. We have made an exception to this rule because of the exceptional significance we attach to the measure before you at this time. Our National Social Welfare Committee has given it thoughtful consideration. A recent letter from its Chairman, Mr. Alexander Holstein, Jr., to the Chairman of the Senate Finance Committee is appended to my statement this morning.

Before joining the American Jewish Committee in 1967, I spent 7 years in the Executive Branch of the Federal government. I served as Special Assistant to Secretary of Commerce Luther Hodges; Executive Officer of the President's Task Force on Poverty; and then as Assistant Director of the Office of Economic Opportunity, with special responsibilities for involving the private sector in the war on poverty. While with the O.E.O., I served also as Special Assistant to Vice President Hubert Humphrey. In all of these positions, I was deeply involved in the development of programs affecting the disadvantaged groups of our nation, starting with the Area Redevelopment Act of 1961 and going through all the difficulties of the first years of the war on poverty. I cite this experience because it is obviously not in any sense of narrow partisanship that I repeat this morning what I told the House Ways and Means Committee almost a year ago—and nothing has happened in the interim to change my judgment: President Nixon's proposals to reshape the nation's welfare system constitute the most exciting and promising program in the domestic field for many, many years. It is a breakthrough as historic as Social Security itself, as Medicare, as Federal Aid to Education. Frankly, I had not dared dream that *any* Administration elected in 1968 would offer such a daring proposal in 1969.

I am not unmindful of the many criticisms that have been made of the original proposals. My organization has joined in some of these, as you will note in Mr. Holstein's letter, and these hearings have already produced many suggestions for improvement. It is my hope that some of these may be incorporated in the bill reported out by this Committee. The Administration has shown flexibility in trying to meet some of the issues raised; hopefully, it will accept improvements still under consideration. But it would be a tragedy of incalculable proportions if understandable concerns about some aspects of the plan should obscure the basic ingenuity and purposes of the central plan and lead to indefinite delay, perhaps preventing passage this year—requiring a new beginning in a new Congress.

Unfortunately, a warning I included in my testimony before the other body may already have been realized. "It would be a great tragedy if the combination of those who think the program goes too far and those who think it does not go far enough should succeed in keeping this program from being launched." The best, it has been said, can be the enemy of the good. The victims of such consequence would be several million of our poorest countrymen.

I do not wish to be misunderstood. I am not suggesting that your Committee ignore the very real problems raised in connection with this legislation. You will, as you should, deliberate carefully and bring out the best possible bill. But, hopefully, there can soon be a determination by the Committee to approve the central purpose and features of FAP, making whatever changes can be agreed to without too much delay, and then allowing sufficient time for the Senate itself to work its will on the bill. Time will soon be running out to permit adequate time for Senate as well as Senate-House conference deliberations in 1970.

Rarely has a legislative proposal inspired so many suggestions for changes and improvements. *Yet, significantly, few if any of these suggestions contravene the central idea and direction of FAP.* It is clear that no combination of suggestions would completely satisfy any member of the Congress, let alone *every* member. In seeking the best, I fear, we may indeed be preventing the acceptance of the good.

Experience over the last 35 years has taught us that any social program as comprehensive as FAP is quite likely to have kinks in it that only experience can detect. I have found experience to be the best guide in the numerous anti-

poverty programs I was associated with. While every effort should be made before enactment to eliminate any inequities or disincentives or administrative deficiencies, there must be recognition that they cannot all be identified in advance. It is therefore essential to provide for procedures that would prevent permanent institutionalization of defects. Too often in the past we have failed to do so—so that, for example, we stayed too long with the practice of driving fathers from the home in order to provide for his child, or with an effective tax rate of 100% for welfare clients who obtained part-time work.

Senator Ribicoff has proposed that several pilot tests of FAP be made before its general effective date. If such tests do not postpone the general application of FAP, it could be a useful technique for identifying possible difficulties and for modifying the procedures in time to minimize such difficulties. But I would see no justification for delaying for even a single day beyond what is needed for "tooling" up throughout the country the general application of FAP. There has been too much delay already.

In the letter from Mr. Holstein to the Chairman of the Committee, the American Jewish Committee recommends another step which might be taken to assure that FAP would undergo constant evaluation and improvement. We suggest inclusion in the legislation of a provision to create a special Congressional Oversight or Select committee charged with the responsibility to monitor the program from its inception and to prepare a comprehensive report, with recommendations for changes, at the end of two years of operations. While the Congress does not need any specific authority for such oversight function and is always free to make legislative changes, such a provision in the Act would serve to declare its intent to follow this program carefully and not to permit defective policies or administration to continue indefinitely.

Mr. Chairman, in this brief statement today I have chosen not to comment on those improvements in the original proposal that we have ourselves singled out for special consideration. It would not be consistent, after all, with the thrust of my remarks! Many other groups, especially the National Urban Coalition, have effectively testified to such changes. But I do feel compelled, in light of my own participation in the anti-poverty efforts, to comment briefly on the need for public service employment. If I had to settle for a single addition to the original FAP, I would choose a carefully developed program for such jobs.

The one myth that needs shattering more than any other one about Americans on welfare is that they don't want to work. In every segment of American life there are some who prefer not to work. That goes for rich kids, for college professors, for government officials—and, who can tell, maybe even for some members of the Congress! Of course, there are some poor people who suffer this same malady. But every survey and every experience points to the willingness and readiness of poor people to accept employment. In fact, as has been testified to here over and over again, 39% of all poor families are headed by a full-time worker. If we wish to have more of the poor working, our primary task is to make those jobs available. Unfortunately, for too many of our "hard-core" poor, private jobs are simply not available in many areas of the country. For them—and for the good of their communities—public and service jobs should be the answer until they have acquired the necessary skills and until the private jobs open up.

This is no idle speculation or dream. We have seen how much good has come from a major "public service employment" program in the Neighborhood Youth Corps. For that's what NYC actually is. To those who say the poor don't want to work, let them dwell over the fact that in every year since 1965, there were always *more applicants* than the hundreds of thousands of available jobs each year. NYC, by the way, also demonstrated the workability of an important feature of FAP. By exempting the first \$85 per month of NYC earnings from welfare allotments, both the welfare family and the welfare program benefit. What I have said about NYC is true of every other work program; most people do want to work and they take advantage of every opportunity to do so. They gain; the taxpayer gains; the community gains.

Mr. Chairman, one year ago there was much excitement, even euphoria about the President's recommendations for welfare reform. What had been recommended by every major Commission—Kerner, Eisenhower, Heineken, etc.—was now an official proposal. A major breakthrough was possible. It took many months, but the House then adopted the central program by a gratifyingly large vote. And now, many months later, there is uncertainty, even despair. The Senate has the opportunity to make the breakthrough possible. It is my hope, and that of my organization, that we will take this major step forward—and that we will

remain vigilant in our determination to make this a truly progressive step, ready to change and modify and improve as experience dictates.

The cost of welfare reform will be substantial. But the cost of not acting will be even higher. We need a better system of social cost accounting. I would rather see the cost reflected in Federal budgets than in delinquency rates, in illiteracy, in social disruption, in alienation and despair. And, in the long run, even our Federal budget will be helped as we eliminate welfare dependency and enhance productive citizenship.

LETTER FROM THE CHAIRMAN OF THE NATIONAL SOCIAL WELFARE COMMITTEE OF THE AMERICAN JEWISH COMMITTEE TO THE CHAIRMAN OF THE SENATE FINANCE COMMITTEE

DEAR SENATOR LONG: I am writing in behalf of the National Social Welfare Committee of the American Jewish Committee of which I am chairman.

On November 4, 1969, I appeared before the Ways and Means Committee of the House of Representatives hearing testimony on the Federal Assistance Plan submitted by President Nixon as a measure to reform the current welfare system. At that time I indicated that the American Jewish Committee views the existence of poverty in an affluent society as a compelling factor in breeding hostility and community tension, and alienating one group from another. We commended President Nixon for his proposals to revamp the welfare system, believing that he has pointed up the serious problems that resulted from the patchwork welfare and welfare related programs. We applauded the initiation of a much needed national discussion of how we must go about making our welfare system more humane, more effective and more constructive.

We believe that the national discussion has gone on long enough, and that the time has now come to enact this legislation during this session of Congress. In our earlier testimony we indicated reservations we had about the proposals: the suggested level of benefits is clearly too low; we believe some of the work incentive proposals to be coercive or discriminatory; we believe the proposals are inadequate to deal with after-school care for children of working mothers; we fear the misuse of the work incentive plan to build a pool of underpaid workers and we believe the plan should cover individuals and childless couples who are not now covered.

In spite of our reservations, we endorsed the bill and urged its passage on three major grounds:

1. We favor the assumption of Federal responsibility for a welfare program which sets national benefits and eligibility standards.
2. We favor the inclusion of the working poor previously excluded from welfare provisions, and we support supplementary assistance to such poor people.
3. We endorse the concept of a uniform minimum level of benefits.

The new suggestions which have been added to the proposal since the House passed the bill and which are currently under discussion before your committee correct certain inequities, but leave open certain other questions. We approve the suggestion which would eliminate the danger of a family being forced to move from public housing if the head of the house took employment at which he would earn more than a percentage for public housing rentals. Although we approve the concept of a health insurance plan, we question a system that could cost a low income family up to \$500 a year for coverage.

Despite these and other reservations, we urge that these not become stumbling blocks to the passage of the legislation. The poor of our nation have been waiting all too long and we believe that revamping of the welfare system in the direction in which this legislation is moving is an important step in providing safeguards against poverty.

We would suggest the inclusion in the legislation of a provision for a biennial review to determine the adequacy of the provisions, and the administrative efficiency. Such a required Congressional review of legislation would help to avoid the pitfalls of other earlier legislation, well meaning, but which failed of its purpose because it was either inadequate or administratively inept.

The National Executive Board of the American Jewish Committee in its statement on the Federal Assistance Plan said as follows:

"As America goes about reordering its national priorities, major emphasis must be given—and major commitments must be made—to meeting the needs of the poor in our country. . . . We dare not repeat the mistakes of recent years in pronouncing large premises and performing meagerly. Much of the anger and alienation and disorders of recent years can be attributed to the gap that has developed between promise and performance."

We thank you for the opportunity of submitting our views to your committee.
Sincerely yours,

ALEXANDER E. HOLSTEIN, JR.,
Chairman, National Social Welfare Committee.

The CHAIRMAN. The next witness is Mrs. Susan K. Kinoy, planning consultant, Coalition for Health and Welfare, Community Council of Greater New York.

Did I pronounce your name correctly?

Mrs. KINOY. Yes.

The CHAIRMAN. Is that right?

**STATEMENT OF SUSAN F. KINOY, PLANNING CONSULTANT,
COALITION FOR HEALTH AND WELFARE, COMMUNITY COUNCIL
OF GREATER NEW YORK**

Mrs. KINOY. Right. Although I am on the staff of the Community Council of Greater New York, I speak today for the Coalition for Health and Welfare in New York City.

I would like to note that the four chairmen of the Coalition, who are unable to be here today to speak to you personally, are: Herman Badillo, the past borough president of the Bronx; Father Robert P. Kennedy from Catholic Charities, diocese of Brooklyn; Victor Gotbaum, executive director, district 37, State, County, and Municipal Workers; and the Rev. Carl McCall, the past chairman of the Council Against Poverty in New York City.

The Coalition for Health and Welfare, which is made up of many social work agencies in New York City, plus representatives from labor, business, legal, and religious groups, appreciates very much having been given time to testify before this committee. A list of our membership is attached to the materials that you have in front of you.

I want to state very firmly now that the Coalition wants welfare reform and wants a family assistance program. We feel—and I want to repeat this again—that we do want reform and a family assistance program.

We are opposed, however, to the family assistance program as modified in the House Ways and Means Committee and passed by the House. We are also in opposition to the Senate version of the bill, and in opposition to some of the suggested changes proposed to the Senate committee by the administration. Only a bill that is changed in several important ways would be acceptable in our eyes.

Any bill that would actually solve the problems that have grown up around welfare must address itself to the causes of human need. Human need exists in our country as a result of individual and family crises or the vast social changes that are taking place in our economy. The goals of corrective legislation must be to aid and protect people

who are experiencing crisis or suffering from economic or social dislocation, rather than punishing the victims. In brief, a bill must be prepared that does not look upon the recipient of aid as a person to be corrected by punitive measures, but a person who should be assisted by a whole series of incentives, so he can move from his unwilling dependency to a free option of contributing his talents and abilities to our economic system.

For the goal to be achieved requires a level of income that is adequate for decency and dignity. Many governmental studies have been made concerning just what must go into such an income level. The lower living standard of the Bureau of Labor Statistics, as was mentioned by several people this morning, has been accepted by most social scientists and economists as being a comprehensive, fair and realistic statement of budget needs. The level of welfare assistance should, as soon as possible, attain to that level as modified and adapted by cost of living variables in various sections of the country. A very definite timetable should be introduced into the legislation programing just when this level of adequacy would be attained. I know that you, Mr. Bennett, asked questions referring to this matter this morning, and we would answer, I am sure, in the same way. True, perhaps, we are not able to pay this amount of money right now, but legislation, we feel, certainly has to be framed whereby there is a realistic timetable for when we would be able to reach this level.

Adequate income levels should be available to all people in need. Therefore, provision should be made for single adults and married couples without children. A provision allowing Federal participation in State programs of aid to unemployed parents should also be considered as part of the increased coverage of the legislation.

A family assistance program that has as its objective jobs for heads of families must start with incentives and training, but must end with jobs opportunities and employment, and (here we certainly agree with Mr. Bookbinder). Effective legislation toward this end will reinforce the desire people have of working to support themselves and making contributions to society. However, it must be realized that some people cannot work. Others, such as mothers of small children, can often make a greater contribution to society in their homes than they can in the labor force.

Two things must be pointed out further. The first is that at this moment in our history the natural desire people have for employment is being frustrated by rising unemployment rates. These rates, we are also told, may even rise and might be much higher already were it not for the fact that many marginal workers have been leaving the labor force. If national policy is oriented toward acceptable levels of unemployment, the price of this unemployment will be partially paid by more welfare. The second point is that many economists are not sure that there really is a job for everyone who wants to work in the private sector, even with tremendous growth in the service industries. Government may have to do much more as an employer to fulfill its obligation in our work-oriented society.

Therefore, a comprehensive manpower program which really develops job incentives and job opportunities must be part of any family assistance program. Training and the possibility of employment must be developed side-by-side with income maintenance programs. It is

most important that these programs be carefully monitored and reports made back to Congress for legislative appraisal and correction so that people are not frustrated by training programs that lead nowhere or to jobs that are ephemeral.

Congress must legislate so people can be assisted in crisis times in their lives. A real depression affects many of our people. At the present time, in certain areas, unemployment rates are as high as those that existed during the depression of the thirties. Also, the work provisions should be truly incentives for people to leave public assistance and not be a subsidy for the inadequate work and wage conditions that exist in some of our industries. Work should only be demanded when it is appropriate and the language of the original administration proposal in this regard should be reinstated and an adequate definition of this term established. We would agree with others who testified this morning that no job should be provided which pays less than the minimum wage.

As far as working mothers are concerned, raising a family can and often should be a full-time obligation and one that contributes significantly to our society. Mothers should not be forced to work, but clearly given the option to do so by a series of appropriate and adequate incentives. Child care provisions are a most important incentive for a woman to take a job, for she must know her children are being well cared for. The knowledge that her children will be part of a program that will assist them in the full development of their potentialities is the best way to assure a mother's willingness to work.

However, most studies have shown that the cost of good institutional care very often exceeds the cost of income maintenance for the family involved. It is not and cannot be a way of saving money, but must be seen as a way of saving people. In this regard, the concept of forcing a mother with school age children to become part of the work force is both discriminatory against her and potentially dangerous to her children. Some of the experience gained in the WIN program has shown deteriorating family stability as a result of children not being cared for adequately during after-school hours. Great caution must be demanded in this regard especially, as we have very little hard knowledge about the goals, effects and techniques of child development in after-school day care facilities.

The members of the social work community of New York City have serious reservations about the administration of the family assistance program, especially as multiple categories of aid still exist. We believe that people should be helped on the basis that they are in need, rather than because their need flows from specific types of disability. However, the most glaring defect of current welfare administration is the fragmentation of responsibility and its devolvement upon multiple city, State, and Federal agencies. This administrative nightmare will exist until there is a single responsibility for income support and subsidy; until there is a single set of simple criteria for eligibility for aid that is determined by HEW; and until there is a single Federal administrative body which designs and also controls implementation.

The experience of social workers throughout the country is that of a bureaucratic maze whose purpose seems to be to screen people out of assistance in such a way that the goal is always saving money

rather than saving people. The multiple registrations and certifications established in the proposed legislation will immeasurably increase costs without concomitant income assistance. Welfare reform must start by reducing administrative overhead and making more of the public assistance dollar available to those people who are in need.

Before ending this testimony, we would like to congratulate the Senate Finance Committee for asking the administration for clarification on the actual results of the incentives contained in the proposal. Severe notches existed in the way public housing policy was administered, medical costs were estimated and food stamp plans were projected. Clarification was urgently needed. The solution, however, should have been to eliminate the notch by filling in the disincentives to gaining more income rather than filing them down by eliminating payments to those in need. The elimination of Federal contributions to unemployed fathers of dependent children and the ceiling placed upon the Federal contribution to State social service operations does not seem to be an equitable resolution of the problem.

The Senate has a wonderful opportunity to end the punitive characteristics of the proposed legislation by changing its focus to one of incentive and opportunity.

We need a vision that is long range, where we see welfare assistance as a real investment in people, which will return its capital expense with interest. A bare handout solves no problems. It dismays the recipient and mortgages our future with unsolved problems. We must have the courage to face the problems, faith enough in our people to trust them and the charity to enable the least of our fellow men to help themselves.

The CHAIRMAN. Thank you very much for your statement, Mrs. Kinoy.

Senator BENNETT. I have no questions, Mr. Chairman.

(An attachment to Mrs. Kinoy's prepared statement follows:)

COMMUNITY COUNCIL OF GREATER NEW YORK

LIST OF AGENCIES AFFILIATED WITH THE COALITION FOR HEALTH AND WELFARE

Advisory Labor Legislative Committee
 Amalgamated Clothing Workers of America, Local 169
 American Jewish Committee, New York City Chapter
 Association of Community Corporation Executive Directors
 Bedding, Curtain and Drapery Workers Union, UFWA, AFL-CIO
 Bronx Clergy Coalition
 Citywide Co-ordinating Committee of Welfare Groups
 Committee of Aging & Disabled for Welfare and Medicaid
 Consumer Assembly of Greater New York
 Day Care Council of New York, New York
 Day Care Council of New York, New York
 District 65
 District Council 37, AFSCME
 Episcopal Diocese of New York
 Interfaith City-wide Coordinating Committee
 International Brotherhood of Teamsters, Local 210
 International Union of Electrical Radio and Machine Workers of America, District 3, AFL-CIO
 Inter-School Council, Metropolitan New York Graduate Schools of Social Work
 Mobilization for Youth
 MFY, Legal Services
 National Assembly for Social Policy and Development, Inc.
 NAACP

New Democratic Coalition
 New York State Committee Against Mental Illness
 New York State Council of Chapters, National Association of Social Workers
 New York State Council of Churches, Inc.
 Office of the Borough President of the Bronx
 Office of the Borough President of Manhattan
 Rehabilitation Committee, Community Council of Greater New York
 Social Action Office, Catholic Charities, Diocese of Brooklyn
 Social Service Employees Union, Local 371
 Salvation Army, Social Service Department of Greater New York
 Union of American Hebrew Congregations
 United Neighborhood Houses of New York
 Welfare Division, Urban Crisis Task Force, National Association of Social Workers, New York City Chapter
 Yeshiva University, School of Social Work

The CHAIRMAN. The next witness will be Mr. James H. Sills, Jr., director of the National Federation of Settlements and Neighborhood Centers.

We are pleased to have you, Mr. Sills. Please proceed, sir.

STATEMENT OF JAMES H. SILLS, JR., DIRECTOR, NATIONAL FEDERATION OF SETTLEMENTS AND NEIGHBORHOOD CENTERS (WASHINGTON LEGISLATIVE OFFICE)

Mr. SILLS. I would start, Mr. Chairman, by pointing out that my name is James H. Sills and not Fills, as listed on the program.

The CHAIRMAN. Yes. Well, that has been corrected on my copy of your statement.

Mr. SILLS. Mr. Chairman, my name is James H. Sills, Jr. I represent today the National Federation of Settlements and Neighborhood Centers. The National Federation is a private nonprofit social planning organization for some (400) dues-paying settlements and neighborhood centers throughout this country.

Most of our member agencies are located in urban low-income neighborhoods. We offer a wide variety of social, leisure time and welfare type services to an estimated 800,000 persons per year—most of whom are poor, members of minority groups, and with many receiving some form of welfare assistance. From the work experience of our member settlements and neighborhood centers, we of the National Federation believe we have a knowledgeable grasp of the personal and social problems confronting those who are poor and in financial need.

We are here today to register firm opposition to House Bill 16311—as it is presently written. A bill which guarantees an annual income of only \$1,600 for a family of four, an amount we view as being miserly and woefully inadequate to meet the acute poverty and financial needs of those 25 million citizens who presently are categorized as being poor. A bill which leaves virtually unchanged the economic hardships and financial plight of an estimated 82 percent of the ADFC families—inclusive of millions of children, mind you—already on the relief rolls. And a bill which embodies punitive and demeaning restrictions regarding work and eligibility requirements, and which clearly smack of paternalism of the affluent and intimidation of the poor.

Senator BENNETT. We could of course indulge in the usual rhetoric about the introduction of a new guaranteed annual wage concept; about the expansion of social services such as day care and job training for the poor, and about the so-called, yet superficial, “first step”

toward revamping a current unjust and antiquated public welfare system. Painful experience restrains us from lauding principle and lofty new concepts.

Too long have social workers and social agencies meekly sanctioned inadequate welfare programs that were ill-conceived and obviously doomed to failure. Too long have we permitted ourselves and our profession to be used in supporting social reform "gradualism," and political leaders only concerned with creating an illusion of progress. Too long have we sacrificed professional integrity and clientele confidence to push social welfare programs that were simply new and novel, but grossly lacking in public and financial commitment.

Experience has taught us that noble sounding principles and tricky program innovations will not in themselves meet the needs of America's poor and poverty stricken. Witness only the debacle of our existing welfare programs; the decline of our Federal antipoverty program; the wavering status of our model cities program, and the status of the multiplicity of other Federally-operated social welfare programs that have promised so much, but produced so little, primarily because of inadequate Federal financial commitment, and the lack of a national policy to eradicate poverty.

Mr. Chairman, we believe the family assistance program, as presently written, has many serious defects. And we feel that without major changes, it too will subsequently become just another Federal program—rich in potential, but failing to achieve its original objectives. We, therefore, respectfully submit the following changes in House Bill 16311 for your consideration :

1. We recommend that the annual income payment for a family of four be increased from \$1,600 to \$5,500.

For a program highly touted as revolutionizing our current welfare system, we must say that the proposed family assistance program \$1,600 maximum Federal income payment is indecently low. If governmental officials really believe in and accept the rationale for the concept of a guaranteed annual income, and apparently most do—in view of the passage of this bill by the House—then we contend a more realistic annual income amount should be provided. In establishing an increased annual income of \$5,500 for a family of four, a sum well documented by the U.S. Labor Department as a minimum income needed for "maintenance of health and social well-being"—we think the Federal Government would provide a financial base sufficient to test the validity of this new concept of a guaranteed annual wage.

Even more significant, we would be permitting an estimated 25 million poor people the free and more efficient choice of handling their own financial and social needs, rather than childishly having to rely upon in-kind Federal services and the costly administrative welfare determinations of a host of Federal services and the costly administrative welfare determinations of a host of Federal agencies. In quick order, the expensive cost of providing food stamps and surplus food programs, farm subsidies, unemployment compensation, and even some phases of public housing, social security and medicare-medicoid, could ultimately all be negated with an adequate guaranteed annual income for poor families and individuals. Some even speculate a net savings to the Federal Government of \$40 billion per year by the cessation of these in-kind services. We claim no special expertise on

this highly technical subject, but we can reflect with considerable accuracy the intense, and rightful desire of poor people to manage their own lives with the same freedom of choice enjoyed by all other American citizens.

We are sensitive, Mr. Chairman, to the many complex questions confronting this Senate Finance Committee: the often referred to "income notch" dilemma; the matter of disincentives to work, and the unanswered questions of how many new families would be added to the welfare rolls, and how much would the F.A.P. program really cost? We concede there are certain unknowns, and some risks involved in increasing the Federal F.A.P. annual income from \$1,600 to \$5,500.

We submit, however, this country in the past has taken similar financial risks for things it deemed important to its national interest. With no assurance or success and with risks quite similar to those under this family assistance plan, we did provide billions to the Marshall plan after World War II; billions to our space program with its many unknowns; billions to our ABM Defense system with its questionable capabilities, and billions more for the defense and well-being of non-U.S. citizens in Southeast Asia.

In fact, can we deny that the historical and economic development of America itself was based on the taking of these kinds of financial risks in conjunction with new and continuous Democratic experimentation? We would ask then, can this Committee and can the Federal Government logically justify not taking some comparable risks to improve the quality of life for its own poor and poverty stricken? We offer a resounding "no!" to this question.

Our second recommendation, "Mr. Chairman, is that public service employment be an integral part of those who receive job training under FAP.

Mr. Chairman, job training represents, we think, one of the more positive major components of this family assistance plan. However, the very relevant question is, job training for what? And where are the jobs for those 4,500,000 American citizens presently unemployed? This indeed alarming figure was just recently documented by U.S. Senate Committee on Labor and Public Welfare, and published in an August 20, 1970, report. Current job and manpower training programs, with some exceptions, simply are not leading to job placements in sufficient numbers. Again, Senator Nelson's Committee on Labor and Public Welfare has determined that steadily rising unemployment is today a critical national problem, with the rate of unemployment for July 1970 standing at 5 percent, the highest level for any July since 1963. The present rate of unemployment for black citizens is now 8.3 percent, the highest since 1965.

In view of the cutbacks in Federal defense contracts, the growing return of U.S. servicemen from Southeast Asia, and the administration's anti-inflation economic policies, there is every reason to conclude that serious unemployment will not be abated in the immediate future of this country. We must again ask, job training for what? We of the settlement and neighborhood center field have observed the frustration and loss of hope that so many poor people, our neighbors, have experienced as a result of undergoing formal job training, only to find that there were no jobs—except the "dead end" type, with low wages, little job security, and poor working conditions. We of the national

federation have therefore concluded—along with others with far greater expertise in this area—that job training under the family assistance plan must be, of necessity, coupled with massive public service employment programs.

We refer here not to makeshift work. The Kerner Commission's report of 1968 spoke dramatically of our deteriorating cities, with their diminishing tax base, and the vast unmet municipal service needs in the fields of education, health, recreation, public safety, sanitation, and others. This same Commission estimates that at least 1 million useful and permanent type jobs could be created in the public service field. We say the Federal Government, under the family assistance plan, should not only provide job training, but should also be the major employer of poor people to meet these vital public job needs. We are of course aware of several pending Senate amendments by Senators Harris and Ribicoff, which would partially achieve this end under FAP, and we urge that these be adopted by this committee.

III. Mr. Chairman, we would recommend that the punitive restrictions on eligibility and work requirements under FAP be removed.

The family assistance plan currently embraces a number of restrictions dealing with eligibility and work requirements which without question penalize the poor for being poor, and deny them certain basic personal liberties that seriously infringe upon their democratic rights and freedom. We suggest the following modifications:

A. Mothers with school-age children should not be denied the parental right and choice of refusing job training or employment in order to be home with children whom they (the mothers) deem as needing their services, and we say this for all of the reasons outlined by previous speakers before me.

B. Eligibility for assistance should be based only on income status and the individual's written declaration of such.

C. No person should be compelled to take job training unless there is a guarantee of employment which offers job security, minimum Federal wages, and is in keeping with his or her employment capabilities.

We believe there is ample historical and contemporary evidence that the overwhelming majority of American citizens, including the poor, would seek and retain employment rather than exist on welfare assistance. We agree with Senator George McGovern's August 25 testimony before this committee that the fundamental question "is not whether people will quit work to take welfare or quit welfare to take work, nor in how we phrase work requirements for the poor." The question more to the point, according to Senator McGovern and other eminent authorities, is whether this country and this U.S. Government will provide the kind of employment opportunities, for all citizens, that will offer decent living wages, job security, and safe working conditions.

To guard against the poor under FAP being used as another cheap labor force, we strongly urge that this committee modify the employment restrictions of H.R. 16311, while also establishing explicit standards for job suitability and wages.

The last recommendation, Mr. Chairman, is that the Federal Government should accept complete responsibility for the financing and administration of the family assistance plan. We need not be reminded, I am sure, that poverty in this country is truly a national problem;

one which is not confined to State boundaries, and one which is in dire need of massive financial assistance, forceful Federal direction and effective coordination of program efforts and resources. The eradication of poverty, at this point in our history, is increasingly seen by many as primarily a responsibility of the Federal Government.

We of the national federation believe the family assistance plan should be under the direct control and leadership of the Federal Government, if we are to make any serious attempt to bring order, purpose and working effectiveness to the operation of our national welfare assistance program. The present H.R. 16311, although publicized as reform legislation, is not we say, reform of any real scope. It perpetuates many of the same evils, financial inadequacies, and administrative confusions that embrace the present welfare structure. We cite the following:

A. The State, having to pay 70 cents of every dollar supplement (up to the poverty minimum), would have no real incentive to increase welfare benefits. Thus serious variations in family assistance payments would continue, with only a very few States being inclined or able to provide a livable family income—a situation not likely to change without the Federal Government assuming more of the financial responsibility.

B. Family assistance recipients would be burdened, in many States, with the complex responsibility of being actively involved with three administrative bodies relative to eligibility application and appeal requirements—a process which would increase administrative costs and further dehumanize the recipients of the family assistance program.

C. We maintain that most individual States use their welfare programs to foster racism and indignities upon poor people and minority group members in particular, and as an excuse for not dealing with the adverse social conditions that impede economic justice and racial equality. The continued control of welfare programs by individual States merely perpetuates, we feel, a climate of racial hostility and class intolerance toward the poor and minority group members.

In closing, Mr. Chairman, I should reemphasize that our member settlements and neighborhood centers are generally located right in the middle of low-income ghetto neighborhood areas. We are close to and involved with the intensity of feeling that poor people have. We know of their anger, bordering on hate, toward a welfare system that saps them of their pride, and their independence. We see in the moods of poor people a complete rejection of token programs that only lead to partial social reform—a fact so well illustrated in this administration's family assistance plan.

We say this Government can and must do more than merely at this time take a first step toward revamping an antiquated welfare system—a system which has, in the past, literally wasted the lives of hundreds of thousands of American citizens.

We submit there are no safe, inexpensive ways of providing economic justice for the millions of American people who remain poor, largely because of social inequities and racism that this Government has chosen not to adequately deal with. This is a painful fact, contrary to HEW Secretary Richardson's previous testimony before this committee to the effect that H.R. 16311 will free social workers to spend

more time counseling and advising clients. Mr. Chairman, and members of this committee, it needs to be said "loud and clear" that poor people and welfare recipients do not have a priority need for more social work counseling. They need money, more money to handle for themselves their basic necessities of life. H.R. 16311 is sadly lacking in this respect for most present and prospective welfare recipients.

Although we are encouraged by and supportive of the new provisions for the working poor, we would repeat that the National Federation of Settlements and Neighborhood Centers endorse a minimum Federal guaranteed annual income of \$5,500 for a family of four, an amount already before this committee in Senator McCarthy's bill S. 3780. Senator Harris also has a bill before this committee, S. 3433, which at least provides an annual income base for a family of four at the poverty level of \$3,700.

Both of these bills appear to be substantial improvements over the administration's family assistance bill, and we urge their serious consideration.

Finally, Mr. Chairman, we think that we should point out that in our previous written testimony we mistakenly used the term "minimum annual income" interchangeably with the term "guaranteed annual income." We do feel that the proposed annual income payment of \$1,600 is an aspect of a guaranteed annual income pending the individual or family's acceptance of those special conditions and restrictions inherent in a family assistance plan.

However, we do recognize that theoretically the family assistance plan does not embody a guaranteed annual income by true definition, and we would request, therefore, for the record, that this term, wherever it appears in our previously submitted material, be replaced with the term of a "Federal minimum annual income."

We, of the national federation wish to thank this Finance Committee and chairman, Senator Russell B. Long, for permitting us to appear.

Thank you.

The CHAIRMAN. Well, thank you for your statement, Mr. Sills.

Senator Williams.

Senator WILLIAMS. Mr. Sills, on page 2 you state:

In quick order, the expensive cost of providing food stamp and surplus food programs, farm subsidies, unemployment compensation, and even some phases of public housing, social security and medicare-medicaid, could ultimately all be negated with an adequate guaranteed annual income for poor families and individuals.

By that statement, do I understand that you are recommending that this guaranteed annual income of \$5,500, and that these programs be repealed?

Mr. SILLS. Well, Senator Williams, we would point out we do not consider ourselves experts on this highly technical subject. We have been impressed by the arguments of many authorities in this field that by having an adequate income for poor people that the Government could achieve a net savings by negating many inservice programs.

We have not conducted any kind of study that would compute these actual savings, but we think that the idea has a great deal of merit and should be looked at in relation to an adequate annual income of \$5,500.

Senator WILLIAMS. Well, I was just asking what your recommendations were; based on your own statement. Those are all the questions I have.

The CHAIRMAN. Thank you very much.

That concludes today's session. Tomorrow we will meet at 10 o'clock and we will commence with the panel from the National Association of Counties. Thank you very much.

(Whereupon, at 2:55 p.m. the hearing was recessed to resume at 10 a.m. on Tuesday, Sept. 1, 1970.)

THE FAMILY ASSISTANCE ACT OF 1970

TUESDAY, SEPTEMBER 1, 1970

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

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd, Jr., presiding.

Present: Senators Long (chairman), Ribicoff, Harris, Byrd, of Virginia, Williams of Delaware, Bennett, Curtis, Miller, Jordan of Idaho and Fannin.

Senator BYRD. The committee will come to order.

Chairman Long has asked me to open the hearing this morning.

This morning the committee continues to receive testimony from interested public on H.R. 16311, the President's Family Assistance plan.

Let me announce that after the conclusion of today's session the committee will stand in recess until 10 a.m. on Wednesday, September 9, when we will resume hearings on this legislation.

Leading off today's session will be a panel of witnesses representing the National Association of Counties.

The panel consists of the Honorable David L. Daniel, director of the Cook County Department of Public Aid, James A. Glover, director, Nash County Department of Social Services, of North Carolina, and Howard Rourke, director, Ventura County, Calif., Department of Social Welfare. These spokesmen are accompanied by the Honorable F. L. Tabor, director of Federal affairs on behalf of the National Association of Counties.

Gentlemen, you may come forward, and you are recognized and you may proceed as you wish.

STATEMENT OF HOWARD ROURKE, DIRECTOR, VENTURA COUNTY, CALIF., DEPARTMENT OF SOCIAL WELFARE; ACCOMPANIED BY DAVID L. DANIEL, DIRECTOR, COOK COUNTY, ILL., DEPARTMENT OF PUBLIC AID; JAMES A. GLOVER, DIRECTOR, NASH COUNTY, N.C., DEPARTMENT OF SOCIAL SERVICES; BERNARD HILLENBRAND, EXECUTIVE DIRECTOR; RALPH L. TABOR, DIRECTOR OF FEDERAL AFFAIRS, NATIONAL ASSOCIATION OF COUNTIES; AND MARVIN FREEDMAN, ASSISTANT DIRECTOR, DEPARTMENT OF SOCIAL SERVICES, LOS ANGELES COUNTY, CALIF.

Mr. ROURKE. Senator Byrd, and members of the committee, my name is Howard Rourke, of Ventura County, Calif., and I am accompanied by the officials that you just enumerated.

(1817)

We are presenting a joint statement on behalf of the National Association of Counties, after which we would hope to be available to the committee for whatever questioning is indicated.

Senator BYRD. You may proceed as you wish.

Mr. ROURKE. We are presenting you with a written statement,* of course, and we would like to paraphrase the statement, attempting to stay within the 10 minutes that Senator Long specified yesterday for the oral presentation.

We, in our written testimony, comment about the fact that the public welfare system of today is in deep trouble. I think there is no disagreement about that fact any longer, and that there has to be major change.

The counties of the United States, many of which have a fiscal share and an administrative responsibility in the system, are today in both an extreme fiscal crisis and an almost impossible management situation. The fiscal crises in many of the counties is directly attributable to the runaway aspects of the current programs particularly AFDC as we know it today.

County governments, I can say frankly, are almost at the end of the road in attempting to continue to finance these programs through the property tax. We must be able to arrest the appalling rise in the property tax rates that are occasioned primarily by the public assistance caseload increases across the country. While this apparent inability to straighten out this problem goes on, there are now 10 million people dependent on this system, and it is in very bad shape, and we think it should be changed.

We are here today to discuss H.R. 16311 partly, but also to discuss why the National Association of Counties supports H.R. 16311, the Family Assistance Act, how far the support goes, to discuss and identify some of the elements of the Family Assistance Act which we think are extremely important to the country, in other words, the positive as well as the negatives.

Then we are also hoping to have the time to present to you in brief the more far-reaching, much more profound, position and platform of the National Association of Counties with respect to public welfare as a whole, with respect to the whole business of income maintenance and social services.

Senator BYRD. May I ask you a question at that point? You support the program basically, do you?

Mr. ROURKE. Yes, sir; but with major comments that we wish to make about revisions that we think should be made in it.

There are a couple of fundamental principles, Senator Byrd, that we think should be kept uppermost in mind as we discuss both the family assistance plan and other welfare changes. First, we think that there continues to be a necessity for a need factor throughout our country. We do not believe that the tax structure of the country, nor the will of the people of our country, would permit an across the board family allowance system which allowed Government money to go equally to the well-to-do and to the poor.

Second, we feel that a right to a job at a fair wage should be provided for everyone who is able to work and that the work ethic of our country historically should take precedence over any direct cash or dole income system or other system.

*See p. 1851.

Third, we feel that the reform, whatever it may be, should consist of both short-range changes that could be made now in the existing system while we build toward a longer evolutionary change in the whole system.

We support in H.R. 16311: The nationalization of income maintenance; the concept of a Federal floor under aid payments across the country; the work incentive and work requirement aspects; the expansion of rehabilitation and training; the expansion of day care services; those aspects of the bill which are directed toward elimination of the gross inequities of the present public assistance program throughout the United States; the attempts to build a simplified administration of the whole business; and, finally, financial sharing structure which would provide needed fiscal relief to the property tax of the counties.

Our No. 1 concern with H.R. 16311 perhaps the most pressing problem in the bill, in our opinion, and as expressed here by others yesterday, continues to be the retention of the two-program or two-tier approach to the family—the basic family assistance benefit, and the State supplemental benefit.

We believe that there should be benefit levels geared variably by regions of the country to the costs and necessity of life and adequate enough to permit the total cessation of AFDC in all States.

AFDC, which has become so unpopular, is grossly inequitable and so full of problems that we believe it must be completely abolished. The two-tier system, regardless of who is administering it, should be eliminated from the bill, in other words. Cost-sharing among Government levels could be continued for a period of time without a two-tier administrative system such as is now proposed, and we believe that this is the way it should go.

2. We believe that an absolute ceiling could be placed on total gross income to any family beyond which eligibility for income maintenance would cease to exist. This is not now in the bill. In our present AFDC program, because of various income work exemptions, total income to families can go well beyond what the public considers acceptable levels of income maintenance from public tax money.

3. We propose that the earned income exemption be carefully considered by your committee with a possibility of reducing the percentage to something less than 50 percent after the flat allowances of \$720.

In addition, we think that there should be one formula, not two separate formulas, one for FAP and an other for the State supplemental payments as the bill now is.

4. We support in principle the simplified determination of grant as contained in the recommendations but we emphasize these standards should be based on the family assistance plan basically rather than on a two-tier program.

5. We support the concept of a checkoff procedure as recommended by HEW in the revisions for the issuance of food stamps as long as food stamps are going to be a part of this picture. However, we continue to believe, as we have for a long time in NACO policy that the food stamp program should be eliminated in favor of an adequate cash grant, with authority to control the payments when there are specific abuses.

6. We note the reported savings for State and local governments that appear to be reflected in the provisions relating to administration of the fiscal formulas. However, as income maintenance formulas become nationalized, if this is the direction we are traveling, we believe there should be provisions for the eventual elimination of State and county costs on a planned phaseout basis.

7. We support the establishment of a uniform national minimum standard assistance for the aged, the blind and the disabled as recommended in the bill. However, we recommend further achievement of simplicity and standardization and equity among the adult categories and propose that a single adult category be created completely replacing old-age assistance, aid to the blind, and aid to the disabled as well as general assistance.

8. We have serious reservations about the proposed eliminations of the unemployed parents program because we wonder what is to become of these families in States where the family assistance benefit would be considerably below what these families are receiving today. We recommend retention of the federally supported unemployment program.

9. Provision should be made for utilization of the knowledge and abilities of State and county welfare employees and for an orderly transfer of such personnel to FAP with protection of their retirement and other employee benefits as spelled out in the law.

SOCIAL SERVICES PROPOSALS

Now, we would like to take a moment or two on the social services proposal in title XX as submitted by HEW. If enacted, these program objectives should be more clearly defined. Generally, the proposals are in line with our NACO policy and we endorse their general direction and content.

However, we would like to raise three major questions: 1. We believe that the prime sponsor concept, as contained in section 2000 of title XX, would cause very severe problems of unnecessary competition, conflict, and political manipulation among local communities. There would be a proliferation of separate service agency structures. Instead, we emphatically believe that such services should continue to be vested in State and county government only.

2. We believe that the services should be clearly defined in the law itself rather than be left to administrative discretion so that States and counties are assured of where they can go with their service programs and be assured of the Federal matching money.

3. We believe that the provision for emergency assistance, as it is now contained in the recommended title XX is misplaced. Instead, we think that FAP itself should be amended to contain provisions for emergency assistance to those people who must have it pending determination of eligibility and the first grant from FAP.

We would like to say that we heartily endorse the proposals for Federal participation in the financing of foster care, adoptions, and child protective services. We are pleased with the concept of providing social services for all who wish them but subject to a fee schedule. We believe further that an exemption from the fee schedules should be provided to assure that anyone who receives public assistance under any one of the titles, in the Social Security Act should

not have to be subject to any fee schedule. This is not clear in the present title XX as we understand it.

I would like to call to your attention a resolution recently adopted at our annual conference in Atlanta, Ga., which calls upon the Congress to provide immediate fiscal relief. The resolution is included in the written materials that are before you.

We understand from press accounts of the last few days that President Nixon has agreed to a proposal put forth by Senator Ribicoff of this committee to conduct an experimental pilot program to test out the feasibility of the approach embodied in H.R. 16311. We have several suggestions to offer about the proposal, if the Congress should decide to do this. First, we believe such a pilot program should begin as early as possible, but no later than July 1, 1971. Second, we urge that the program take place in several States and that it include States with both State-administered programs and States with county-administered programs and that it also should include both metropolitan and rural areas.

We are concerned that this pilot approach not be used to delay the implementation of a nationwide change in the public welfare structure. We believe the pilot demonstration should be viewed, if it is done, more as a means of determining costs and working out administrative problems rather than as an absolute test of whether there should be change to such a concept as FAP or not. And we strongly recommend that Congress establish a date no later than July 1, 1972, for nationwide implementation of the program, whether it is family assistance, as now contained in the bill or with major amendment, or what.

Now, I would like to dwell for a few more minutes on the more long-range platform of the National Association of Counties, one which we believe goes way beyond the family assistance plan and offers some answers to the questions we have heard from the gentlemen of this committee.

First, we have come to the firm belief that there has to be a clear separation nationwide of our present system to three distinct and separate entities:

1. A national program focused on work and wage security for all who can be considered to be in the labor market or who have potential to become available for the labor market, jobs, in other words.

2. A national program focused on assuring the basic necessities of life for those who cannot work.

3. A national program of locally administered, specified and defined social services, which are so defined and so precise that it is possible to really evaluate and measure them.

It has become very evident that the goals and objectives of the employable versus the unemployable are different. Those of us who work in public welfare have learned that it is tremendously difficult to separate this out in the public mind today because of the lack of separation legally and in regulations and in administration. We believe that we should, as a Nation, stand solidly behind the traditional work ethic of this country. Anyone who can work but who has been unable by his own or her own efforts to enter the wage-earning labor force should receive the help needed to get a job so that he can provide for his needs through wages, rather than through any kind of a direct dole.

This is very basic to our whole platform. It says very simply, gentlemen, for all of those who are able to work there should be work

and it should not stop. If necessary, the Government itself should provide that work as the employer of last resort.

Then, those who would receive the welfare benefit, the direct dole type of benefit, would be clearly identified as the people who cannot work and there would be an end to this confused accusation of chiseling that continues to haunt us.

So, we recommend a national program of work security, a national program of income security, and a national program of specified social services.

The program of work security would wholly replace public assistance in any form, including FAP eventually, in our view. We recognize that this would have to be a phase-in kind of thing, and that for a period of time FAP would have to provide assistance as it now specifies in the bill. But that gradually this would be replaced for all who are able to work by a program of employable work security.

Then, as far as the national program for income security is concerned, the primary income maintenance program would be OASDI. This is what it should have been all along, during the past 25 or 30 years, and expanded so that for most beneficiaries, supplemental forms of government aid are no longer necessary. I think we are all aware of the tremendous supplementation that goes on by the public assistance agencies and of the inadequate OASDI benefits.

Important as the income maintenance programs are, we believe that they alone will not achieve the full objectives and encourage self-support, self-reliance, and strengthening of family life. For these reasons, we believe a fully designed national unified type of social services program should be supported by Federal assistance, but be administered at the county level.

Mr. Chairman, I think that that should conclude our oral testimony. We would like to emphasize our willingness to work with this committee in any way that the National Association of Counties can be helpful. We represent a great many county officials throughout the United States who have spent a great deal of time reviewing and studying the proposals before you. We have been flying back and forth across the country, meeting and attempting to come to grips with these problems so that we as local administrators could offer our knowledge and expertise to the National Association of Counties.

In addition to our testimony, we would like to have included in the hearing record several attachments. Attachment 1 is a table summarizing NACO's long-range proposals, as I have attempted to summarize them just now. The second attachment is the platform adopted by NACO earlier this year and contained in the NACO white paper on welfare reform. All of the members of the panel, all of whom are experts from around the country, are available for questions which we hope we can answer.

Senator BENNETT (presiding). Thank you very much, Mr. Rourke.

To this Senator, the most significant part of your proposal is what you call your long-range plan. Why not now?

Mr. ROURKE. Yes, why not now?

Senator BENNETT. Why not amend the present bill to make a start on these three long-range objectives? Would you gentlemen support that?

Mr. ROURKE. We most certainly would, sir.

Senator BENNETT. You would be interested to know that amendments leading to that kind of an end are being studied by some of us because some of us feel that this is the only possible solution. I am one of those, and I am delighted to see that you feel that this is important as the ultimate pattern, and I am glad to know you feel that we might start now.

Part of this problem that we have to face, as you know so well, if we set up a system based on work or work-oriented jobs, there is no use telling people they have to work unless you have a job for them. It is pleasant and easy to say the Government should be the employer of last resort, and perhaps it should. How about the counties? How many jobs are there for what I consider to be three and a half million employables now on welfare in the United States? How many jobs can the counties supply that they are not now supplying? I am sure you cannot give me a figure in answer. If you could, I would be delighted.

Mr. HILLENBRAND. Senator, we can supply literally thousands of jobs offering useful work that counties are not now performing. It could be an updated version of WPA, but where the people would be working, for example, as counselors in the prison, working in our county hospitals, or working in our outpatient clinics. They would be working in the social welfare field as aides and assistants in the welfare department itself. We agree wholeheartedly with you, Senator Bennett, and we have advocated as part of our statement that the public be this kind of an employer and use it as sort of a training ground. A person could work in as an orderly or something in a hospital. And then maybe be trained to be a cook or a whole lot of other things. We could do it, Senator Bennett, but we just have not got the money to do it now.

Senator BENNETT. Well, as a necessary first step, and as a part of the record of this hearing, backing up your suggestion, I wonder if you could try your hand at making a list of the types of jobs that you think peculiarly belong to county operations, and if you would care to give us some estimates as to the numbers involved that would be more important than the list, which would be useful as a part of this hearing record.

I have no further questions.

Mr. ROURKE. May I say one other thing about it, Senator Bennett, supplementing what Mr. Hillenbrand just said. We see in this recommendation, not only county government but all kinds of local governments—cities, flood control districts, schools, you name it—going back into the business of providing jobs as they did in the depression years as prime sponsors of local projects.

What Mr. Hillenbrand is saying is that county government cannot generate the money to pay the wages that are involved to the people who do the work. It can generate the project, the in-kind contribution to the project, the supervision aspects, but it cannot provide the wages themselves.

Senator BENNETT. This concept cuts across the whole pattern of our economy and society. Hopefully, the most productive source of jobs should be the private sector because people who get into productive jobs with an opportunity for promotion get much more satisfaction

than these people who are put on make-work jobs or temporary jobs. I agree with you that State government or any public entity that can contribute should have the opportunity to contribute. Personally, I think the greatest challenge is to the private sector, to the profitmaking organizations of our country; otherwise all we are doing with these people is making work which is paid for by the taxpayer instead of giving them money directly from the taxpayer—well, that is not quite true—because there are many instances in which the result of their work would be valuable, but if all they are doing is raking leaves and planting flowers and tearing them up again, that has a very limited economic value.

Mr. ROURKE. We agree and we believe there can be a great deal more meaningful kinds of employment provided than raking leaves or that type of thing.

To get back to your original question, let me ask one or two of our panel here who have been in the business for years of providing this kind of employment opportunity.

Mr. DANIEL. My name is David Daniel, Senator, and I certainly would feel the same way as the other panel members have indicated.

It would be our feeling that this responsibility of providing jobs should be shared, of course, by all levels of government, and certainly there is plenty of room for meaningful work in nonprofit organizations as well as profitmaking organizations, if we just address ourselves to it.

For example, we notice, I am sure, the high cost of hospital care. Part of the price is attributable to the work force in the hospital. It seems to me here is an opportunity for special projects to help in the medical field and thereby relieve the taxpaying public of some of this high cost of medical care.

I think we could think of many other areas whereby very meaningful work could be produced in the public service.

Mr. GLOVER. I am J. A. Glover, Senator Bennett. I would like to make one observation that there is a certain group of people in the poverty level who need some help to get started before they are able to get ready for this private employment that we hope they would get. I think this is something we must address ourselves to in our planning.

Senator BENNETT. We assume, those of us who are thinking along this line, that the program must involve training before it can involve jobs, perhaps with most of these people and it must be training with a job at the end of the road, not just training for the exercise.

Mr. GLOVER. And it is going to mean some outreach to get these people in for the training. Some of these people are long standing and have not had the advantage of education or work experience.

Senator BENNETT. That is a part of the training.

Mr. GLOVER. Yes.

Senator BENNETT. We do not think of it as training for a job, but it is training on how to live with a job, any job.

Mr. GLOVER. Yes.

Senator BENNETT. Mr. Chairman, I have consumed my time.

The CHAIRMAN (presiding). Senator Curtis.

Senator CURTIS. Thank you, Mr. Chairman.

I am pleased that you have a concise summary at the beginning of your statement.

I notice point 4 says this: NACO supports the family assistance program, H.R. 16311, as a step in the right direction. Legislation would provide a start in establishing uniform national standards of eligibility. It would establish a minimum Federal floor for aid payments and would provide some fiscal relief to States and counties.

The question is this: Will you list the States that will get some fiscal relief by the passage of this bill either as it passed the House or as it is now recommended by HEW?

Mr. ROURKE. I think the list is in the committee print, Senator Curtis, and I do not believe it is complete or all inclusive.

Senator CURTIS. Now, do you know of any State that will get some fiscal relief with the passage of the House bill or as HEW recommends it be changed?

Mr. ROURKE. Oh, yes, sir.

Senator CURTIS. The relief administrator from my State was here last week and he said it would double our costs. There are some distinguished former Governors on this panel, and I know they have some questions in their minds about it.

Are you prepared to name any State?

Mr. ROURKE. I can only speak for California. But I am prepared to say that there would be substantial fiscal relief in California in the family assistance plan as it now presented, not only to the State, but to the counties of California which are contributing at this time about 20 percent of the costs.

Senator CURTIS. What are you paying now that you would not have to pay if it passed?

Mr. ROURKE. A substantial decrease in the present AFDC program. Of course, there are also substantial increases in Federal matching for the adult categories from which California would benefit.

Senator CURTIS. To what extent would your numbers of people on the lists, welfare lists be increased?

Mr. ROURKE. That is another thing.

Senator CURTIS. No, no; that is part of the package.

Mr. ROURKE. The numbers of people who would become eligible for family assistance, of course, would be a great deal more than the present AFDC caseload of California because you are opening up a whole new program to the working poor.

Senator CURTIS. That is in the bill.

Mr. ROURKE. Yes.

Senator CURTIS. That is in the bill.

Well, now, if we took the bill as it passed the House or as now proposed by HEW, would it cause greater payments to be made by the State of California or less?

Mr. ROURKE. I wonder if I might defer for the moment to one of our people from California, who is the assistant director of social services in the largest county in the world, who, I think, has some statistics. Mr. Marvin Freedman, the assistant director of Los Angeles County Social Services Department, has made a very thorough survey of this and what it does to that country's financing.

Mr. FREEDMAN. Senator Curtis, I do not have statistics with me. But you are quite right that the numbers who would benefit from the

family assistance plan are greater than the numbers who now benefit from our welfare system. However, the addition of the working poor would not be at the State and county expense. Under the bill that would be under the FAP program and receive 100-percent Federal funding. Therefore, adding that additional group does not add to the State or county's cost in the welfare program, and there are other substantial savings that the State and counties would receive.

Senator CURTIS. How much do you think the State of California will save if this bill is enacted?

Mr. FREEDMAN. We in California estimate it pretty close to what HEW has estimated and the staff of your committee has estimated, about \$220 million. In addition to the aid payment savings the bill provides, there can be administration of the supplemental program under contract with the Federal Government at 100 percent Federal expense for the full cost of administration.

Senator CURTIS. Now, I do not have my book here. What does it show it will save the State of Nebraska?

Mr. ROURKE. We do not have it broken down to that extent, Senator.

Senator CURTIS. How do you get the figure for California?

Mr. ROURKE. I am sorry. But the pie chart here on page 25 of the booklet indicates that California would be one of the States that would substantially benefit from FAP. It would receive \$233 million. The New York, Illinois, Ohio, Texas combination would receive about \$178 million, and all other States about \$251 million in local property tax or State tax reductions, savings.

Senator CURTIS. From what features of the bill?

Mr. ROURKE. From the reductions in the amount of money that the State must put up for the AFDC program and for the adult category as they are today.

Senator CURTIS. Has anyone connected with the State government of California said this program will cost less than the program is costing now?

Mr. FREEDMAN. Yes; I believe there are figures in the same booklet prepared by your committee staff.

Senator CURTIS. No, no; I said anyone connected with the State of California, the government of the State of California.

Mr. FREEDMAN. Yes; I think that Senator Long did write letters or sent telegrams to all the Governors, and asked this particular question. I think the responses were reported in the booklet.

The responses showed that initially there would be savings. I think the fear of the Governor of the State of California is more over the long run. He believes that there is going to be a continuing accelerating number of people needing welfare help and that eventually it is going to cost more money because more people, 2 years, 5 years, 10 years from now, are going to need the help. But, I think the figures here reported show that initially there would be a savings to the State of California.

Senator CURTIS. What do you mean by initially; how many years?

Mr. FREEDMAN. Probably the first couple of years.

Mr. ROURKE. I do not really think we can answer that question exactly for the State.

Senator CURTIS. I will go to something else.

In point No. 5, you recommend in the first paragraph there, "Elimination of the two-tier system of benefit payments, the basic family assistance benefit, and the State supplemental benefit."

What would be the effect of that so far as who would carry the burden?

Mr. ROURKE. Senator, what we are proposing is that by combining some of the other features of the bill, and even some features of other Federal programs which perhaps are not as productive as they should be, sufficient money could be put into the family assistance plan to increase the benefits to a level which would allow a single-tier system instead of two programs for administrative simplicity.

Senator CURTIS. What you are recommending there is that the Federal Government pay it all?

Mr. ROURKE. Eventually.

Senator CURTIS. Is that what that point amounts to?

Mr. ROURKE. Eventually. But, for instance, right now the family assistance plan proposal calls for somewhere in the neighborhood of \$840 a year additional money for food stamps. We believe it would be better if the cash payment was increased to \$2,400 for a family of four in lieu of food stamps. This is almost a three-tier system by the time you include food stamps in this \$2,400. You have three different systems to administer.

Senator CURTIS. I realize there are some administrative costs and procedures there involved but the elimination of the State supplemental benefit is scarcely an administrative change, is it?

Mr. DANIEL. I would say, Senator, that we see the possibility of some kind of a matching formula which for the present would continue to bring into the program the State's share of the program of financing. Eventually, we would hope that the States and counties could be phased out of this program and the program could be fully financed by the Federal Government. But that may take some time to come yet.

Senator WILLIAMS. Would the Senator yield?

You speak of transferring the food stamps, \$800 food stamps, over to the cash supplement; that would have the additional benefit of relieving the State of California from its present commitment to pay half of it, wouldn't it? So in reality the main interest is to shift the cost of the program over to the Federal Government from the States.

Mr. ROURKE. Not necessarily, Senator.

Senator WILLIAMS. But it would have that mathematical effect, would it not?

Mr. ROURKE. Eventually and ultimately, I think that is the goal.

Senator WILLIAMS. If that is not the point, if it were shifted over, would you recommend the shift over on the same 50-50 cost to the States or is it your recommendation only to be shifted over where the Federal Government pays all of it?

Mr. ROURKE. Yes. Well, let me qualify this. Going back to what Mr. Daniel said, what we have in mind is that the program be established as a single benefit level program throughout the country. The States, for such period of time as is necessary, would have to work out the financing structure to bring payments up to a national income level. The States and the counties would have to do some reverse revenue sharing. In other words, we do not believe that it is necessary

in order to share in the costs of a program of this kind that there be two different levels or sets of administration. We believe there can be one administration, one set of benefits, one level of benefits, one program, but then the financial costs of it shared through bookkeeping methods.

The CHAIRMAN. If the Senator would yield for just one moment, may I provide the answer that he has been asking about Governor Reagan? Here is Governor Reagan's response to my inquiry about this bill. He said on page 5 of the statement I have here:

Perhaps the most dismaying aspect of this bill is the tremendous outlay of public funds for a program that appears to do little more than put a great many more of our citizens into the welfare category. Much has been made of the fact that states will recognize a savings in state funds from this bill. I am not impressed by the fact that the bill as it stands will save California close to a hundred million dollars in 1971-1972 when I know that the same bill will cost the American taxpayers over one-half billion dollars for the program in California alone. See attachment C for fiscal details.

In other words, apparently what he is saying here is that even though it will save California a hundred million dollars it is going to increase the cost at the Federal level for California alone by a half billion. California taxpayers are going to have to pay their share of this half billion dollars as well as their share of the similar amounts for New York, Louisiana, and other States and by the time they get through they will be paying a lot more, and he does not think this is a good investment, I take it.

Senator CURRIS. Thank you.

Coming back to my question, are you recommending the eliminator of the State supplemental benefits?

Mr. ROURKE. Yes, sir.

Senator CURRIS. Purely as an administrative convenience?

Mr. ROURKE. No, sir.

Senator CURRIS. It is, in other words, to relieve the States from paying it, is that right?

Mr. ROURKE. No, sir; no, sir. We are recommending it in the interests of a uniform and equitable program throughout the United States insofar as the treatment of needy people is concerned. Beyond that, we are recommending it because of the administrative complexities of the two-tier system that we do not think are necessary.

Senator CURRIS. Who are you recommending should pay it, pay the amounts now set forth in the bill and carried in the tables to go to recipients under the heading "State Supplemental Benefits."

Mr. ROURKE. We are recommending that the Federal Government pay those portions that are defined in the bill now, plus the share of it that is now the Federal Government's responsibility in the food stamp business, plus the administration of the program. The States and the counties would reverse fund or share the costs that would have been theirs for a period of years and be phased out gradually. Does that say it?

Mr. TABOR. Maybe I could add this point, Senator. Point 5 was really made in direct reference to the bill as it stands right now, that is, the legislation being enacted this year and going into effect next year. At that point we would like to see one administrative system with cost sharing between the Federal Government, the States, and the counties. In this case, the States and the counties would have to pay

money to the Federal Government for their share of the costs. There would be the initial start of the program, and it is later that we get into our long-range or our ultimate plan whereby the States and counties would be phased out of the cost-sharing. But at the beginning we are talking about the same cost-sharing that is in the administration proposal. It would be us paying the Federal Government for our share, though.

Senator CURTIS. So that recommendation is not in there as recommending that the States be relieved of that burden.

Mr. TABOR. Not immediately, no, sir.

Senator CURTIS. But eventually.

Mr. TABOR. Eventually, yes.

Senator CURTIS. Do you feel this bill would be a vehicle to do this?

Mr. TABOR. Yes, sir; if this one-tier system was accepted for the administration of the program.

Mr. ROURKE. Of course, we also feel, Senator Curtis, as we were talking earlier with Senator Bennett about it, that the ultimate answer is to remove all of those people able to work from this kind of a direct cash income maintenance system and provide for them in a work security system instead.

Now, if this can be accomplished now——

Senator CURTIS. None of these things you are talking about are in this bill.

Mr. ROURKE. No; no, we are going way beyond the family assistance plan, sir.

Senator CURTIS. Well, are you for the passage of either the House bill or the House bill as, with such changes as have now been recommended by HEW?

Mr. ROURKE. No, sir; we are not. We are for the bill with those changes that we have outlined in our testimony, which go considerably beyond HEW's recommendations.

Senator CURTIS. Your principal objective put forth there is No. 2. You strongly support legislation to provide for the eventually full Federal assumption of welfare costs. That's the main thrust of your request, is it not?

Mr. DANIEL. That is it.

Senator CURTIS. Is that correct?

Mr. ROURKE. Yes, sir.

Senator CURTIS. Do you base that on the fact that Federal administrators and dispensers of welfare are more competent than local ones?

Mr. HILLENBRAND. May I respond to that, Senator? No; I think they are just richer. Seriously, Senator, we did not want our testimony this morning to bog down on just the money part, but it is important to emphasize what the money problem is right now. We have got approximately 40 percent of Americans who are really eligible for welfare presently on the welfare rolls. We have got the welfare rights organizations, we have got the OEO program enormously increasing the caseload under the existing welfare program we have right now, Senator.

Senator CURTIS. Will they stop those efforts if we pass the bill?

Mr. HILLENBRAND. No, sir; they will not. They will intensify them, I suspect, but here is what the situation is: In 22 States, and they are largely the industrial States with 70 percent of the population in the United States, the counties are the administrative units and share

in the costs. Let me give you two case histories to dramatize what we are talking about.

Los Angeles County in 1 year went from \$650 million of welfare costs to \$900 million. The tax rate increase this coming fall will be \$1.08 in Los Angeles County of which 75 cents of that \$1.08 is going just for welfare.

In my home county of Onondaga, which is Syracuse, N.Y., 40 families a day are going on welfare, and that promises to greatly accelerate because of the efforts of the welfare rights organizations and the poverty people. So what I am saying to you, Senator, is we are at a point where we are really at the financial crunch where we can no longer fund welfare.

It has been suggested repeatedly that we could have some sort of a compromise on this legislation. What we are saying is that any compromise has got to include some element of fiscal relief or we can no longer carry this. The compromise has got to say, if you approve a compromise, that we cannot absorb any more costs over and above those we had on July 1, 1970. And, secondly, we think it should say that we should be phased out. I think the point is, Senator, that we cannot fund welfare on the property tax, and that is what we are trying to do. Significant portions of the Nation's welfare load are based on the property tax which will no longer fund it.

Another point, Senator, is that we have now in the works, it was recommended this year and almost certainly will be recommended next year, a proposal to put a 110-percent freeze on welfare costs. We have already testified in the opening sentence of our report that our welfare costs are increasing from 20 to 30 percent a year which means that we have got to get up the balance of that somewhere at the local level.

Senator CURTIS. Well, now, are you recommending then that we go from 10 million recipients to 24 million, that is what this bill does.

Mr. HILLENBRAND. Senator, I think you are completely right, and what we are saying is we are going to get those 24 million under the existing welfare program.

Senator CURTIS. I do not think so.

Mr. HILLENBRAND. Well—we are getting—our record at the local level is we are getting them, already, Senator.

Mr. ROURKE. We are getting them very fast, sir; 50-percent increase in the AFDC caseload.

Senator CURTIS. Up to now there is no Federal program forcing the States' hands in reference to the able-bodied person who is working, who is not aged, and that is the group this bill would bring in.

Now, I can understand your desperation over the financial matters. I keep the Treasury daily record on my desk, I never even file it away because I look at it most every day.

The national debt is \$18 billion more than it was a year ago today. This year for the first time the interest on the national debt will be \$20 billion. So I am in sympathy with the financial straits you are in, but I cannot accept the view to get you out of it it will increase the number of eligible recipients in my State by 385 percent. That is what this bill does.

Mr. HILLENBRAND. Senator Curtis, could we just respond to it in this way. We have run some statistics under the present system which

we would like to submit for the record which shows an industrial worker earning \$5,200 a year in Milwaukee County is just about even with the welfare recipient. If he wants to do better than that, he has to quit his job and go on welfare, and this is very apt to happen in a fairly large number of cases.

We have, for example, again to cite my hometown, we have some basic industries that pay a minimum wage or less, the candle industry, the china industry, and so on. There are great layoffs in all those industries in my hometown and these people are now going directly on welfare.

If we had something like FAP, a person could stay on his job. As far as we have been able to determine a person will always be better off working under the FAP program than not working, and the only—

Senator CURTIS. Have you studied the record here and the cross-examination of witnesses?

Mr. HILLENBRAND. Well, there might be some isolated cases.

Senator CURTIS. That was one of the big points raised by this committee.

Mr. HILLENBRAND. We are sure there will be isolated cases.

Senator CURTIS. Some individuals earning thousands of dollars are worse off than if they didn't earn anything.

Mr. ROURKE. But, Senator, may I point out to you here that the earned income exemption of \$30 and one-third as it exists in the AFDC program today, together with all of the other exemptions that are required under Federal law and Federal rules—the exemption of the total payroll deductibles, the exemption of work-connected expenses and all the rest—piles up and accelerates the number of people who are becoming eligible for AFDC. We cannot close cases any longer. In other words, the earned income exemption itself, as it is in Federal law today, is to a large extent responsible for the huge increases in the AFDC caseloads. This, in turn, is what has created the financial crunch for the counties.

Senator CURTIS. I think that is probably true.

Now, have those provisions done what they were intended to do to induce people to go to work and stay off of welfare?

Mr. ROURKE. They have done half of your question, sir. They have induced many people to go to work. But, they have not taken people off of welfare because the earned income exemption is such a stacking up kind of thing that it has become almost impossible for us to close cases. We can demonstrate statistically to you that the rate of closure in AFDC nationally has dropped dramatically in the past 3 years.

Senator CURTIS. I have taken too much time.

In that connection, if it is true, if these work disregards have not reduced the number of recipients but has increased them—

Mr. ROURKE. It has.

Senator CURTIS. I would like to have you put in the record your reasons as to how, and the family assistance program, taking on several million of fully employed people will reduce the rolls.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Harris.

Senator HARRIS. Thank you, Mr. Chairman.

Gentlemen, thank you for your testimony. I think we have to continually ask ourselves why is it that we have any kind of welfare system.

Some would say, I suppose, because we have some moral responsibility to people who are less fortunate.

I think probably a stronger argument is in regard to our own self-interest. Is it not true that if a little child grows up in a home where there is not proper nutrition, and where decent health services are not available, and housing has deteriorated, and so forth, the chances are greater that that little child, one way or another, will be a burden to society in the future?

So, is it not in our self-interest to see that every little child in this country has some basic standard of a decent life? Wouldn't you say that is true?

Mr. ROURKE. Yes, sir.

Mr. DANIEL. I would plainly say so, Senator.

Senator HARRIS. Let me explore another area of concern—ask you this, Sir, and this gets the basic question of whether the Federal Government, the States, or the the counties are responsible for providing welfare assistance. Some people used to say if a little child grows up needing assistance in Oklahoma that was Oklahoma's problem. But now we find the people do not stay in Oklahoma. Some of them went to California, and some are in Detroit, and some are in Chicago.

The Supreme Court rightly said that you cannot set residence requirements in regard to welfare; that if they show up from Oklahoma needing help, whatever their background was back there, for which you are not personally responsible in a direct way, you have got to administer to their needs; isn't that so?

Mr. ROURKE. That is right.

Senator HARRIS. Doesn't that bring in then the need to nationalize this welfare program, federalize it, as I call it? Isn't that basically what we are talking about?

Mr. GLOVER. That is what we are talking about. We also have Federal programs of \$2 billion a year helping to find these people. We are not criticizing the finding, they are there and they need the help. We are representing the counties on the firing line, and we have to sit across the table and talk to these folks and try to convince them they are not in need and they are not hungry, and we have got no jobs to refer them to. I think it becomes a national problem. I do not think any words that I have are going to satisfy the hunger of these children. I think you are hitting the nail on the head right now, and this is the crux of the whole problem. As Mr. Hillenbrand and Mr. Rourke have pointed out so well, we just cannot continue to finance it under the present tax structure and it is just that simple.

So we know no place to turn except where the money is and can be collected.

Mr. DANIEL. Senator, could I also add a statement in this regard? This is more and more becoming a national issue. In these days of greatly improved communications systems people know what is going on about the country. You yourself, Senator, might not recall the days of the depression when people such as those we are talking about now, the working poor, found that their needs were not being met. They were out of work or they were earning less than they needed. They went, of course, to people like ourselves, to the county officials, and there being no money there they went to the State officials.

The State money ran out. The Governors descended on Washington. I'm sure Senator Curtis might recall this, and the Federal Government responded with programs such as the Federal Emergency Assistance Act, the WPA program, and so forth.

Now, the way the situation is going today, we can well expect this kind of a situation unless it is handled on a constructive basis. What we are saying here is that it is possible to handle this on a constructive basis, but there is great need for Federal help.

We are suggesting a formula that would provide for sharing between all levels of government, work in public service and other things that might be approached to meet this problem.

Now, we certainly are in favor, as I believe our policy indicates, of providing help for the so-called working poor. That is this great large group of people who are not now on our rolls, and who are giving such concern to governmental officials, the legislators and people who have to pay. But I think these people are not going to permanently stand still and that we will have to work out ways and means to deal with them. That is why we are saying that this bill certainly is a step in the right direction in attacking that problem.

We are not saying that you can do it today or tomorrow. It will take a few years to phase it in, but I think we have to do it.

Senator HARRIS. Thank you, Mr. Chairman.

Mr. ROURKE. Mr. Chairman, may I make one more comment back to Senator Curtis' question.

We believe—we cannot empirically prove this, I suppose, but from our own local experience—that whether you enact the family assistance plan or not or any other plan of reform, the AFDC case load is going to take you on up in the next 5 years anyhow. So, essentially what we are saying, Senator Curtis, is that we believe a new kind of program, such as represented by FAP, is better than the old and no good AFDC program, a program that is in disrepute throughout the United States.

Senator CURTIS. Well, it would require a change in the law for that to happen.

Mr. ROURKE. No, sir; it will not.

Senator CURTIS. Well now, AFDC payments are available where the father is dead, where he is absent from home.

Mr. ROURKE. Yes.

Senator CURTIS. Where he is totally disabled or where he is unemployed, and that is all; isn't that right?

Mr. ROURKE. We are talking about the AFDC regular program of mothers, and the way it is —

Senator CURTIS. That is a regular program. There are four matching categories.

Mr. DANIEL. That is correct, Senator; you are certainly right.

Senator CURTIS. Now, there's no program at the present time where a family can qualify where the head of the family is not unemployed, is not totally disabled, is not absent from home, or is not deceased.

Mr. DANIEL. Senator, that is correct, and that is just the point. The father leaves home. In my State of Illinois—and I am sure this is not different from many other States—what does the father do? He leaves home. When you look at our statistics, there are two main

reasons for persons coming on the AFDC rolls. One is desertion and another is unemployment. These have been at the top of our reasons for opening AFDC cases for a good many months, and this desertion business is the thing that I think is worrying all of us. This is why Mr. Rourke says that eventually, unless we do something about this AFDC, rolls will continue to rise as they are rising now.

Mr. ROURKE. Particularly in a period of unemployment.

Senator CURTIS. Well, we are talking about the difference between roughly 10-million recipients and 24 million, and without a change in the law, it could not rise to include all those numbers, and I do not think the record should stand on it, and you people know it. You know that the law does not permit an AFDC payment to fully employed fathers.

Mr. ROURKE. When the father is not there, Senator Curtis, the law does permit payment to a woman who is full-time employed.

Senator CURTIS. Yes.

Mr. ROURKE. And this is occurring with increasing and mounting rapidity.

Senator CURTIS. And this is occurring with increasing and mounting rapidity.

Senator CURTIS. I have followed the statistics on that. In New York, they will give you a payment for almost everything and they have one of the highest records of desertion.

One-half of the marriages in Los Angeles County break up, and I do not think it is so that they can get relief. When the proponents of this bill started presenting this, it was in every argument this desertion business, but they have never produced any statistics to prove that is what is causing it.

I am very much in sympathy with the fact you have so many bills to pay that you do not know where to turn.

Mr. ROURKE. We know the AFDC—

Senator CURTIS. But the Federal Government hasn't a lot of money. We are running behind, and I feel badly taking so much time, but I want to ask that one question you did not answer a while ago.

Do you think, if we go to a totally federally financed program, that we will have better administration than you people locally can do?

Mr. DANIEL. I do not think the administration will be better, Senator, by virtue of just changing hands because you would have pretty much the same people administering the program as now. You have people at the Federal level, the State level, and either way you go you will probably have this same corps of people administering the programs.

What we are saying here is that the administrative procedure would be simpler.

Senator CURTIS. Do you have Federal officials, case workers, passing on the individual applicants?

Mr. DANIEL. No; but we have Federal people who set policies and rules.

Senator CURTIS. I understand.

Mr. DANIEL. We have Federal auditors to see that those rules are adhered to down the line, and the same thing at the State level and local level.

Senator CURTIS. I will not take any more time.

The CHAIRMAN. Senator Miller.

Senator MILLER. On page 5 of your joint statement, item No. 2, you say, "We believe that an absolute ceiling should be placed on total gross income to a family." I am not quite sure I understand just how that will work, or whether you are advocating something different from what the bill provides.

Mr. ROURKE. Yes, Senator Miller; we have debated this a great deal among ourselves, and there are not any easy answers obviously.

We think we have one possible proposal. It goes back to the business of notches. It also goes to our view of what is happening to the AFDC earned income exemption disregards today, and a feeling that we need to protect against that kind of thing continuing in the family assistance plan.

We have come up with a reasonable proposal which we think is workable in notches, so to speak, which would take your poverty level index, as defined nationally now by number in the family, and it is by region as well, and then apply a disregard factor to that by, let us say, one and a half times the poverty level index. For a family of four, for instance, there would be the poverty level index of \$3,720, plus a half more, which, I think adds up to \$5,580. This would be the outside maximum that any family could have in income and still receive any form of Federal or State public assistance.

Mr. DANIEL. Any family of four.

Senator MILLER. What?

Mr. DANIEL. Any family of four.

Mr. ROURKE. Any family of four as an example.

Senator MILLER. It is a gross income concept.

Mr. ROURKE. It is a gross income concept.

Senator MILLER. And you are talking about one and a half times the poverty level.

Mr. ROURKE. As a suggestion, a starter.

Senator MILLER. Do you imply you are not going to take property into account?

Mr. ROURKE. Property?

Senator MILLER. I say, do you imply from this idea that you have advanced here that you are not going to take property into account?

Mr. ROURKE. Property ownership, you mean, real property ownership?

Senator MILLER. Well, personal property, too.

Mr. DANIEL. Income producing property here.

Senator MILLER. I am not talking about income producing property necessarily.

Mr. DANIEL. Resources.

Senator MILLER. I am talking about property, it could be income-producing property. It might be real estate which actually has value, which might be quite valuable, but which is not getting any income, and property taxes are being paid on it. I am just wondering, are you going to look only at the income side of the ledger or are you going to look at the property?

Mr. DANIEL. I think we are going to look at all resources; are we not, gentlemen?

Mr. ROURKE. We looked at all resources, and we are presuming that the Secretary, under the terms of H.R. 16311, as it is now, will regulate with regard to property.

Senator MILLER. Well, I just wanted to make sure that this idea you advanced here did not exclude looking at resources.

Mr. ROURKE. No; not at all.

Senator MILLER. In your recommendation 1, or your concern No. 1, you say "There should be benefit levels geared variably to the regional differences in the costs and the necessities of life." I suppose you are talking about the cost of living?

Mr. ROURKE. Yes.

Senator MILLER. Now, this sounds very good to me because I have been talking about it for a long time. But when I go over to the Bureau of Labor Statistics, they tell me they are not able to compute this regionally. That does not mean they cannot be told during the next year to develop these, but it seems to me incredible that the bill that is now before us, with the amendments that have been sent over from HEW, will apparently make no differentiation between the cost of living in New York City or Chicago and the cost of living down here in some little town in Virginia or Kentucky.

I take it that the suggestion here is geared to correcting that defect?

Mr. DANIEL. Yes.

Senator MILLER. Now, we can go a step further and do what the OEO has done for a number of years, and indicate a differential between the poor who live on a farm with a little acreage, and those who live in a city. You will do that too?

Mr. DANIEL. You can only cut this to a certain level, Senator, without making the thing too costly, just the determination. Certainly, it would be our thinking that the average cost of living could be determined in the various regions.

Certainly, there are high-cost regions, medium-cost regions, and low-cost regions, and we think it is not asking too much for an agency like the Bureau you mentioned to compute this thing on a regional basis. A region might include two, or three, or more States. In some instances it might be one State, but we have not seen the possibility of regionalizing within a State. The State, we would think, would be about the minimum.

Senator MILLER. Well, you could regionalize in a State like yours or a State like New York.

Mr. DANIEL. Yes; we could.

Senator MILLER. In fact, a State like New York already does it. It takes the five burroughs of New York City, plus two or three other counties, and they get a certain State supplement.

Mr. DANIEL. We would agree with that.

Senator MILLER. And all outside of that get another State supplement. You could do that.

Mr. DANIEL. Yes. This could be done, but it would be a better way.

Senator MILLER. I am all for this cost-of-living differential, and I'm just wondering why we could not go a step further and within a region, say, Illinois, outside of Chicago, have a differential between those who live on a farm and those who do not, and that is what OEO has been doing for a long time.

Mr. DANIEL. This could be done.

Mr. GLOVER. Senator, I would like to observe we are having real problems in the South about people leaving the farms and going to the urban areas. I think, if you regionalize too much within a State,

you are going to irritate this more and more because of the high grants in the cities which are going to attract more rural people to the city, and going to compound problems of a social nature. If you do not make too much differential, I think many of them may start going back to the rural areas instead of leaving them.

Senator MILLER. Well, you see, you sort of hedge your bet when you say if you do not make too much of a differential. All I am interested in doing is making an effort for a differential because out in my own State I can think of a poor family living in a little town of about 200 people, and I assure you their cost of maintaining themselves is considerably less than it would be in my own town of Sioux City.

Mr. GLOVER. We have the same problem.

Senator MILLER. And OEO has recognized this for some time. Maybe they have not done as sophisticated a job on it as they should, but it seems to me if we are going to do a real job of doing equity here we ought to do what you suggest by looking at these regional differences and cost of living, and then we ought to set a program and do what OEO is doing, make some kind of a determination as to what the farm standards and city standards are. You would subscribe to that as long as we did not make the differential too great?

Mr. GLOVER. That is right.

Mr. DANIEL. I think there are ways of doing it. Just, for example, Senator, housing is one item that costs more. I think special consideration could be given to housing costs which could help solve the problem of rural and urban differentials and other differentials within a State.

Senator MILLER. You recommend doing away with food stamps and supplanting them with cash.

Mr. GLOVER. Right.

Senator MILLER. This is an idea that I like too, although, in fairness, I recognize the fact that there is some concern over what the recipients would do with that cash, and whether they would indeed buy food for the family.

Mr. GLOVER. We firmly believe, Senator, there is going to be a place for protective services in any kind of program you establish. Those who are going to abuse the use of the money and the children are not going to get benefits from it. They are going to need some attention.

Senator MILLER. What would you do?

Mr. GLOVER. Well, you are going to have to come up with some abuse protections just as we do in other programs. If they are neglecting the children I think they are going to have to receive some attention, and maybe they are going to have to have protective payments.

Mr. ROURKE. We will have to withdraw cash payment to the people in favor of that kind of payment.

Senator MILLER. I am wondering about the specifics. Suppose you have a family of four, and the cash payments are made, and your social workers find that the kids are not getting an adequate diet, they are not using enough of that money for food. What are you going to do?

The CHAIRMAN. Senator, we are voting in the Senate. I will cast my vote and I will be right back. Then you can go and vote.

Senator MILLER. I am about through with my questions.

Mr. GLOVER. Senator, to answer your question, we now have provisions in the regulations where we appoint a personal representative to supervise the expenditure of these funds under the present program. We see this as a feature that will be needed in any kind of program that you launch.

Senator MILLER. How is that? I am familiar with the fact that there is such a mechanism, but I do not know how it is working.

Mr. GLOVER. Well, in our State we petition before the clerk of the court to have a person appointed. The client has the privilege of being heard. Then the clerk makes a determination on the evidence presented.

Senator MILLER. Have you had many cases?

Mr. GLOVER. We have several. I do not know the number.

Senator MILLER. How about in Illinois?

Mr. DANIEL. Yes, we have this provision, Senator, and we do this: HEW changed the regulations maybe 2 or 3 months ago, so we do not have to consult the client as to whether or not he would accept a protective payee. We can appoint a staff member to take on that responsibility and to dole the money out weekly, to mama, if she is the appropriate person, or to still another person. The last I had a chance to look at this, it was working very well.

Senator MILLER. Well, thank you very much. I appreciate your excellent statement. I read part of it and I will read all of it.

I will yield to Senator Fannin.

Senator FANNIN. Well, thank you, Senator.

Gentlemen, I regret I was not here to have the opportunity to hear your testimony. I have been going over some of the basic principles that you have given in your statement, and I wholeheartedly agree with your objective.

I am concerned where, on page 3, you say, "The right to a job at a fair wage should be provided for all who are able to work," and I wholeheartedly agree. But I notice that one of you gentlemen happens to be from Cook County, Ill., and another from Ventura County, Calif. I realize what has been happening in your areas with the problems of layoffs and I am wondering how far you would want to go.

Now, the public works program, public service programs were discussed a few days ago as to how many people we can use in those programs. I know you are from large areas. And I ask what would you feel or what do you feel could be done in this regard?

Mr. ROYRKE. Basically, what we are saying here is that there finally should be jobs with government as an employer of last resort. In other words, that we return to some kind of a system that maybe is reminiscent of WPA, shall we say, but we hope a lot better than WPA. Basically the people who are able to work should work, but that there should be a system which provides them with work rather than with a dole.

Senator FANNIN. I wholeheartedly agree with this program, but I am wondering how we can implement it and carry it out.

Now, to get to specifics, in Cook County I know of one electronic firm that is now building a plant in Taiwan. When that plant goes on stream in Taiwan, 50 percent of the employees in that plant will be laid off.

Now, what I am talking about is that we are kind of working backward. In one program we are giving encouragement for companies to

go overseas and put in plants. We give them a greater tax incentive for that purpose than we do for a company which put a plant in the United States, and then would export.

Now, aren't we really getting ourselves in a position where, on the one hand, we are taking away jobs, and on the other hand, we are trying to provide them. It is rather a hopeless situation if we do not do something about the exportation of jobs. We do not seem to be getting very much encouragement.

I have been trying to get legislation through which would change this. We have this problem in almost any field that we want to talk about. In the aircraft industry we are already having tremendous lay-offs. But still we have situations such as the DC-8. Many of the parts for that unit, for that aircraft, are coming from overseas more and more each day.

The balance of trade in England was almost brought back to normalcy just by the exporting of these large engines for planes, the big jet engines.

I would appreciate your support in programs to try to curb this trend because I just do not think we are going to have jobs for people if we do not do something about what is happening at the present time.

Mr. DANIEL. I happen to be from Illinois, and we were certainly sorry to hear of this company's move to a similar plant in Taiwan. We badly need the jobs that we will be losing.

I think this gets out of our field of welfare and gets over into the field of the cost of labor, which is very regrettable for us.

When we look at the unemployment rate nationally and in our own State we observe a real sizable number of unemployed persons. We are taking care of practically all of those persons on welfare.

What we are trying to say here is that it is much better if we could find jobs for those people and those jobs should be developed by both Federal, State, and county governments.

Senator FANNIX. Well, I am sorry I cannot discuss it further. I very much appreciate your statement and I agree wholeheartedly with them. I am just wondering if we can implement the program successfully.

Thank you very much.

Senator BYRD (presiding). May I ask the panel this question: Do you believe, is it your belief that the Government should substitute money for services?

Mr. DANIEL. Substitute money for services, Senator, was that your question? I am sorry.

Senator BYRD. Is it the view of the panel that the Government should or should not utilize money instead of social services?

Mr. HILLENBRAND. Senator, could we answer it in the negative. The way we have been trying to do it now is to substitute services for money. We found it is not a workable solution. So what we are suggesting is to reverse it so we have a basic income floor. We think this bill starts in that direction, \$1,600 plus the food stamp being \$2,400, so at least there is some floor, which could then make services meaningful.

We are proposing in our statement that we make the services not just available to the poor but to other people, counseling services, and so on, and those who can pay would pay.

But we are advocating as our long-range solution the separation of welfare into three categories: One category for basic maintenance, which are children, the blind who have no immediate work experience; and the second category where we would talk about those who are employable, through training, or public jobs and so on; and then we are suggesting that social services be provided locally or by contract with our local welfare people and made available generally not just to the poor but to everybody in the community.

Mr. DANIEL. Could I add to that, Senator?

Senator BYRD. Yes.

Mr. DANIEL. We do say in our statement that services should be more specifically spelled out. Now, in the proposed bill it lists a number of services.

One of those services is titled referral and followup. We think that this could be a very broad service scope, but we are not sure. Some specifics that I know I would like to see in this legislation are activities by the county or State welfare department to give stronger employment support. Another one would be stronger activities to require and obtain support of dependents from responsible relatives such as spouses who have deserted.

Again, in the housing field which we fund out of public moneys, we are paying too much for very, very poor and dilapidated housing. Something needs to be done about this. These are items of services that we think would be reasonable and fair to be included in a program of welfare or family assistance.

Senator BYRD. You are including family planning services in that?

Mr. DANIEL. Yes, we are, sir. Very definitely that is included, and that is a very positive and meaningful service we think.

Senator BYRD. Well, perhaps while I was voting in Senate this question has been asked, but I'll ask it again:

The present legislation proposes a guaranteed annual income of \$1,600. Is it the view of the panel that that will be the correct figure? Is it the view of the panel that that that figure is adequate?

Mr. ROURKE. No, sir, Senator Byrd, it is not. Our position is that, first, there should be an effort to move to a single system instead of the two tiered system that requires State supplementation. There should be one benefit level and that benefit level should be geared to regional differences in the cost of living.

Then we have to find ways of sharing these costs between the Federal Government, the States and the counties in proportions that are reasonable in a phaseout period of time.

But we do not believe that the \$1,600 is adequate for a family of four. We think it would come much closer to adequacy, for instance, if the food stamp costs were to be plowed into direct cash benefits.

Senator BYRD. Let me ask you this.

Mr. DANIEL. That would bring it to about \$2,400 roughly without additional Federal moneys.

Senator BYRD. Yes.

Mr. HILLENBRAND. Senator Byrd, there are many other kinds of programs too that we would think might ultimately be greatly reduced in scope and substituted in a cash way.

For example, this year the Congress is apparently going to appropriate \$2.1 billion for the war on poverty. Without challenging those

programs, this would provide a basic floor at the poverty level for approximately 2 million people in that one program alone.

So our long-range strategy would be to substitute an increasing payment of cash, to get a basic support up so that the family can survive and gradually withdraw from some of the other programs.

For example, you get very few people who think that public housing has really been working well in the United States. Well, maybe if we can get cash assistance payments high enough, coupled with something like a breakthrough to lower housing costs, we can gradually phase into a situation where we are giving basic money support supplemented with services. Then we can gradually phase out of some of the other programs in which we are deeply involved.

Senator BYRD. Well, the Congress or the Senate will need to decide when this bill is taken up, will need to decide, whether the figure of \$1,600 should remain in the bill as the guaranteed income, or whether that figure should be changed.

What is your recommendation to the committee at this time as to what the committee should do in regard to that figure?

Mr. ROURKE. Well, our ultimate recommendation would be the poverty level index. In other words, that a family of four be ultimately at \$3,720 per year, assuming that that poverty level index is a valid set of figures nationwide, and I think that it can be a general assumption.

But we recognize, Senator Byrd, the financial difficulties and other difficulties involved in moving this far this fast. We would like to see a compromise, at least, where the combination of the food stamps and the present \$1,600 figure be put together at a basic benefit level, of, say, \$2,400 for a family of four.

Senator BYRD. Eliminate food stamps and take that amount which is \$860 in round figures and add that to the cash benefits is that your idea?

Mr. ROURKE. Yes. Then beyond that we would like to see, if it can be worked out, a means by which the additional money in those States that are willing to pay more is absorbed into a single level and single administrative system. The States and counties would simply do some reverse funding paying the Federal Government during this period of phaseout time, whatever it is to be.

Senator BYRD. But the point I'm trying to get clear is that you feel that the \$1,600 figure is a figure that, if it is enacted this year, should be, in your judgment, only a temporary figure.

Mr. ROURKE. Yes, sir.

Senator BYRD. And it should be increased rather substantially from year to year until it gets up to what you say is now the poverty level of around \$3,700.

Mr. GLOVER. Senator Byrd, we strongly support looking at all Federal funds which may be available to people and get them under one umbrella and into a one-tier system, whatever they may be.

Mr. HILLENBRAND. There is a second part to this, too, Senator. We are advocating an upper limit, too.

We found one of the most troublesome things in administering welfare is to discover the isolated case where you got relatively high payments. There would be a relatively isolated case here and there, we believe, and this discredits the whole program.

Senator BYRD. What do you think should be the upper limit?

Mr. HILLENBRAND. We have suggested earlier in our testimony today, Senator, that it would be one and one-half times the poverty level in the case of a family of four. The lower limit would be \$3,700, and the upper limit for any kind of welfare, taken altogether, would be \$5,500. There ought to be an upper limit placed on it, too, on both sides.

Mr. ROURKE. \$5,500.

Senator MILLER. Would the Senator yield?

Senator BYRD. I would be glad to yield.

Senator MILLER. By that upper limit and the lower limit are you talking about just the family assistance payment or are you talking about the whole ball of wax?

Mr. ROURKE. Gross income.

Senator MILLER. Family assistance payment, State supplement, food stamps.

Mr. HILLENBRAND. Rent supplements.

Senator MILLER. The whole thing.

Mr. HILLENBRAND. Gross income to the family.

Mr. ROURKE. Gross income.

Senator MILLER. So when you responded to Senator Byrd's question concerning how the \$1,600 would be increased, wouldn't it be more accurate to say you want the \$1,600 plus all these other things taken into account? Whatever they total up to, you want that to be at a minimum level of one and a half times the poverty level?

Mr. HILLENBRAND. As a maximum, an upper limit.

Mr. ROURKE. As a maximum.

Mr. DANIEL. One thing we are saying here is that it costs money to administer the food stamp program. Since you are paying that administrative cost, why not take that \$840 and add it to the \$1,600 and make it just a cash payment. This is the Federal share right now, and we thought that would simplify the operation and would make a better way of administering the FAP program.

Senator MILLER. You see the reason for asking this question is there are some people who are apparently advocating that the \$1,600 be increased up to \$3,000 or \$4,000 or \$5,000 quite apart from these other categorical welfare programs, and I just wanted to make sure you were not doing that.

Mr. HILLENBRAND. No.

Senator BYRD. I thank the distinguished chairman of the committee.

The CHAIRMAN (presiding). There are a few things I would like to ask here. Are you aware of the fact that this plan proposed here would cause the average family trying to work to improve its condition to lose about 80 cents in welfare payments for every dollar that that working man or woman earns? Are you aware that that is about the average situation with this bill.

Mr. DANIEL. We tried to figure that one out, Senator, and we have not been able to come up with our determination as to that yet.

Mr. ROURKE. We have not been able to figure that out.

The CHAIRMAN. That is the assessment the Wall Street Journal placed on it, and it appears to be correct to me. We have cited situations where a person would actually lose in welfare benefits in some isolated situations as much as three and a half times over what they earned. If

they earned \$300 they would lose more than \$1,000 of welfare benefits.

But it appears to work out that under this bill a family on welfare which tries to work its way out of poverty—if they increase their earnings, they lose 80 cents out of every dollar they make by reduction in their welfare benefits.

Doesn't that impress you as very discouraging? It amounts to an 80-percent welfare tax?

Mr. DANIEL. I would agree, Senator, if that is true. As I say, we have not been able to do any arithmetic.

The CHAIRMAN. That is how it looks to me, and people who tried to analyze this for the Wall Street Journal came up with that conclusion.

We have illustrations where it works out even worse. We have illustrations where a person increases her earnings by \$1,000 and she would lose \$1,800.

If you advise a mother to work a little harder and make a little more, wouldn't you have some difficulty explaining to that woman why she had to be \$800 worse off than she would be if she had never worked at all?

Mr. ROURKE. Yes.

Mr. DANIEL. Certainly we would have difficulty.

Mr. ROURKE. Senator Long, isn't one of the reasons for this—and we are not clear what the reasons for this are because we are not clear about the figures, but—

The CHAIRMAN. Well, if they earn a certain amount they are no longer eligible for food stamps. So, at that point they are worse off than they were. If they earn a little more, and they are no longer eligible for their welfare payments, they can lose their right to public housing, so that comes off.

For example, here is one situation that was cited to us. Here is four-person female headed family by a woman in Chicago, Ill. This is the chart presented by the administration. If that person had earnings of \$5,000, and she would be receiving benefits under the State supplement, under that she would be paying a Federal income tax, a State income tax and a social security tax. She would be getting a food stamp bonus, she would be getting medical vendor payments and her housing bonus is worth \$1,116. If that person increased her earnings by \$362, to make it \$5,362, she would lose her food stamps and she would lose her medical benefits, she would still be enjoying public housing, but by virtue of losing those two, that additional \$362 of earnings, would cost that person more than \$1,000 in loss of income.

So what she would lose would be 387 percent of her increased earnings.

If you advise that woman to work a little harder to try to improve her condition or to work a little longer and you found she had lost \$1,100 by earning \$300, wouldn't you feel as though you had advised her poorly?

Now, I will tell the witnesses here of a person trying to hire a woman to work in her little establishment, and a social worker calls the woman and says, "Don't take the job. It is a \$2 an hour job. Don't take it. You will make more with your food stamps and your welfare payments than you will taking that job."

So welfare is outbidding employers who are already paying more than a minimum wage.

Now, doesn't it seem to you that if we are going to have a program you ought to try to work it out in some sort of fashion, subsidize the employment, if need be, to help the person for working rather than not working, so that welfare is not outbidding honest employers who are trying to pay a decent wage and put somebody to work?

Mr. ROURKE. Yes, sir; very much so.

The CHAIRMAN. But to me, any bill that has welfare outbidding legitimate employers for honest jobs that are not back-breaking jobs, not cruel jobs, jobs in pleasant surroundings, air-conditioned comfort, which pay more than the minimum wage, just does not make any sense.

Why do we want to put those kinds of people on welfare, can you explain that to me?

Mr. DANIEL. It does not make any sense, Senator.

One approach that we use in Illinois—and I would like to see that case, I will try to find it when I get back—we have on our law books a requirement that persons able and available for employment or training must accept that employment or training. I think this makes good sense.

We do have some reservations about women who have children to rear. But a person otherwise available and in health, we think that person should take reasonable employment and we do not—

The CHAIRMAN. Now, suppose you are making the person accept the job, and by the time he is through working he is worse off than he would be if he had not taken the job. Doesn't that seem unfair to you if he makes less working than if he were on welfare?

Mr. DANIEL. I agree with you if that is a situation that makes it worse. That is why I mentioned a few moments ago that the system we come out with ought to bring a lot of these different resources under one umbrella, so you do not have these divided sources of income maintenance that can get out of hand, just as in the case you cited.

The CHAIRMAN. I agree with that.

You say here in your statement that you would propose that the earned income exemption be carefully considered as a possibility of reduction to a percentage less than 50 percent after the flat allowance, and I take it that you are saying that a person, by trying to work to improve his condition, ought to be able to keep at least half of what he earned; is that right?

Mr. DANIEL. This is what we are saying, yes.

The CHAIRMAN. That to me should be axiomatic to any system we are trying to work out. We admit the present thing is contradictory, it has all sorts of shortcomings about it. We would like to straighten all that out, but we are not going to straighten it out by failing to meet certain simple objectives, one objective being that a person ought to be able to improve his condition by at least 50 percent of what he earns. That is not in the bill, though.

When the Secretary of Health, Education, and Welfare came in and sat in that seat where you gentlemen are sitting and was asked on his confirmation how much of a person's earnings should he be permitted to keep to provide him with an adequate incentive to go to work, the Secretary of HEW said at least 50 percent.

The bill that we are looking at here does not do that. He is not keeping more than 20 percent of it.

Now, I hope that nobody in welfare would find he had to steal to supplement his income, but a person who works with a major retail chain just told me within the last 2 weeks that they are losing 7½ percent of all their merchandise to pilferage right now, and that is a nationwide chain. At least what they steal they can keep, they pay no taxes on it. I do not say they are privileged to keep it but an editorial in the St. Louis Globe pointed out that only one theft out of 20 results in the culprit being apprehended, and on the first offense the culprit is usually turned loose with a suspended sentence, so they usually get 40 bikes, if they just have average luck before they go to jail for a day for it.

But at least if they are stealing they can keep it, so long as they do not get caught, while we have a bill before us, that, in effect, puts an 80-percent tax on a welfare client going to work.

Now, with regard to putting these people to work, the California experience was that out of those people on welfare found appropriate for being put either to work or for taking training toward work, there were 8,000 of them who did not take the training and did not take the job, and only 200 out of the 8,000 were actually dropped from the welfare rolls because they declined to take the job or declined to take the training. That is a pretty discouraging situation for those of us who would like to put people to work; is it not?

Mr. ROURKE. Senator Long, it is a very discouraging thing, very discouraging to us. The reason for it is that both the State and Federal regulations in California—the State regulations of California backed up by the Federal regulations—are so stringent about the conditions for denying a person aid because he refuses employment, that it is just impossible to make them work.

The CHAIRMAN. It is more discouraging from my point of view what they did in New York. In New York, with regard to all mothers, with children, even though it would be just one child and the child being in school, and the child had day care, even if the day care was available, it is regarded as being purely voluntary whether that mother would go to work. So New York does not have any case of 8,000 being referred and only 200 being taken off welfare, nobody has to work to begin with. They fix up their regulations so it is totally voluntary that a person go to work at all.

Mr. ROURKE. May I interject there just momentarily, Senator Long, that we think the basic and best thing that we have to offer in our testimony today—which goes way beyond the family assistance plan and is much more profound and far reaching for the future—is the national program of work security. We propose to completely separate the employable from the unemployable. This would set up a whole new nationwide system which caters to and works on the problems of the unemployed as a group, and sees to it that they have every opportunity to work. The present system just simply does not do that.

The CHAIRMAN. I agree with you. But, unfortunately the bill that we have before us does not do this either.

Mr. ROURKE. No, sir, it does not.

Mr. GLOVER. That is the reason, Senator, we cannot support all the phases of the bill. It needs to be strengthened.

The CHAIRMAN. I would be the first to agree the system we have is a fiasco, but I do not see that it is going to be any good to create another fiasco that has twice as many people on it and cost twice as much.

If we can find a way, and you can help us to find a way, where we provide something that makes good sense, I am prepared to vote for it. But I would much rather vote for that than I would for something that does not make any sense where you are paying people for not going to work, and you are giving an incentive for people not to work, and paying a amount of welfare money while they are planning robberies, pillaging, and goodness knows what, as a substitute for working.

What do you think about the thought of paying something to people who are working on condition that they do work, say, "All right, if you are working and not making enough to support your family we will add something to it, and if the job is there and you do not work, we are not going to pay you anything." Does that appeal to you?

Mr. HILLENBRAND. Yes, sir.

Mr. ROURKE. It does.

Mr. DANIEL. Yes, it does.

The CHAIRMAN. That is what appeals to me, and while we are at it there ought to be some way to work it out, if the mind of man can contrive it, that if a mother has three children over here and there is a father it would be to her advantage to identify such father, and it would be to our advantage to subsidize his wage rather than her refusing to admit she knows who the father is, so that all three of those children, plus the mother, could be available for welfare, and then have those people living together, and denying that the father is the father of the children, and making more on welfare than they would by the father claiming his own children and working to support them, with our trying to help that man bringing up a home with the support of that family, as it always has been until we were confronted with these situations where it was advantageous, for the purpose of getting welfare money, for people to deny their own children, that type thing seems to me should be our objective.

This thing of paying these people all this money as a subsidy to deny their own children, a subsidy for the mother to deny she knows who the father is, just does not make any sense, and making it optional for a person to live just as well on welfare as they would by working, a very little incentive to go to work, the Government taking more than 80 percent away seems to me to be pretty much of a ridiculous-type arrangement.

Mr. GLOVER. Senator, we seriously think work security is of real importance in any kind of bill you come out with. And I would like to observe also that few people get into trouble while they are working. Many of our social problems are created by those who are not working, and if they are working we feel like it would help to eliminate other social problems.

The CHAIRMAN. I feel that you are right.

I spoke of a situation where a very fine, highly motivated Negro woman, working with her husband to make her small business grow, trying to hire someone to work with them, has the experience of a person calling in and saying that the welfare worker or at least the social worker called and advised her not to take the job, that she would be better off on welfare. A few days later someone comes and puts a

pistol in her back and takes all her money away, and for all we know the person who committed that crime and robbed the person in broad open daylight was free to do that because welfare might have been supporting him, paying him so that he did not work full time, and have nothing else to do but commit broad, open daylight robberies, because his expenses are paid for sitting around doing nothing, with help wanted signs all over town.

So to me it would make better sense to pay people to work rather than not to work.

You represent the Association of County Officials. If we can find some money to say that in any community where a lot of people are on welfare who would like to work we will just pay you some money to pay some people to work, can you find some things for people to do that will improve the communities?

Mr. GLOVER. Yes, sir.

Mr. HILLENBRAND. Senator, we want to comment on that. This was a theme that seemed to run through so much of the testimony this morning. We know from our experience we could easily absorb large numbers of people in a half-welfare, half-training, half-orientation kind of program. We would very enthusiastically endorse your idea of some experimental money so that we can do this type of thing.

Let me cite a specific case. We had a prison in Norfolk County in Massachusetts. What we have typically been doing is trying to train people for jobs that do not always exist. Sometimes it is a threat to unionism. You know what all the problems are. But in this case we tried to find out where the job openings were. We discovered there was a great shortage of cooks in the Massachusetts area, for example, and we actually got the support of a national restaurant chain to start a training program in our prison for people who never thought of being cooks and bakers.

This was an interim step. Now, even with criminal records we can employ all of these people who get out of there in jobs that actually exist and where there is a real need.

We found, for example, in the same community, that there is a great shortage, of all things, of florists. We built a greenhouse in the county prison and started training, getting people partly from outside to help. The prisoners trained to be florists had a job when they got out at the other end.

We can do this because of thousands and thousands of jobs that already exist that we cannot fill because of lack of trained people and money—in county hospitals, in county prisons, in the welfare offices themselves. You can have a training program in the public works garage and maybe you hire the fellow, initially, just to clean the floor or something. But he can start learning minor mechanics, and so on, and have a combination of job experience and welfare pay to work him into the system again.

We have made the observation—one of the group here traveled abroad, for example—that everybody has got a job. They sweep the streets with little brooms, or something, but they have a job.

We did not want to leave this morning, Senator Long, without making a strong supportive statement for the work incentive. We would like to see people working who can possibly work by training, but we would like to see, in all fairness, the separation of these categories so that we are not lumping the aged, the blind, the disabled, and

innocent children as being lazy loafers because they are on welfare.

What we are suggesting is separate those two out. So we have got a meaningful category, so that we know who they are.

I think the experience in California was instructive—1,300,000 people on welfare. When they finally separated out the categories we are talking about, they got something like 87,000 that were even remotely employable. In many of those cases they may need psychiatric help, maybe they are drunkards, they have got all kinds of problems. If we could use our long range plan to sort these people out and have a work security plan where we would create jobs in the public sector—meaningful jobs for useful work that cannot be done without some sort of help—and if we could work with the committee, Senator Long, I can assure you we can get all kinds of volunteers at the county level.

THE CHAIRMAN. Well, some employers tried to set aside certain jobs that a person did not have to be fully able bodied to hold and make those jobs available for people who had disabilities. I would think that it would be desirable in this type of society that we try to set aside some jobs for people who might not be able to get a job as a skilled mechanic, or a clerk, or a stenographer and try to slot those people into jobs that they would consider holding.

I know it is not unusual, you fellows know that in a county courthouse some fellow, who is blind, will be running a cigar stand, will sell you soft drinks, cigars, just about everything you might have some need for there, and aspirin tablet, or come what may, and that is something he can do, specially if the sheriff is somewhere around to catch somebody who tries to steal his merchandise and take advantage of the poor man because he is blind.

Now, there is no particular point in reserving that job or assigning that job to somebody who is able to get out and drive nails in the hot sun for a lot better wage, but to set that job for a person who is partially disabled.

I see you are nodding that you agree with that.

It would seem to me that we would be well advised to try to put to work all the able-bodied people who want work as a substitute for putting those people on welfare, and that those people should not have welfare available to them as an alternative to working. Work ought to come first. If a man is an alcoholic or something like that, we ought to treat him first.

MR. ROURKE. That is exactly what we are saying, Senator Long. That is the guts of our proposal.

MR. HILLENBRAND. There is another factor in this, Senator Long. Let us face it, this is why we are getting such a hostile reception among the electorate. We have not sorted out the guy who could work, the kind of people you are talking about, who are evading their responsibility as family people. It has given everybody a bad name. It is making very distorted political campaigns in the fall elections, as you very well know. It has tended to polarize the country because it is constantly getting talked about in terms of crime and a whole lot of other things.

What we are suggesting is a long range plan and we were delighted to hear some members of this committee are thinking along the same lines. If we can get these two categories separated, this would be a

gigantic step forward. Then we can talk about the ones who can go back to work again, that have this remote possibility. Then, let us just concentrate on the blind and the disabled who are not going to have work experience, a meaningful one, probably in their lifetime.

Mr. GLOVER. I would like to observe that the electorate would be willing to pay taxes if we can accomplish this. They are not going to be willing to pay the rates that it is going to cost if we do not do it.

The CHAIRMAN. Frankly, if I detect at all the way people are thinking in this country, they are willing to help a person who is doing the best he can and not making enough to support his family. They are unwilling to pay these people to sit there and refuse to work when a job is available.

I have not been to a part of America yet where I have not seen at least help wanted signs hanging out somewhere, people wanting somebody to help them run a restaurant or help them in their small business and, yet, with those signs hanging there, people seeking to hire someone, we have people contending they ought to be put on welfare.

If people can work, I do not think anybody would argue about that. By all means, if through no fault of their own they are poor and distressed, we ought to help them. I am for that.

But we do not like to be cheated, and I do not think anybody likes to feel he is cheated even though he can afford to be cheated.

Mr. GLOVER. This is one of the reasons why we are recommending that the food stamp money be included in the overall beginning grant. In the South—and I am sure you are familiar with our problems down that way—we have a seasonal problem, particularly in the tobacco area. Just 3 or 4 months in the year we need this man. What are you going to do with him the rest of the year? We need to develop these meaningful services where they can be referred to when they do not have this private work.

There are some of them who are aged, they were not educated, they were not trained, and they are not able to go into the labor market in industry and compete at the minimum wage. Even so, these are human beings that we have got to learn to deal with and attempt to provide for.

The CHAIRMAN. Well, as you know, our union friends want to contend that we should not be helping a person if he is making less than a minimum wage on the theory that by doing so we are subsidizing low paid jobs. What is your reaction to that?

Mr. GLOVER. If we go into the noncompetitive fields of public services, nonprofit areas, these people could do many useful jobs. I hate to use this illustration but it makes my point. I have a little grandson who finished his first grade this year. He changed his school this year. When he visited his school I said, "John, what is it you like about the new school?" He said, "Granddaddy, the toilets don't smell."

Now, maid and attendant services and janitorial services are needed in all public buildings in our area and, frankly, I think this is an opportunity. I think we can use these people in hospitals, like Mr. Hillenbrand has said. We plan to open a 350-bed hospital next spring. We are going to need to train some of these people before they will be able to go to the jobs.

Mr. ROURKE. Senator Long, we do not believe—we know what you are referring to, we have heard it and we have read it—we do not be-

lieve that there is any incompatibility between what we are proposing and the objective and goals of organized unionism. We believe, first, that the kind of thing we are talking about just is not going to be any other way. There are not going to be any such jobs for union men or women. Second, the wage question cannot be resolved around \$44 a month, or like WPA was 40 or 30 years ago, but has to be a reasonable wage. The amount of money that the person is allowed to earn—in other words, the number of hours they are allowed to work—can be pegged to the poverty level index, for instance, or some other measurement. There would be sufficient work for a person and his family to exist at the lowest level and still retain all kinds of encouragements for him to go out and get another job if he can.

The CHAIRMAN. I believe Woodrow Dumas was a former president of your organization; was he not?

Mr. ROURKE. Yes.

The CHAIRMAN. I am one of his friends and constituents. He is the mayor of Baton Rouge, La., and it was my privilege to speak at your constructive statements we have had before the hearings of this tion, and I believe he would associate with what you have testified to.

Mr. HILLENBRAND. Woody Dumas still is a very active member of NACO and in town frequently on NACO business, as you well know, Mr. Chairman. We appreciate your comments.

The CHAIRMAN. Senator Ribicoff, do you have any questions of this group?

Senator RIBICOFF. No.

Senator JORDAN?

Senator JORDAN. Thank you.

I have been running back and forth, as we all have here, but I did carry the statement with me because I did think it is one of the most constructive statements we have had before the hearings of this committee.

I like what you say. You men are directly on the working level of this thing, and it seems to me what you say makes a lot of sense, and I am delighted that you give this testimony.

But it seems to me the trouble we have run into heretofore is when we try to superimpose a very fine formula of allowing a base Federal payment of \$1,600, plus a disregard of the first \$60 a month, plus 50 percent of the remainder that can be earned. When we superimpose that on the whole State supplement system, varying as it does in the 50 different States at different levels, you come out with so many different notches and different levels of retention of earnings and so on that I think you are dead right when you say that we have got to eliminate the two-tier system. You have got to get it on a one-tier level so that it is the same in any State of the Union—that makes a lot of sense to me.

Then when you project your views into the long range aspects of it—the separating of those who are employable and those who are not employable—it makes a lot of sense to me.

Then you talk about the local administration of social services, and no one can better do that than you men who are thoroughly conversant with the problem at that level, and I am in full agreement with you.

I am going to study this with a great deal of interest because I think it is the most constructive testimony we have had before this committee.

Mr. ROURKE. Thank you, Senator.

Senator JORDAN. That is all I have, Mr. Chairman.

Mr. DANIEL. Thank you.

The CHAIRMAN. Thank you, gentlemen. I appreciate your testimony very much here today, and we will certainly see that your views are taken into consideration.

Mr. ROURKE. Thank you for the opportunity, Senator Long.

(The prepared statement of the National Association of Counties follows:)

STATEMENT ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Howard Rourke
Director, Department of Social
Services
Ventura County, Calif.

James Glover
Director, Department of Social
Services
Nash County, N.C.

David Daniel
Director, Department of Public Aid
Cook County, Ill.

Bernard F. Hillenbrand
Executive Director
National Association of Counties

SUMMARY OF PRINCIPAL POINTS—FAMILY ASSISTANCE PLAN, STATEMENT OF
NATIONAL ASSOCIATION OF COUNTIES

1. NACO is very concerned about the devastating effects of rapidly escalating costs of welfare at the state and county government levels. The increase in welfare costs has been jumping 20 to 30 percent annually during the past few years and last year almost doubled in some counties. NACO believes the issue of welfare reform can no longer be discussed purely in terms of assistance to the needy—equally important is the viability of local government to continue to function.

2. NACO strongly supports legislation which would provide for eventual full federal assumption of welfare costs. As a minimum interim step, we urge that all future increases in costs be assumed by the Federal Government.

3. NACO proposes long-range welfare reform involving two separate national programs:

A national program focused upon work and wage security for all who can be considered to be in the labor market.

A national program to assure basic necessities of life for those who are unable to work, or are needed at home to care for minor children or the aged, disabled and blind, ill and injured adults.

4. NACO supports the Family Assistance Program (H.R. 16311) as a step in the right direction. The legislation would provide a start in establishing uniform national standards of eligibility, would establish a minimum federal floor for aid payments, and would provide some fiscal relief to states and counties.

5. NACO, however, recommends several amendments to H.R. 16311:

Elimination of the two-tier system of benefit payments, the basic family assistance benefit and the state supplemental benefit;

Elimination of the food stamp program in favor of a more adequate cash payment;

Establishment of a single adult category of assistance replacing OAA, ATD, AB and GA.

Retention of the federally-supported unemployed father program until FAP can absorb all supplementation;

Establishment of an absolute ceiling on total gross family income in determining eligibility.

6. NACO generally supports the direction and content of the proposed social services amendments but recommends the following changes:

Remove the "prime sponsor" concept and continue to vest responsibility for such services in state and/or county governments.

Define specifically the matchable services—in the law.

Remove the emergency assistance provision from Title XX and provide instead, for such emergency assistance in the Family Assistance Plan.

Exempt from the fee schedules for social services, all recipients of public assistance.

STATEMENT

Mr. Chairman and members of the committee, my name is Howard Rourke, Director of the Department of Social Services, Ventura County, California. I am accompanied by three other county officials: Mr. James Glover, Director, Department of Social Services, Nash County, North Carolina and President of the National Association of County Welfare Directors; Mr. David Daniel, Director, Department of Public Aid, Cook County, Illinois; and Mr. Bernard Hillenbrand, Executive Director, National Association of Counties. We are presenting a joint statement on behalf of the National Association of Counties. After presentation of our oral statement, each of us will be available to answer any questions you may have.

We thank you for this opportunity to discuss with you our country's profoundly critical and controversial public welfare program and system. It is a gross understatement to say that the current public welfare structure has become extremely unpopular. No one is satisfied with it any longer. You—the policy makers at the national level; state and county elected policy makers; welfare administrators and staff; and most important, the recipients themselves, we all share the belief that the billions of dollars a year we are now spending on income maintenance and services for the needy is not the solution to the welfare problems we face. Instead, the system is becoming increasingly mired in expensive bureaucracy, while inequities between various categories of the needy and among the states proliferate.

Substantial criticism of public welfare comes out of a lack of clearly defined objectives for measuring program changes and accomplishments. Lacking such objectives, each individual, including all of us here today, criticizes public welfare, using his own set of biased criteria, which can be substantially different from his neighbor's. The chasm between those who regard public welfare as a failure because of its costs and high caseloads and those who believe it falls short in both expenditures and numbers is wide and irreconcilable.

The counties of the United States, many of which have a fiscal share and an administrative responsibility in the system, are today in both an extreme fiscal crisis and an almost impossible management situation. The fiscal crisis in many of our counties is directly attributable to the runaway aspects of the current welfare programs. County government is at the end of the road. We must be able to arrest the appalling rise in property tax rates caused to a great extent by a public assistance system dictated by federal and state law and indeed, nowadays, by federal and state court decisions.

The rapidly accelerating caseload, coupled with the cost and complexity of the welfare programs under existing laws, has eroded the federal, state, county partnership in carrying out your Congressional mandates. We have entered a period of mistrust and recriminations among the three levels of government. It would not be surprising to find the three levels of government battling each other in the courtrooms over welfare issues if we are unable to secure some basic changes in the immediate future.

While this apparent inability to straighten out the mess goes on, we have some ten million persons, men, women and children, dependent upon the welfare system for food, shelter, clothing, and other basic living needs. The existing system is in such bad shape that drastic action is needed to change it.

We are here today:

1. To discuss H.R. 16311, the Family Assistance Act in general;
2. To discuss why the National Association of Counties supports the Family Assistance Act, how far this support goes, and to identify particular aspects which we believe would be extremely important for our country;
3. To discuss and identify some elements of the Family Assistance Act which we believe would be extremely important for our country;
4. To present to you in brief the public welfare platform of the National Association of Counties with respect to the income and service needs of the people of our nation.

SOME BASIC PRINCIPLES

We believe there are certain fundamental principles which must be kept uppermost in mind as we discuss and plan welfare changes. These principles have been thoroughly considered by the National Association of Counties and are basic to its platform.

1. A need factor must be maintained in income maintenance systems for the needy. We do not believe that the tax structure of our country will allow or can afford any program which provides across the board government payments to the well-to-do in addition to the poor.

2. The right to a job at a fair wage should be provided for all who are able to work. Work and wage must take precedence over any direct cash or dole income maintenance system.

3. Welfare reform must be carefully planned and should consist of immediate short range changes while building toward more long range evolutionary changes.

The National Association of Counties, in conjunction with a number of county task forces established in several states, conducted an intensive study last winter of the original H.R. 14173, Family Assistance Plan, as submitted to Congress by the President. As a result of these in-depth studies, the National Association of Counties concurred in the general principles of the Family Assistance Plan and other proposals contained in the original Bill and now contained in H.R. 16311.

We support:

The nationalization of income maintenance programs for the needy.

The concept of a federal floor under aid payments across the country.

The work incentive and work requirement aspects.

The expansion of rehabilitation and training directed toward self-sufficiency.

The expansion of child care services to improve the quality and quantity of such care, and provide an opportunity for employment to one parent families.

Those aspects of the Bill which are directed toward elimination of inequities among states, among programs, and among families.

The attempts in the Bill to simplify the administration of the programs.

The financial sharing structure which would provide needed fiscal relief to most states and many counties.

The original Bill, H.R. 14173, contained a number of provisions which we questioned. Many of our concerns have been handled through the amendments made by the House Ways and Means Committee or through the latest recommendations of Health, Education and Welfare. However, there still are some matters which we believe should receive further consideration.

OUR MAJOR CONCERNS WITH H.R. 16311

1. Perhaps the most pressing problem in the Bill continues to be the retention of a two-program approach to families—the basic family assistance benefit and the state supplemental benefit. There should be benefit levels geared variably to the regional differences in the costs and necessities of life and adequate enough to permit total cessation of AFDC in all states. The two-tier system, regardless of who is administering, must be eliminated from the Bill. Cost sharing among governmental levels could be continued without the necessity of structuring two programs.

2. We believe that an absolute ceiling should be placed on total gross income to a family beyond which eligibility from income maintenance would cease to exist. In our present AFDC program, because of various income and work exemptions, total income to families can go beyond publicly accepted levels for AFDC payments to continue.

3. We propose that the earned income exemption be carefully considered with the possibility of a reduction to a percentage less than 50 percent after the flat allowance. Also, there should be one formula and not two separate formulas, one for FAP and the other for state supplemental payments, as now exists in the proposals.

4. Although we support in principle the simplified determination of grant as contained in the new recommendations applicable to the state supplemental program, we emphasize that these standards should be based upon the basic family assistance plan rather than upon the two programs.

5. Although we would support the concept of a check-off procedure for the issuance of Food Stamps to needy families as recommended by HEW, we

continue to believe that the Food Stamp Program should be eliminated in favor of an adequate cash grant, with authority to control the payments when there are specific abuses.

6. We note the reported savings to state and local governments that appear to be reflected in the provisions relating to administration and fiscal formulas. However, as income maintenance programs become nationalized, we believe there should be provisions for the eventual elimination of state and county costs on a planned phase-in basis.

7. Although we support the establishment of a uniform national minimum standard of assistance for the aged, blind and disabled, we recommend that the Bill be further amended to achieve the simplification, standardization, and equity of a single adult category based on need and completely replacing OAA, ATD, AB, and GA.

8. We have serious reservation about the proposed elimination of the unemployed parent program. What are these families to do in states where the family assistance benefit would be considerably below the state supplemental benefit? Are the parents to split up? We recommend retention of the federally-supported unemployed parent program until FAP can absorb all supplementation.

9. Provisions should be made for utilization of the knowledge and abilities of state and county welfare employees and for orderly transfer of such personnel to FAP with protection of retirement and other employee benefits spelled out in the law.

THE SOCIAL SERVICES PROPOSALS

Title XX, proposed by the Administration as amendments to H.R. 16311, would completely separate services from cash assistance and administration and would place together the various services program objectives which now are scattered through the Social Security Act. If enacted, these program objectives would be more clearly defined and require sound evaluation. Generally, the proposals are in line with NACO policy and we endorse their general direction and content. However, we would like to raise the following major questions:

1. The "prime sponsor" concept as contained in Section 2000 of the Title would cause severe problems of unnecessary competition, conflict and political manipulation in local communities. There would be a proliferation of separate service agency structures, both public and private. Instead, we emphatically believe that such services should continue to be vested in state and/or county governments.

2. There should be a clear definition in the law of the services eligible for federal assistance. This should not be left to administrative discretion.

3. We believe the provision for emergency assistance is misplaced in the proposed Title XX. We recommend that FAP should be amended to contain provisions for emergency assistance and that it should be financed and administered as an integral part of FAP.

NACO heartily endorses the proposals for federal participation in the financing of foster care, adoptions, and child protective services. We are pleased with the concept of providing social services for all who wish them, but subject to a fee schedule for those who can afford to pay. We believe, however, that a further exemption from the fee schedules should be provided to anyone receiving public assistance under the several Titles of the Social Security Act.

NEED FOR IMMEDIATE ACTION

As indicated earlier, the National Association of Counties believes immediate steps should be taken to bring about substantial changes in our public welfare structure. However, we also realize that there may not be complete enough agreement on what changes should be made, on what steps should be taken, and so forth.

The National Association of Counties recently adopted a resolution at our Annual Conference in Atlanta, Georgia which calls upon the Congress to provide immediate fiscal relief. The resolution reads as follows:

**RESOLUTION CALLING ON CONGRESS TO ENACT WELFARE REFORM LEGISLATION
PROVIDING FISCAL RELIEF TO STATES AND COUNTIES¹**

The National Association of Counties believes that national attention must be given to the devastating effect of rapidly escalating costs of welfare at state and county government level. The increase in welfare costs has been jumping 20 to 30¹ percent annually during the past few years and last year almost doubled in some counties.

The County share of welfare assistance costs comes almost completely from the local property tax. Even with the imposition of record high property tax levels, many counties have been found to curtail expenditures for other vital services to meet welfare costs. Welfare expenditures are expected to continue to climb and will be further aggravated by inflation and rising unemployment.

NACO believes that the issue of welfare reforms can no longer be discussed purely in terms of assistance to the needy—equally important is the viability of local government to continue to function.

The National Association of Counties calls upon the Congress to take action during this Session of Congress to provide immediate fiscal relief to states and counties. As a minimum Congress must provide that all future increases in welfare costs be assumed by the Federal Government.

President Nixon has stated that welfare is a national problem. NACO emphatically agrees. The present welfare program involves great inequities and disproportionate burdens among the states and counties of our nation. The National Association of Counties strongly supports legislation which would provide for eventual full federal assumption of welfare costs.

NACO maintains that welfare reform cannot be meaningful unless it contains strong work and job training incentives. We believe separate national programs have to be established for people who are able to work and for people who are unemployable—mothers of young children, the aged, the blind, and the disabled. Work and job training programs could be better targeted if there is a clear separation between the employable and the unemployable and there would be less public confusion and questioning of welfare programs.

The National Association of Counties supports the welfare reform amendments proposed by President Nixon and currently being considered by the Congress. We believe this legislation is a step in the right direction. NACO reiterates, however, its concern about immediate fiscal relief to states and counties.

We understand from press accounts that President Nixon has agreed to a proposal put forth by Senator Ribicoff to conduct an experimental pilot program to test out the feasibility of the approach embodied in H.R. 16311. If the Congress decides to conduct such an experiment, we have several suggestions to offer. First of all, we believe such a pilot program should begin no later than July 1, 1971. We urge that the pilot program take place in several states and that it should include states with state-administered programs and states with county-administered programs. It also should include both metropolitan and rural areas. We are concerned that this pilot approach not be used to delay the implementation of a nationwide program. We believe the pilot demonstration should be viewed more as a means of determining costs and working out administrative problems than as an absolute test of the workability of FAP. We strongly recommend that Congress establish a date no later than July 1, 1972 for nationwide implementation of the new program.

A LONG RANGE PLATFORM TO ASSIST THE NEEDY

The National Association of Counties, having considered the background of our existing welfare programs alongside current major problems and proposed alternatives, has come to the firm belief that there should be a clear separation of our present welfare structure into three separate and distinct systems.

¹ Adopted at Atlanta, Georgia, July 25, 1970.

A national program focused upon work and wage security for all who can be considered to be in the labor market or who have potential to become available for the labor market.

A national program to assure basic necessities of life for those who are unable to work or are needed at home to care for minor children.

A national support program of locally-administered, specified social services. It has become evident that goals and objectives for the employable versus the unemployable are different. Mixing these two groups together under one direct cash income maintenance program for the needy serves to create public confusion and criticism.

The purpose of a program for aiding employable but unemployed persons should be to get them into jobs, whereas the purpose of a program for unemployable should be to assure that their continuing needs for healthful and decent living are adequately met, and to minimize the problems of family disruption and disorganization caused by lack of an adequate income. Government would be better able to attack problems of poverty with such a separation.

We stand solidly behind the work ethic. Anyone who can work but who has been unable by his or her own efforts to enter the wage earning labor force should receive the help needed to get a job so that he can provide for his needs through wages. Help to get a job, or financial support when there are no wages, should be provided from this same source, focused on employment problems. Only in this way can our country see, understand, and take necessary steps to support the work ethic. Such separation of the employable from the unemployable should minimize the public questioning of today as to why certain persons receive welfare benefits. Those who would receive the "welfare benefit" would clearly be the unemployable or the person unable to be in the labor market for other reasons. So, our long range proposals call for :

1. *A National Program of Work Security* focused upon *work* for all who can be considered to be in the labor market, or who have potential to become available for the labor market. It would include mainstream employment, manpower development and training, public works projects, and unemployment insurance. It would also carry responsibility for direct cash income maintenance during periods of training, unemployment, when UIB benefits are inadequate or exhausted, and would include the working poor.

Financing, except for unemployment insurance, would be federal, and administration would be through the Department of Labor at the federal level and through appropriate state agencies.

This system ultimately would *wholly replace public assistance in any form* for employed or employable persons who are available for the labor force.

2. *A National Program of Income Security* for persons who are unable to work. It would cover the aged, blind, disabled, other unemployable persons, and persons who are required to stay in the home to care for minor children or other dependents.

In this system OASDI should become the *primary* income maintenance program, expanded so that for most beneficiaries supplemental forms of government aid are

not longer necessary. The present public assistance categorical aids for the aged, blind, and disabled, and general assistance should be combined into a single program with need as the single criterion of eligibility.

3. *A National Support Program of Specified Social Services* within the present state and local welfare administrative structure but completely separated from income maintenance. These services should be clearly defined, adequately measured, and available to all, with a fee structure.

Important as are adequate income maintenance programs, they alone will not achieve the full objectives of encouraging self-support, self-reliance, and strengthening of family life. The Administration recommendations are generally in line with NACO policy and with the exception of our previous comments, we are pleased with the direction and content of these proposals.

DISCUSSION OF LONG RANGE INCOME MAINTENANCE OBJECTIVES

There are strong arguments supporting the Federalizing of income maintenance programs. The social and economic problems which create dependency are national in scope. The population has become increasingly mobile. Under the grant-in-aid system, inequities have developed between states, between programs and within programs. Such inequities might best be eliminated and a minimum poverty level subsistence attained under a national program. Further, the programs have become a growing fiscal problem for States and counties. The Federal government has a large tax base from which to finance them.

It should be stressed that Federal administration of the income maintenance system must be responsive to the varying and urgent needs of the poor people it serves or it could become a failure with far more complexities, duplications and problems than what we now have.

We recognize that the separation and differential programs for employable persons and unemployable persons cannot be achieved immediately. However, we believe it is imperative that the Federal government adopt such an approach in order that a timetable can be developed to achieve this goal.

Mr. Chairman, we appreciate the opportunity to appear before the Committee and to present the views of the National Association of Counties.

We would like to emphasize our willingness to work closely with the Members of the Committee and the staff in your consideration of welfare reform legislation. We represent many county officials who have spent a great deal of time reviewing and studying the proposals before you. We believe we have a considerable amount of expertise which could be of assistance to the Committee.

In addition to our testimony we would like to have included in the hearing record several attachments. Attachment one is a table summarizing NACO's long range proposals for welfare reform. The second attachment is the platform adopted by NACO earlier this year which is contained in a NACO White Paper on Welfare Reform.

This concludes the formal statement of the National Association of Counties. All of the members of our panel are available to try to answer any questions you may have.

LONG RANGE PROGRAMS

I N C O M E S E C U R I T Y W O R K S E C U R I T Y S O C I A L S E R V I C E S

C O V E R A G E		
Aged and disabled Unemployable adults judged by Work Security as not having employment potential Mothers with minor children and who are not available for the labor force Survivors of workers (widows and minor children)	Unemployed who are employable with marketable skills Unemployed who are potentially employable but in need of rehabilitation or training services in order to be job placeable Working poor, part-time or full-time, whose earnings are below poverty level index	Voluntarily requested Extent and scope based on available funds in relation to community needs
P R O G R A M A S P E C T S		
OASDI as primary income program based on wage and work records *Adult assistance program based on need *Family assistance program Eventual single program merging adult and family assistance programs Single payment to those under OASDI and adult assistance or OASDI and family assistance	Mainstream job placement Public works employment Manpower development UIB, DIB *Cash income maintenance with work incentive reduction factor	National core of specifically defined services Optional local services based on local need Mandatory protective services Fees charged on ability to pay
A D M I N I S T R A T I O N		
Social Security Administration at end of phase-in	Department of Labor through State agencies.	State and/or local administration Separate from income maintenance
F I N A N C I N G		
OASDI continues as employer-employee contributions Other benefits from Federal funds	Federal except for UIB State and/or local participation in public works	Minimum of 75% Federal Balance Balance from state or state and local

*Assures poverty level index income as minimum

NACO Welfare White Paper

Issue: National welfare reform to achieve an equitable system of income maintenance for the needy and the working poor under a planned, phased-in, time requirement for full federal assumption of costs of income maintenance programs.

Legislation: The House Ways and Means Committee reported a clean bill, H.R. 16311, containing most of the Administration's recommendations. The Committee made several changes in the Administration bill before reporting it. But the bill is substantially the measure Nixon sent to Congress four months ago. The welfare bill goes to the House floor under a "closed rule," which prohibits amendments. Congressional sources expect a vote on the bill before the end of April.

The Nixon welfare program in its first year of operation would cost an estimated \$4.4 billion more than the current level of welfare spending of \$4 billion. It would go into effect July 1, 1971.

Administration officials estimate it will increase the number of those eligible for welfare assistance from the current figure of 1.7 million families (6.8 million persons), to 4.6 million families (22-23 million persons). Of the \$4.4 billion additional cost, about \$3 billion would be benefits to the poor, two-thirds of it to families with some earnings. About \$600 million would finance day care centers for children, to encourage welfare mothers to work. The remaining \$1 million would reimburse states for welfare spending.

A major provision of the welfare legislation would require the Federal Government to match at the rate of 30% state supplements that were higher than the Family Assistance Program (FAP) floor (\$1600 for a couple with two children). The matching maximum would be the poverty level now in effect, but brought up to date annually by the HEW Secretary to reflect increased living costs.

The bill would provide that each state whose AFDC payment level in January 1970 is higher than the FAP level would be required to supplement the FAP up to that level, or up to the poverty level if that is lower. The states would have to exclude the first \$720 a year of earned income, plus: (1) one-third of the earnings between \$720 and twice the amount of the FAP which would be payable if the family had no income; plus (2) one-fifth of an earnings above that amount. The effect of the combined earnings exemptions under the state supplementation amount.

The bill provides for three alternative administrative arrangements of the FAP

program. First, the HEW Secretary can make an arrangement with a state for the Federal government to administer both the FAP program and the state supplementary program. Under this arrangement, the Federal Government would pay all administrative costs. Second, the Secretary could make an agreement with a state under which the state would pay the FAP and state supplementary payments. Third, if the Secretary made no agreement with a state, the state will administer the supplementary payments and the Federal government will administer the FAP program. Under the second and third arrangements the Federal government would pay all the cost of administering the FAP program and the Federal government and the states would share equally in the administrative costs of making the state supplementary payments.

Under the work and training aspects of the program, the existing Work Incentive Program (WIN) would be repealed and a new program would be established to take its place. Appropriations would be authorized to meet up to 90% of the cost of the training program. The Secretary of Labor would, under his own priorities for the selection of participants, assure the development of an employability plan for each individual registered with the employment office under the program.

The legislation also consolidates into a single class the three adult welfare categories of aid to the aged, blind and disabled, and sets a new minimum income of \$110 a month for individuals. The Federal Government could also pay 100% of the administrative costs.

The bill is expected to be approved by the House late in April. The Senate Finance Committee will begin hearings shortly thereafter. The Senate will be receptive to increasing federal payments and providing a schedule for full federal assumption of costs. Administration officials are concerned about the possibility of greatly increased added costs. Efforts will be made to retain bipartisan support for the President's proposals. The bill may not reach the Senate floor until July. The chances of enactment this Session appear good.

Draft NACO Task Force Recommendations: In approaching the formulation of a county platform for future direction of public welfare, the Task Force from the combined experience of its members, and from the perspective of the conduct of this study concludes that is PROPOSALS FOR CHANGE must be clearly separated into two distinct parts:

—Those proposals which are of long-range

and national, as well as statewide scope, and which may require comparatively long-term evolutionary steps toward ultimate goals

—Those proposals which are of immediate and short range urgency within the existing public welfare structure, and which should be done during the interim period of evolution of the long range solutions.

A.A Long Range Platform to Assist the Needy

The Task Force, having considered the background of our existing welfare programs alongside current major problems and proposed alternatives, has come to the firm belief that there should be a clear separation of our present welfare structure into two separate and distinct systems.

—A national program focused upon work and wage security for all who can be considered to be in the labor market or who have potential to become available for the labor market.

—A national program to assure basic necessities of life for those who are unable to work or are needed at home to care for minor children.

It has become evident that goals and objectives for the employable versus the unemployable are different. Mixing these two groups together under one direct cash income maintenance program for the needy serves to create public confusion and criticism.

The purpose of a program for aiding employable but unemployed persons should be to get them into jobs, whereas the purpose of a program for unemployables should be to assure that their continuing needs for healthful and decent living are adequately met, and to minimize the problems of family disruption and disorganization caused by lack of an adequate income. Government would be better able to attack problems of poverty with such a separation.

We stand solidly behind the work ethic. Anyone who can work but who has been unable by his or her own efforts to enter the wage earning labor force should receive the help needed to get a job so that he can provide for his needs through wages. Help to get a job, or financial support when there are no wages, should be provided from this same source, focused on employment problems. Only in this way can our country see,

understand and take necessary steps to support the work ethic. Such separation of the employable from the unemployable should minimize the public questioning of today as to why certain persons receive welfare benefits. Those who would receive the "welfare benefit" would clearly be the unemployable or the person unable to be in the labor market for other reasons.

For the purpose of outlining our proposals we will label the program for employable persons "Work Security," and the program for unemployable persons "Income Security."

1. WORK SECURITY--A long Range Program for Employable Persons

a. Coverage

- (1) The unemployed who are fully employable and have a marketable skill.
- (2) The unemployed who are potentially employable but need of rehabilitation services in order to be job placeable.
- (3) The working poor, part-time or full time, whose earnings are below the poverty level index as established by the Federal government.

b. Program Aspects:

- (1) Mainstream job placement.
- (2) Manpower development to assure that every adult, with or without handicap, who is able, can obtain for himself the skills necessary to get a job.
- (3) Public employment when mainstream jobs cannot be found, such employment serving to assure, both by the agency and individual, every effort to return him to mainstream employment.
- (4) Unemployment insurance benefits as the primary source of income during temporary periods of unemployment.
- (5) Direct cash income maintenance when necessary during periods of training, unemployment, as working poor, or when UIB benefits are inadequate or exhausted.

c. Administration:

- (1) This program should be administered through the Department of Labor at the Federal level and through the State Departments of Employment or Human Resources Development at the state level.

d. Financing:

- (1) Costs of these programs should be wholly financed by the Federal government except for

unemployment insurance. State and/or local project development and participation should be considered for the public program aspects.

e. Other Responsibilities:

- (1) This program must take responsibility for the development of adequate data to support changes in the Minimum Wage Laws and in Unemployment Insurance Benefits. Wages for the employed and benefits, either unemployment insurances or direct income maintenance, for the unemployed should at least equal the poverty level indices.

The total system envisioned above would wholly replace public assistance in any form for employable persons who are available for the labor force, or who are potentially available.

2. INCOME SECURITY--A long Range Program for Aiding Persons Unable to Work

a. Coverage:

- (1) The aged, blind and disabled.
- (2) Other unemployable persons who have been judged by the Work Security System as not having potential for employment.
- (3) Other persons who are required to remain in the home to care for minor children (Aryon under the age of 18 years or under 21 years if in school) or other dependents.

b. Program Aspects:

- (1) Money Payments
 - (a) OASDI should become the primary income maintenance program for those who are aged, disabled or a family survivor or a deceased wage earner.

This program should be expanded, both as to coverage and level of benefits, so that for most persons who receive such benefits other supplemental forms of government aid become unnecessary.

- (b) The present categorical public aid programs for the aged, blind and disabled should be combined into a single program of assistance, with need as the single criterion of

eligibility. General assistance should be included.

- (c) The present AFDC program should be replaced by a Federal Family Assistance program as proposed by the Federal administration in HR 16311 (excluding the employable and the working poor who would come under the program for the employable as proposed above).

- (d) Planning should provide for the eventual merging of the programs mentioned in (b) and (c) above into a single program.

- (2) The program should provide a uniform standard of income maintenance throughout the nation at the poverty level index with variations as necessary to account for regional differences in cost of living.

- (3) Payments to individuals or families from two sources, such as under (1a) and (1b) or (1a) and (1c) above should be combined into one payment.

c. Administration:

- (1) Income maintenance should become a total Federal administrative responsibility. However, some phase in period would probably be necessary.

d. Financing:

- (1) OASDI should continue as an employer-employee financed program.
- (2) Other income maintenance programs should be financed in their entirety by Federal funds.

3. Discussion of Long Range Income Maintenance Objectives

- a. There are strong arguments supporting the Federalizing of all income maintenance programs. The social and economic problems which create dependency are national in scope. The population has become increasingly mobile. Under the grant-in-aid system, inequities have developed between states, between programs and within programs.

Such inequities might best be eliminated and a minimum poverty level subsistence attained under a national program. Further, the programs have become a growing fiscal problem for states and counties. The Federal government has a larger tax base from which to finance them.

It should be stressed that Federal administration of the income maintenance system must be responsive to the varying and urgent needs of the poor people it serves or it could become a failure with far more complexities, duplications and problems than what we now have.

- b. We suggest that the adult programs continue for a temporary period to be administered through the present public welfare structure until such time as the Federal agency can assume their direct administration. They present the least problems in the present system, and are generally the most acceptable to the public. To move toward the goal of Federal administration we suggest that experimentation begin with a system in which the existing public welfare structure for the adult programs might continue the determination of eligibility, certifying eligibility and grant to the Federal agency for insurance for a single combined monthly benefit if the person is also a beneficiary of QASDI. A reverse funding plan, under which states and counties, for a defined and limited period of years, would pay their share of cost of such cases into the Federal treasury, might be feasible.
- c. We recognize that the separation and differential programs for employable persons and unemployable persons cannot be achieved immediately.

It is strongly believed, however, that it is imperative that the Federal government adopt such an approach in order that a time table can be developed to achieve this goal.

As an immediate step we recommend that Congress enact a new Federally financed and administered "Family Assistance Program" as proposed by the Federal administration and as embodied in HR 16311 now before Congress. Such a plan would provide income maintenance at the poverty level index for persons in families. It would supplement earnings below the poverty level index, and would include an earned income exemption incentive to work. This program would also replace for single parent families the present AFDC program. We suggest the following alterations to

HR 16311 as originally conceived

- (1) That the benefit levels be geared variably to regional differences in costs of the necessities of life, but be adequate to permit total cessation of AFDC in all states. That in order to be able financially to do this Congress should:
 - (a) Reduce the earned income exemption to work expenses plus 25 percent, and place absolute grant plus income ceilings by number in the household.
 - (b) Eliminate the proposal to substitute Food Stamps as part of the Family Assistance Plan benefit level in favor of adequate cash benefits.
 - (c) Divert the resultant savings in nationwide administrative costs of a single uniform program versus the higher cost "two tier" system to the Family Assistance Plan benefit level.
 - (d) If necessary to attain a benefit level adequate to permit total and immediate cessation of AFDC in favor of a single door Federally administered Family Assistance Plan, develop an assessment formula to be applied to states. Over a time-limited period such as five years, a progressive reduction, could be made. At the end of a phase-out period, states would be totally relieved of costs of the Family Assistance Plan.
 - (2) That the "work fare" aspects of HR 16311 be strengthened to provide heavier penalties for refusal of work.
- d. When a commitment to a national program is reached a phase-in plan would be necessary. We recommend these steps:
- (1) Benefit levels for persons residing in states with payments above the floor be maintained.
 - (2) On a time limited basis fund transfers be made to the Federal government of state and local funds in the proportions which now help support the categories of assistance.
 - (3) A nationwide standard be

established at the poverty level index.

- (4) Over a specified period
 - (a) benefit levels be adjusted to the national standard
 - (b) state and local funds are phased out.
 - (5) Benefits and employment related services for employable persons be separated out of the Family Assistance Plan and placed into the separate program administered by the Department of Labor and State Departments of Employment.
 - e. The Food programs, should be restored to their original purpose as agricultural subsidy and surplus food programs, and should continue to be administered by the Department of Agriculture. Distribution of commodities or food stamps to income maintenance recipients should be restored to their secondary roles as nutritional supplements to the basic cash income maintenance programs.
4. *Long Range Proposals Related to Social Services*
- Important as are adequate income maintenance programs they alone will not achieve the full objectives of encouraging self-support, self-reliance, and strengthening of our family life.
- a. We recommend that the administration of social services continue within the present public welfare structure, state and local, but be separated from the administration of income maintenance programs so that we can move to a comprehensive program of social services, available to all persons.
- (1) Such programs should be financed at least 75 percent Federal funds.
 - (2) Fees should be charged persons with ability to pay.
- b. Services should be clearly defined and specifically related to the daily living problems which confront people, and offered only when people cannot solve those problems on their own. Some such services are:
- (1) Home making
 - (2) Information and referral
 - (3) Family counseling
 - (4) Protective services for children and adults
 - (5) Adoptions
 - (6) Licensing
 - (7) Homemaking services

- (8) Out-of-home care
 (9) Community planning and coordination of services
- c. Better methods of measuring results and effectiveness of social services must be developed. Government must be made fully accountable for measuring and evaluating its accomplishments in this field.
- d. Services should be voluntary except for those necessary to protect children and adults who are unable to take care of themselves.
- e. Services which are connected with other agencies' responsibilities should be assigned to those agencies and not be duplicated in the public welfare structure.
- (1) Child day care should be provided by the schools.
 - (2) Housing is a national problem affecting many groups in our economy and its effects are not limited to low income groups. Insuring the availability of adequate housing for all people is primarily the responsibility of the federal Department of Housing and Urban Development (HUD), but Welfare must play a definite role in relation to this problem. This role includes reporting, referral and counseling in the use of housing resources, the objectives of which are to provide adequate housing for all people, including those in low income groups, and to eliminate and prevent the spread of slum housing; it does not include provision of technical services in those housing areas where Welfare does not have competence, such as financing planning, construction, etc.
 - (3) Birth control services should be provided by health agencies.
 - (4) Medical care administration should be lodged in health and medical care agencies.
 - (5) Efforts to obtain child support from absent parents should be entirely the function of the law enforcement agencies. Deserting parents who

leave the state to avoid the support of their children should be prosecuted criminally under federal law.

- (6) The functions of the public social service agency in respect to the above services should be that of referral, counseling individuals in the utilization of these services and of participation in community planning.

B. Short Range Proposals

The probability is that any such long range recommendations as those set forth above will come only after considerable national debate and study, and may take several years to fully implement. But it is clearly and urgently **TIME FOR CHANGE NOW**. We believe many urgently needed changes can be made rapidly in the present system, that will make it more palatable. There should be parallel first steps toward long range new goals and ultimate far-reaching re-ordering of our priorities and systems for meeting human needs.

1. The AFDC Program

Clearly the most unpopular, most costly and fastest growing of existing public welfare programs is AFDC. We have made clear that in the long view we believe that AFDC should be abolished. Meanwhile it is imperative that some of the problems which cause such pervasive public antipathy toward AFDC be squarely face now.

Much of the present public concern about AFDC centers on assertions that parent recipients have responsibilities as well as rights, and that too many parents receiving these benefits fail to meet these responsibilities. Instead it is alleged that they use the money for purposes other than proper care of the minor children involved. Accusations are persistently made by many people, publicly and privately, about failure of AFDC recipients to pay bills, about refusal of employment, about failing to disclose income, about disposal of property, about abuse of confidentiality protections, and about unrelated male companions who divert the AFDC funds to liquor, parties, etc.

We live in a money society. Our economic and social structure is built around a money system. It is incompatible with our way of life

generally to aid needy people by means other than a cash grant

Society must make provision to house, clothe, and feed people who are unable to obtain these necessities for themselves. It is extremely difficult if not impossible to condition these provisions upon the behavior of the individual parent. While, understandably, people resent using tax funds to subsidize individuals and families of this sort, no one wants to see a child go hungry due to the actions of his parent

The number of people who present behavior problems of these kinds is small in relation to the total.

Consequently, we continue to endorse the money payment principle as the basic means of providing income maintenance in our society.

However, we conclude that the penalty for misuse of the grant and the non-payment of bills for which funds are provided should be in the authority of the paying agency to make other than cash payments to assure that the aid goes to meeting the needs for which it is intended by law. In doing so, however, we should keep in focus the purpose of the grant, which is to meet the basic needs of poor people, not to protect retail merchants who over-extend poor-risk credit to poor people. Also, under the present AFDC grant structure for persons who have only the welfare grant as income, we do not pay grants equal to the determined need. No government agency can manage an inadequate grant any better than the recipient. If the money is not enough to pay the bills—it is not enough—no matter whether the recipient of the agency is manager of the grant. Further, for those recipients with an outside income the problem is that the outside income still cannot be controlled. In these cases, control of the grant, at best, is a partial solution.

- a. We recommend that sanctions for refusing employment be tightened by law.

We believe that the present sanctions for refusal of employment by AFDC recipients are ineffective (i.e., the reduction of the grant and payment of aid in kind). It takes too long for the sanction

to become effective. Too many "good causes" for refusal are written into the rules. The work rule simply cannot be adequately enforced. The former policy of discontinuing AFDC and meeting only emergency needs was far more effective.

- b. We recommend that that the need standard be restructured to relate to the total number of persons in the household.

The present age-sex groupings are arbitrary and inequitable and should be eliminated.

- c. We recommend that insofar as welfare recipients are concerned the Donated Food and Food Stamp programs be restored to their original status as agricultural price support programs.

If they are to be available to welfare families the allowance should be a supplement to, not a replacement of their cash food allowance.

Since AFDC grants, with exceptions as noted previously, are grossly inadequate in meeting needs the Federal Food Stamp and Donated Food programs have provided a resource to supplement inadequate diets.

However, again the Food Stamp purchase requirements fall heaviest on the "have nots." The people who need them the most can afford them least.

- d. We recommend that efforts to obtain support for children from absent fathers, and/or to establish paternity, be assigned in our state laws entirely as a function of the courts and district attorneys' offices.
- e. We recommend that the "earned" income exemption in AFDC be reduced to reasonable expenses of employment plus only 25 percent of earned income, with an absolute maximum total combined income which may be allowed in a household and still have anyone receiving AFDC.

The present grant structure of the AFDC program is in urgent need of immediate revision.

The earned income incentive feature was enacted in July, 1968 exempting the first \$30 plus one-third of all the rest of earned income, in addition to work expenses, and in addition to almost all of the earned income of children. As a result we have the dilemma of comparatively "affluent" AFDC recipients in the same program with other families that are forced to live on grants far below their essential needs. These families suffer real deprivation, malnutrition and all the problems which poor diet, poor housing, poor clothing, and poor social functioning can bring. Yet in the same program with these unfortunates are others who are able to afford many of the luxuries associated with affluence. For example, a mother with three children would need a job paying the excess of \$600 gross salary per month before her earnings would disqualify her for AFDC. Some families have income of \$1000 or more per month and still remain on AFDC—because of the earned income exemption stacked on top of the other exemptions. This is inconsistent with tax supported programs based on need, and is shocking citizens and taxpayers as they learn of such cases.

- f. We recommend uniform national standards of need to more equitably relate need and income for equally needy AFDC recipients regardless of the state in which they live.
- g. We recommend immediate revision of both state and Federal law to provide broader and less restricted authority for the local welfare department to make "in kind" AFDC payments in lieu of cash when necessary to assure that the funds are used for the benefit of the children for whom they are granted.

2. Public Assistance, Generally

For so long as the present public assistance programs continue:

- a. Aid to the Blind, Aid to the Disabled and Old Age Assistance payments should be adjusted to a single adult category with a single standard

of assistance and with need as the only criterion of eligibility.

- b. There should be maximum and immediate effort to simplify both in law and regulations, the eligibility requirements, the process of obtaining aid, and the determination of income and need. Such efforts should include broad use of a simple declaration system supported by simple audits.
- c. There should be separation of the income maintenance process from the social service functions.
- d. General Assistance should become a part of the new single "adult category" of aid, both in Federal and state law, and should receive appropriate Federal and state funding.
- e. There should be simplification and standardization of treatment of special needs so that there can be movement to a flat grant.
- f. The present requirement for paying aid in an exact amount based on a precise determination of need and income has been the source of much of the complexity and inefficiency of the present program. Administration should be simplified and costs reduced by establishing the need standard at an adequate level and estimating income adjustments should then be made only of amounts exceeding a reasonable tolerance level.
- g. There should be no differentiation in Federal and state cost sharing between cases of children who live in their own homes and of those who live in out-of-home care.
- h. The fraudulent claiming and/or receipt of public funds should be subject to the same penalties of law as apply to theft of any other funds.
- i. Federal state audits should be defined cooperatively between the three levels of government. The Federal and state governments should share with counties in the risks of administration. Audits should be clearly defined as to their scope and purposes and be conducted promptly in the case of new programs and/or major program changes. Audit exceptions should be prospective, and should be and based on questions of

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conformity to policies and efficiency of methods rather than on specific or proportionate case exceptions.

3. *Social Services*

The majority of the long range proposals for social services are equally applicable to a short range platform. However, these points are particularly stressed as urgent matters:

- a. The Federal Department of Health, Education, and Welfare and the State Department of Social Welfare should take immediate steps to more clearly define social services.
- b. Better methods of measuring results and effectiveness of social services should be developed. Government should be accountable for measuring its accomplishments in this field.
- c. Policies and practices concerning utilization of staff should be more flexible and related to the particular needs of the community served.

d. Homemaker services should be developed as an optional program.

C. *Other Platform Issues*

In addition to the long range and short range platform proposals detailed above there are a number of general issues in public welfare for which legislative or administrative attention may be needed to correct some of the present program difficulties:

1. *Appeals and Hearings*

- a. Recipients of income maintenance and/or social services who are dissatisfied with any decision or action of the public agency should have the opportunity for a prompt and impartial review and decision concerning their claim.
- b. The hearings process should remain non-adversary and administrative rather than become legal and adversary.

2. *Employment of Recipients*

Recipients and other persons who can contribute special knowledge, communicative

abilities, and understanding of the needs and problems of the poor should be utilized in these programs.

3. *The Dual Role and Responsibility*

The administering the public assistance programs, government agencies must recognize their dual responsibility both to the taxpaying citizens providing the necessary financial resources and to the people served.

4. *Administrative Requirements*

Policies and practices concerning utilization of staff, training, workload standards, and program development should be related to the particular needs of the community served.

5. *No report should be required*

unless it is essential, its purpose clearly understood, and its use clearly defined. Duplications between fiscal and statistical reporting should be eliminated. Reports should be oriented to sampling and data processing methods. There should be timely feedback of information.

The CHAIRMAN. Our next witness will be the Honorable Carl Stokes, mayor of Cleveland, Ohio, speaking in behalf of the National League of Cities and U.S. Conference of Mayors.

Mr. Mayor, we are very pleased to have you appear before the Senate Committee on Finance, and we are particularly happy to have you speak for the two organizations which have the complete respect and sympathy of this committee.

We realize that both you and your associates have a very difficult job, and we hope that we can help to make it a little less difficult even though it may not seem that way.

STATEMENT OF HON. CARL B. STOKES, MAYOR OF CLEVELAND, OHIO, IN BEHALF OF THE NATIONAL LEAGUE OF CITIES AND U.S. CONFERENCE OF MAYORS

Mayor STOKES. Mr. Long and members of the committee, it is my privilege to appear before you. I think that you do try to make it easier for us, sometimes not as easy as we want you to make it for us, but you have your job and we have our job.

I have listened, Mr. Chairman and members of the committee, with great interest to the testimony this morning from the National Association of Counties, and it seemed to me that the committee and the panel that appeared before you did an exhaustive and a very good job of analyzing the bill presently pending before this committee.

Mr. Chairman, about 2½ years ago, in June of 1968, when I was privileged to attend my first conference of the U.S. Conference of Mayors, I introduced a resolution which was subsequently adopted that provided for a national minimum assistance program for families coupled with a public services jobs program in the amount of some \$1 million together with the necessary social services.

That resolution, which was adopted by the Conference of Mayors, was subsequently reaffirmed by them in 1969 and 1970, and the National League of Cities has itself endorsed the proposal and called upon this Nation, this Congress, if you would, to initiate this plan.

This idea, obviously, did not originate with me. In fact, it has been in the Democratic Party record for over 10 years. However, so far as I know, no Democratic President ever introduced this plan for the consideration of Congress, for the benefit of our Nation.

Interestingly enough, a Republican President, Mr. Nixon, did introduce it, and it is now pending before this Congress. I say interestingly, because I am a Democrat, and I never would have thought Mr. Nixon would introduce what is essentially a Democratic proposal. And yet, I find a Congress that is heavily composed of Democrats for whom this has been a policy position for many years, and of Republicans whose leader proposed the program, apparently having some problem in the enactment and the adoption of the program.

Now, we pay tribute here, of course, to the distinguished House of Representatives which, under the leadership of the chairman of the House Ways and Means Committee, did pass this bill and send it to the Senate where it is now being considered, and I hope favorably, by this committee, and that in very short order it is going to be adopted for our Nation.

If I may, Mr. Chairman, with that kind of introduction, I hope that the statement which I have submitted to the committee will be accepted by the Chair and by the committee as my testimony. Permit me to elaborate upon it.

This is a timely moment, I think, for me to appear before your committee because just over this week end, including last night, we probably saw the greatest rash of assaults upon policemen throughout this Nation that we have known.

My own city of Cleveland saw such a horrible incident in July of 1968, and there have been two national commissions that have devoted a great deal of study to what is happening in this country, and why we have this kind of malaise that seems to be affecting us. Both of those commissions have returned reports, and now recently President Nixon appointed another commission, hopefully, to try to ward off repetitions of last year's campus problems.

Senator RIBICOFF. If I may interrupt, Mr. Mayor, do you think we need any more commissions in this country to find out what the problems are?

MAYOR STOKES. I do not, Senator Ribicoff. I stated that nationally at the time of appointment. We ought to just heed what the findings have been. There is a great predilection on the part of our country to appoint commissions to study. There is a great reluctance, it appears, to meet the problems the solutions to which have been enunciated over and over again by distinguished nonpartisan, nonvested interest committees. Basically and fundamentally we find these commissions coming back time and time again saying that this Nation is going to have to do something about one of the most basic fundamental causes of the devision, the unrest, the tensions, and that is the existing differences between the "haves" and the "have-nots," the degrading, denigrating state of those who have to live in poverty in this country.

It is difficult for me as mayor of a city to understand what our great reluctance is. As I have listened to Senator Curtis, in particular, this morning, and some members of the committee—I want to take, with your permission, a personal approach to this morning's subject.

I am 43 years old, and I was born and raised in the city of Cleveland. Today I pay real estate taxes in Cuyahoga County on about \$100,000 worth of property. I pay income tax on about \$40,000 a year in income. My brother is privileged to serve as a Member of the U.S. House of Representatives. I am mayor of the eighth largest city in the United States. My son attends one of the most exclusive private schools in the United States, University School, which is a feeder school for Yale University, with all due partisan feelings about Yale any of the committee members have.

My mother resides in a home in one of the most exclusive suburbs in the United States, Shaker Heights.

But just 26 years ago, when I was 17 years of age, from age 2, when my father died, until I was 17, my family was on welfare.

When I was 17 I was a dropout from high school. Fortunately, the Army came along, and following my service in the Army, because of a Federal subsidy program, the GI bill of rights, and some good discipline that I got both from my mother and from the Army, I returned to school and was able to go to college.

Similarly, my brother was able to go to college because of the Army GI bill of rights.

Then I went to a State-subsidized school, West Virginia State College, to get undergraduate training.

Following that, I went to a State-subsidized law school, the University of Minnesota.

So in a life which, in this country, has been good to me, I have found the assistance of government at every stage of my life and, as a result of the assistance of government, I am now able to return to the Government that has helped me, moneys which now can be used to help others in our country who came from the same kind of deprived background and beginning that I did.

I want to urge upon this committee, that the issue is why is this, one of the world's wealthiest nations, almost the only industrial nation that I know of that does not have some form of family assistance plan? How is it that we are able to place priorities on materials and things as opposed to priorities on people, particularly when we see what a terrible price we pay for it?

Instead of our priorities being on housing, education, jobs, health services, our priorities have been on military spending, defense spending, space exploration, agriculture, all of which have redounded, not to the benefit but to the detriment of the country in which we live.

I do not have any problem, if the committee pleases, with where to find the money to establish a minimum level for people to live in basic decency and nutrition. The problem is that this country has not established its priorities.

If we place our priorities on the preservation and the development of the internal needs of this Nation, we will find that it is not the difficulty in finding the available money, the only question is how do we spend it in the most expeditious way and the most beneficial way for the American citizen.

Now, every day I have to balance and juggle and walk the tight walk between those who are confined in the cities for one reason or another, and just say to you with 3 years of experience that either this Congress is going to provide forthrightly the 70 percent of the people of this Nation who live in urban areas with the most basic tool needed, namely, to help people live a minimum decent life, or we will make a reality of the prophetic words that Secretary of Labor Wirtz said to President Johnson in January of 1967, "That if a third of the people of this Nation could not make a living regardless of the reasons there would be a revolution. This is the situation and the prospect unless action is taken in that Nation within the Nation, the slums, and the ghettos."

Now, I do not know how many more bombings we need, I do not know how many policemen we need to have shot, I do not know how many more police stations we need to have shot at, I do not know how many more babies need to die in the first year of their birth, I do not know how many more functional illiterates we need to cultivate within the borders of our cities, I do not know how long we are going to continue to subsidize the decline and deterioration of the great centers of our Nation that have spawned a civilization and a culture and an economy unmatched by any in the history of mankind before we turn our attention to some of the basics, one of which is standing here before this committee.

I would appeal to you to consider favorably the bill pending before you. I know that there are specifics that are your responsibility as a U.S. Senator to resolve because of your obligations, because of your responsibilities for tax funds of the people of this Nation.

But when I sit before this committee, I want to tell you I do not come here as a supplicant. I come here as the Mayor of one of the cities that make up this country that elects Senators to the U.S. Senate.

I come as a representative of the people who create the money that it is one of the responsibilities of Senators to spend in the best interests of the Nation.

But the Federal Government does not create money. The country creates money, the people create the money, and it is collected by the Federal Government, and what one of the witnesses in prior testimony should have indicated was we would not come here to Washington if, in fact, the Federal Government was not taking from the local governments the moneys that, at least in our opinion and according to the facts, are not being spent in proportion to what the crying needs of the Nation are for, at least so far as what the priority of this spending ought to be.

These men should have told you that 30 years ago two-thirds of all of our tax money was available in our cities, in our counties, and in our States, and that is when we were able to build our colleges and our public schools and to provide for the proper kind of services.

But today over two-thirds of that money is being collected by the Federal Government and being spent on defense contracts and in space exploration at the expense of the men and the women and the children at that local level from which those moneys come.

So what I hope this committee will do is recognize that we come not just in recognition of the fact of your national responsibilities and the fact that this program must be, should be, and can be enacted only by the approval of you at the national level, but that you will do it with an understanding that you are doing it in our interest, and with our money and that, in this respect, you are discharging your total responsibilities to the entire Nation to which each Senator has an overall responsibility.

The technical aspects of how you carry out the concept of seeing to it that every American lives at a basic level of decency and nutrition is one that we have an abundance of technicians for, but which only you can embrace as a concept and say, "We are going to do it, now let's find out the best way to do it."

That those, who for reasons of a disability, whether because a senior citizen or because a younger person, or because of some physically disabling thing we recognize that these are the people who must be cared for. In the case of a young person, developing a young, healthy, constructive mind able to participate in building this country.

In the case of one who has made his contribution during his lifetime and happens now to be too old to contribute that we see to it that he is able in the twilight years to live in decency and dignity as one who has deserved this standard of living. And for those who for physical reasons are not able to contribute, that we recognize that and say, "Because you are physically disabled does not mean that you forfeit a decent life in our Nation."

For all those who otherwise have no rationale for not being a contributing member to society, we say to them, "We are going to offer

you a job, and if you say, 'I can't do that job,' we say we are going to train you to do that job."

If, however, there are those who say that regardless of your approach in that respect, "I don't want to be a contributing member," then I do not think that this committee or this country has to concern themselves about such a person.

But the overwhelming number of people in this Nation want to be self-sufficient, they want to work, they want to be persons of dignity and self-sufficiency. They do not want doles, they do not want hand-outs, they do not want to be dependents, but there is that about this society today, with its present system, that encourages and develops dependency.

There is that which creates the very things about which some of this committee are concerned, about those who represent dregs upon the society.

But people are not born that way. They develop that way, and you and I are part of the society that has tended to develop this as opposed to developing motivation and stimulation. The realization by everyone that, in fact, each person can participate and be a part of this society of ours and enjoy its benefits as portrayed in its best light as being the best country under the best system in which to live.

Mr. Chairman, I think that that just sums up what my feeling is about this concept, and I appreciate your permitting me the latitude there. I will be glad to try to respond to any questions that I can.

(Mr. Stokes' prepared statement follows. Hearing continues on p. 1873.)

STATEMENT OF CARL B. STOKES, MAYOR OF CLEVELAND, OHIO ON BEHALF OF THE NATIONAL LEAGUE OF CITIES AND U.S. CONFERENCE OF MAYORS

Mr. Chairman and Members of the Committee: I am Carl Stokes, Mayor of Cleveland, Ohio. I am appearing today on behalf of the National League of Cities and U.S. Conference of Mayors which represent over 15,000 municipalities across the country. I am presently serving as a member of the Executive Committee and the Chairman of the Revenue and Finance Committee of the National League of Cities and as a member of the Board of Trustees for the U.S. Conference of Mayors.

Our concern for the development of sound social welfare policies has been a continuing one. In June 1968 at the Annual Conference of the U.S. Conference of Mayors, I introduced a resolution, which was subsequently adopted, calling for enactment by the Congress of legislation which would (1) provide at least a million public service jobs for needed social services with funds included to implement coordination of all manpower programs at the local level; and (2) a national system of income supplements for all persons unable to work and whose incomes fall below the poverty line. In 1969, the U.S. Conference of Mayors again called for revision of the welfare structure. In Denver, Colorado at the Annual Meeting of the U.S. Conference of Mayors only two months ago, the welfare problem was the highest item on our agenda. We passed a resolution urging Congress to give the revised Family Assistance Act the "*highest priority and attention for immediate review, amendment and passage.*" Similarly, the *National Municipal Policy* of the National League of Cities has consistently at its Annual Congress of Cities repeatedly called for restructuring welfare to "encompass more of those in need and provide a national minimum standard of assistance" by requiring full federal responsibility for administration and financing of an income maintenance program while maintaining local administration of social services.

I give you this history of our policy, Mr. Chairman, to emphasize to you and to the other distinguished members of Congress that we as mayors consider welfare reform to be the highest priority. Also, I give you the history of our policy to inform you that I speak not just for my city but for all cities, large and small, throughout the nation. We as mayors are in a unique position to daily

see the damage being inflicted upon our citizens by the terribly inadequate welfare system we have today. And I must admit that many of us are frustrated. Frustrated because we see the damage that the system is doing but equally frustrated because our hands are relatively tied from doing anything to remove the infliction heaped upon our citizens by the present inequities. And so I come here today, representing the mayors, the officials chosen by the people now residing in our urban areas, to state that we look to you to act on this crucial legislation. A rare opportunity is before you. We have enough faith in this democracy to know that you too will know these needs and act—*now*—in this session of Congress to pass substantial welfare reform legislation. The present welfare structure is inefficient, inequitable, and inadequate and steadily becoming more expensive despite statistics indicating a decline in the percentage of the population living in poverty.

Our current system provides no aid for families with a male head of household and provides no assistance to the working poor. At the same time, the present general assistance programs being financed by state and local government have become totally inadequate and, given the present financial crisis facing local government there is no possibility of any substantial improvement. Levels of benefits are too low. Millions of dependent and helpless children and older people receive no benefits, and, worst of all, too many of the poor are members of families whose head is working full time. Millions of families and individuals are subsisting at levels below human decency and below the standards that they have a right to expect from a truly comprehensive social security and public assistance system.

Both our national minimum wage legislation and our unemployment compensation systems have fallen behind the times. Both need strengthening as to levels of payments and scale of coverage. Both must operate under uniform national standards. If these systems were working at proper levels and with adequate coverage, they could make their proper contribution to the nation's social welfare system—a contribution they are not now making.

The cities have a fundamental stake in national policies on public welfare. For this reason we are heartened by the willingness of the Administration and Congress to advance and improve upon proposals that have opened up a new level of public discussion on our present system. From the point of view of the cities, the ills and weaknesses of current programs have become too great to tolerate.

H. R. 16311, the House passed welfare reform legislation before your Committee, is indeed an important step toward welfare reform. The mayors of this nation commend the House and the distinguished Chairman of the House Ways and Means Committee for moving swiftly and with unity on this important measure. My friend and colleague Mayor Henry Maier of Milwaukee testified on behalf of the nation's mayors before the House Ways and Means Committee in November of 1969 urging passage and we are indeed grateful for their action.

The legislation before you, as we testified at that time, would raise the income of the poorest residents in some states, establish the concept of a minimum standard of living, begin to narrow the difference in welfare payments from state to state, and offer incentives to the working poor. The features represent the beginning of an effective national welfare approach and deserve whole hearted support.

The bill before you is a complex piece of legislation and the complexity is compounded when we try to look to the future and picture how the proposed new system would operate. With the novel approach to our present system it is understandable that questions would arise. Your Committee saw problems, asked the Administration to redraft and submit a new proposal. Indeed, the Administration in response to your Committee made further improvements in the plan, and we commend them for it. We are pleased that the basic features including the coverage of the working poor, the national minimum benefit level financed by the Federal government and uniform standards of eligibility are all retained.

To remove some of the inequities now within our present system however, some modifications of the House passed bill are vital.

The legislation should provide for an eventual assumption of all welfare costs by the Federal government. We need national assumption of costs because the welfare problem is national in origin, and national in solution. The tax burden of welfare is now distributed inequitably among the states, and is in part financed by regressive taxes which squeeze the low and middle income families unfairly, such as the real property tax and the sales tax. We need Federal takeover of welfare administration in order to achieve the separation of income maintenance from the social service function, and we need it particularly if the income main-

tenance function is to become integrated nationally with the social security system or the Internal Revenue Service.

Federal matching funds should be above the \$1000 floor in the first year, with the Federal share increasing each year so that in five years all costs would be Federalized. A matching formula should remove the penalty on high costs-of-living high-benefit states contained in the present plan. Unless these changes are made, the proposed plan will increase rather than relieve the inequities in welfare reform financing which fall on these states.

The benefit level, \$1000 plus food stamps, is too low. Our League of Cities and Conference of Mayors resolutions through the years have repeatedly called for assistance to those whose incomes fall below the recognized level of poverty, the idea being to eventually bring all our citizens from poverty. The reasons for the low benefit level is no doubt due to the present budget constraints. The question we must face here, not only in the area of public assistance but across the board, is the overall question of reexamining our national priorities. The mayors have for some time urged Congress to do this. To accept our present budget situation as permanent is reasoning that we do not accept. In 1960 at our Annual Meeting in Pittsburgh we urged Congress through a resolution, to act on priorities of the urban areas—welfare reform included—“by using funds from programs which prudently can be deferred—such as in space, military, agriculture, highway construction and research.” We asked the national government then and again in Denver this past June to “immediately make a clear statement of priorities” and we further resolved that “it is imperative that the national government reexamine the Federal budget in order to transfer funds from those programs that can be deferred to programs which will fulfill the essential needs of people for education, housing, employment, health care and a decent environment.” If an adequate benefit level bringing the Federal benefits to the poverty level over a period of time is included in this legislation, we can begin to reexamine and restructure our priorities. And above all, we can begin to truly eradicate poverty from this land of ours.

The coverage of true welfare reform must include all our impoverished citizens, regardless of the family status of the recipient. There is no justification for government policy producing disparity and discrimination among our citizens whether they are single or married, whether they have children or not.

The requirement of work for mothers of school age children in the legislation must be eliminated or, at the very least clarified. There is no question that some mothers of school age children will work. We see it every day, and in some cases it is feasible. But circumstances arise in individual cases that puts the mother herself in the best position to determine what is best for her and the child or children.

Establishing work as a genuine alternative to public assistance makes a job creation program necessary. We all know of the rising unemployment figures within our country at the present time and we see no signs of relief. Even in periods of prosperity unemployment is highest in our inner cities. And when the mayors say job creation they mean just that. Time and time again I have heard in meetings with mayors and their manpower assistants that training alone will not do the job. In the past we have, will all good intentions, raised the hopes of our citizens with training programs that have no job at the end of the line. Hopes are raised, and then dashed.

The private sector has an important role in job creation but the Federal government has the larger responsibility here. Cities throughout the nation are starving for employees in all areas of public service. A public works section present in this bill should receive authorized funds for jobs in the public service sector. However, a major public service employment program is the answer to fulfilling the needs for jobs and the need for services to be performed in our cities. We have long urged Congress to pass such a bill and are pleased to see the fruition of our efforts in the manpower bill recently reported by the Senate Labor and Public Welfare Committee. We shall be working toward passage of that manpower bill and would hope that the initial beginning within this Committee in the area of job creation could coincide with the large and more comprehensive program encompassed in the Employment and Training Opportunity Act of 1970.

Adequate day care facilities must be provided to strengthen the workability of training programs and employment if a job opportunity is to succeed. We testified before the House that funds for child day care should be increased to include capital funds for renovation. In inner cities where facilities are most needed, facilities are most scarce. We are pleased to note changes in the proposed

legislation which include the use of grant funds, not only for remodeling and alteration of physical facilities but for construction if the Secretary finds alteration of existing facilities not feasible.

In the area of work requirements, the specifications as to adequate job standards and wage rates should be spelled out. While the House Ways and Means reported a bill with the Unemployment Insurance definition of suitable work, this was unfortunately deleted on the House floor. We urge the Senate to reinstate the language. We would hope that the administrative system used in job processing will afford the individuals the right of appeal from arbitrary judgements and also that those bona fide jobs that are available in the private sector will be subject to the minimum standards of the Fair Labor Standards and Minimum Wage Acts.

The Administration's revision which would phase out the matching funds in those 23 states for the unemployed father program is regrettable. The House bill was most encouraging in this area in that it extended the Federal benefits for families with an unemployed father in the home to all 50 states. If this revision is not eliminated, our past mistake of encouraging the family to break up will be carried over to the new system. While the Administration proposes not to reduce the benefits of those 90,000 families presently in this category, it overlooks the important fact that future recipients in this category will not have this coverage, thus a factor in holding a family together will disappear.

Turning now to the proposed Social Services Reform Amendments, new Title XX (20), I would like to comment on some aspects of that proposal we find encouraging. The mayors throughout the country as the chief elected officials of cities have repeatedly called for the coordination and integration of social service programs. Many cities have come a long way in the model cities programs, for example, in removing overlap and fragmentation. It has been said that basic reform of cash assistance alone is not the complete solution to the welfare system. Effective social services at the local level must be rendered if we are to truly end up with welfare reform in this country. We are particularly pleased with the 'self-designation' option under the new Title XX (20), which would give the chief executive of any city with a population of 250,000 or more, the right to designate the city as a service area and to designate a local prime sponsor of his choice to administer the program. We are also pleased that the legislation would give the city the freedom to tailor its service program without limitation by state determined priorities or rules. This is essential if we are to secure meaningful coordination of programs.

To further help meet the need for local officials to have the flexibility to tailor their programs to meet local needs, we are pleased to see the provision within Part B of proposed Title XX (20) allowing the chief elected official of a unit of local government to transfer 20 percent of funds between any HEW service program included in local plans. This language goes another step forward in assisting local officials to effect coordination.

We support the other improvements which are included by the Social Services Amendments. The main point to be made here on the proposed Social Service Amendments is that it is the mayor, the chief elected official of a city, who is most aware of the services needed by the citizens. As mayor he is constantly confronted by citizens articulating these needs—day in and day out. He needs the flexibility to set priorities, provide coordination and respond to these citizens. These amendments, if adopted, will go a long way in doing just that.

In conclusion let me say that the most significant accomplishment of this Act is the financial assistance to the working poor. There has been for some time in the country a myth that the poor will not work. You and I both know the figures. Thousands of men and women in this country beneath the poverty line work long and hard to give themselves and their children the hope that they can all share the American dream of happiness which includes among other things a suitable and decent job with substantial wages. With the prices going steadily upward, with inflation on the rise, and increasing unemployment rates, which increases competition for jobs, it is difficult for the working man or woman just to stay on top of providing the essentials, food, shelter and clothing.

Welfare reform is needed. It is needed now. The proposals before you represent the best effort yet to begin this process of reform. I would like to close by quoting an 18th Century poor house reformer, Stephen Grellett. In thinking of the members of this Committee and the members of the Senate I could not help but reflect on his words because whether you realize it or not, you stand in a unique position in our nation's history to do something worthwhile for the poor of this country as well as all our citizens. Grellett said:

"I shall pass through this world but once. If, therefore, there be any kindness I can show, or any good thing I can do, let me do it now; let me not defer it or neglect it, for I shall not pass this way again."

You have the opportunity, above all, to do what is right. A decent income—a decent life for all Americans. This is what you have before you. The mayors and city officials urge you to act now, this year, and pass the Family Assistance Plan. Thank you.

The CHAIRMAN. Mr. Mayor, are you aware of the effective date that is proposed in this family assistance plan?

Mayor STOKES. I understood it would be 1971 originally when introduced.

The CHAIRMAN. Well, my impression is that it is July 1, of 1971.

Now, so long as we pass this bill in this Congress, do you see any reason why this bill, whatever we do pass, cannot go into effect on that date?

Mayor STOKES. I do not see any reasons, sir.

The CHAIRMAN. That is my impression.

My thought about the matter is that so long as we pass a bill sometime between now and January 1, I should think that, I would hope, the President would sign it, and I do not see any reason why what we are able to work out here in the Congress cannot take place by that time.

When I first read the President's press accounts of the President's proposal, I was enthusiastically for it, and I say that as one who has through the years been offering amendments in this committee and on the Senate floor even before I became a member of this committee to increase what we were paying out in old age assistance, to extend the program to the disabled, and to provide more for dependent children. I am one who would like to vote for this bill, and am not at all concerned in a negative sense about the cost of it.

In other words, so far as I am concerned, the \$4 billion, \$4.1 billion price tag, that is attached to this does not retard this Senator from voting for it.

The amount of money involved does not scare me at all. The only thing I am concerned about is what you said in your statement when you said that the only question is how to spend it in the most expeditious and beneficial way. That word "beneficial" is what concerns me, that the money that we spend ought to be spent in a way that is going to benefit the recipients and benefit the Nation to the greatest extent, and that is why, so far as I am concerned, I was dismayed to find that when a person went to work, on the average, under this bill he was only going to be able to keep 20 cents out of every dollar that he made.

What is your reaction to that?

Mayor STOKES. You know, Senator, we were sitting back there and we do not know what case study you used, but we took that \$5,000 figure and we looked here in the committee manual, and on page 48 we were looking across here at the \$5,000 figure and, in the first place, we found that a person was not entitled to a food stamp bonus which you had included in the example you gave.

Maybe your example came from a specific State.

The CHAIRMAN. Look at page 374.

Mayor STOKES. I do not even have 374 in this book.

The CHAIRMAN. I am looking at the hearings on this bill, page 374, part I, April 29 through May 1.

Mayor STOKES. I guess we have got different books here. This is on the hearings? All right; yes, sir.

The CHAIRMAN. On that chart there, table 3, looking at the figure \$5,000 compared to \$5,362, that is an isolated example admittedly, but the right-hand column there is the cumulative marginal reduction rate which indicates that is the rate for the particular person, and it is 387 percent.

Mayor STOKES. Well, you know, my answer to that is, Senator, that we are talking about a technical problem, we are talking about a technical problem of seeing to it that there is, in fact, the incentive element written into this bill into the kinds of way that a person is not penalized by going to work.

We are as concerned with the fact that no one would be penalized, the fact that they will be motivated to work, in the first place, and that they will not thereby be penalized.

We are also concerned about that there ought to be some point at which you say, "Now, Government has done what is its responsibility. In other words, we permitted, we have helped persons to live at a certain basic level."

From this point up, now the responsibility is upon the person, and this is why obviously you have to have some kind of maximum on whatever your formula may happen to be.

The Conference of Mayors and League of Cities have not established such a maximum. I listened with interest to the county officials when they indicated that there ought to be a maximum of one and a half times the poverty index.

So that you do not get into a very real problem of avoiding the very incentive factor that was originally involved.

This kind of situation, it seems, would be one merely of working out technically that at the point at which you know a family needs a amount of dollars, that they are going to receive that and that there is built in the factor that they won't be penalized then by working themselves right on off in any kind of assistance, and meanwhile there does have to be built in here a mandatory work component, but it always has to be a mandatory work component which recognizes that you do not put a dollar value on a mother going out to work at the expense of children who thereby do not have that mother there at home with them to give them the proper care, instruction and guidance so that at the expense of your making her work you deprive them of something that they will need basically in order to try to avoid becoming dependents themselves, this being one of the elements, the presence of a family person or unless you, along the way, provide the kind of day care centers that would be a substitute in order to make up for this kind of factor.

The League of Cities and Conference of Mayors endorse unequivocally the mandatory work component recognizing mothers with young children as an exception.

But this, if this is the greatest problem that we have to work out, then the bill should be passed in a matter of a short time.

I listened awhile ago, for instance, to—I forget which of the Senators it was—who was telling me that the Labor Department has trouble determining what the cost of living index is in a given area of the country. I cannot believe that.

Why, just yesterday, we launched an antiballistic missile system that way out there in space some kind of way they were able to put together a projectile coming from one place in one direction and another one coming from some other place.

We can ascertain what the atmospheric conditions and pressures are going to be on the moon, and you tell me that in Scioto County in Ohio that you cannot find out what the cost of living index is, I don't believe that, I don't believe it. Either that or else there is a tragic difference in the different departments of Government under the Federal structure.

Senator RIBICOFF. You cannot believe it, but it happens to be so because people are interested in technology and the billions it costs, but they are not very much interested in human beings and what that might cost, you see. That is why the situation is as it is.

You know, the administration bill has no provision for work, for jobs.

As I understand the key of your testimony, it is that if you are going to make people self-respecting and have them work there have to be jobs for them to go to; is that right?

Mayor STOKES. Yes, sir.

Senator RIBICOFF. As mayor, you must be struck with the fact that training programs of any kind, with no job at the end of the training period, is a snare and a delusion and a heartbreak for the person who is trained; isn't that correct?

Mayor STOKES. I agree with that.

Senator RIBICOFF. So, basically, if this bill is going to have any meaning we have to stop just talking about more training and we have to create more jobs for people to go to work.

Mayor STOKES. Yes, sir.

Senator RIBICOFF. Now, you take in the city of Cleveland, your own city that you know, if it were not for the question of budget restraints, how many people could you place in public service-connected employment in Cleveland?

Mayor STOKES. Place 3,000 tomorrow morning.

Senator RIBICOFF. All right.

Of your 3,000 in Cleveland, what would those jobs be, would you describe the types of jobs you would put them to work for in Cleveland?

Mayor STOKES. I would be glad to.

I would take one-half of them and put them in what we call our auxiliary police.

You take the city of Washington, which has a lower population than the city of Cleveland, but it has 100 percent more policemen than the city of Cleveland.

We have a very limited basis because of our budget problems utilizing the auxiliary policemen in order to buttress the number of policemen that we have, taking one man and putting him with a policeman, and that puts two persons out there on the street in uniform, but one of them, however, carries no gun and has no right of arrest.

Senator RIBICOFF. I am just curious.

Mayor STOKES. All right.

Senator RIBICOFF. Your people on welfare, though, how many people do you have on welfare in Cleveland?

Mayor STOKES. 50,000.

Senator RIBICOFF. How many of them are able-bodied males?

Mayor STOKES. Less than 3 percent.

Senator RIBICOFF. Well then, so that you say you have 50,000, less than 3 percent—that would mean every able-bodied man would be a policeman.

Mayor STOKES. No, but every able-bodied man then can be put into—well, such a program, for instance, as last night I attended a graduation of 21 architectural assistants. This was under a private program that I began in Cleveland called "Cleveland Now," financed by private funds. One of the work-study programs, that we had was taking 34 youngsters, boys and girls, and putting them into an architectural school. We brought in the architects' association which furnished the architects to us, and for this entire summer they studied design drawing, drafting, and last night they presented me with a large drawing of townhouses for a particular area of our city in which we wanted to develop public housing. There are 34 youngsters who could, some of whom will go into our department of engineering as beginning draftsmen.

Our health department is just woefully inadequate with many persons needed at the assistant level there, who could be learning how to become practical nurses and to be aides and assistants in the health department.

In the department of engineering, besides the architects, there are other kinds of jobs that I would tomorrow morning be able to accommodate 25.

If I took the whole department of public service, for instance, which takes in mechanics of all kinds, the persons who work in the shops, I would be able to put over 200 to work just in that department.

In our schools, as assistants to our schoolteachers, as aides to our schoolteachers, and working in clerical positions, both in the schools and in city government, we could utilize them.

In our department of recreation, for instance, as manual clerks, not with typewriting skills, but as clerks, all kinds of file clerks, throughout the city of Cleveland, we could use them, and it would be easy to develop so many of these young people as recreational instructors because the training is simple in that respect, and yet if you start them on that first rung of working as a recreational instructor, as I did, for instance, when I was 18—

Senator RIBICOFF. So you have about 3,000 people you could put to work. What would the going wage average for those 3,000 people, taking the norm in Cleveland today?

Mayor STOKES. For most of them you would be talking about a minimum of \$1.75 an hour, and several of the job classifications just beginning because of our own experience in this respect, we paid as much as \$2.50.

Senator RIBICOFF. Now, you take these people, you have some training programs working today in Cleveland?

Mayor STOKES. Yes, sir.

Senator RIBICOFF. Now, what is the concept of the training program you have in Cleveland today?

Mayor STOKES. Well, let us take one of our typical programs—not typical, I guess, but one that we have had success with, and that is in training welders.

We have a program there in which we are carrying presently a class of about 40 young men in which we have already graduated two classes, in which we are training them to be welders. When they come out of that school, I guess, they will be beginning at somewhere around \$5.50 an hour.

Senator RIBICOFF. Well, they have to have a certain type of education.

The CHAIRMAN. Might I just interject there for a moment, I wanted to make this suggestion and see if it isn't correct.

Mr. Mayor, you are only saying about 3 percent of the people involved here are able-bodied males. But—

Mayor STOKES. On welfare.

The CHAIRMAN. But we are talking about passing a bill here that provides assistance to families headed by a father. Now, if that were to be the case, you would not have 50,000 people with only 3 percent able-bodied males, you would have a lot more than 50,000 people who would be drawing some form of welfare assistance, and where today, programs are directed primarily at families headed by a mother, you would have a great number of families headed by a father that would be subject to the welfare system.

Mayor STOKES. That is a fact.

The CHAIRMAN. So if that were the case you would have a lot more people to be thinking about.

Senator RIBICOFF. Frankly, I think this bill is defective in many ways, and one of its basic defects is that it does not take care of families without children and the single individual.

Mayor STOKES. That is right.

Senator RIBICOFF. If you are going to take care of the problems of this country with people on welfare, if you want to move them, then you cannot exclude the single individual, the 18-year-old young man or the 17-year-old girl who cannot get a job, and you cannot exclude the man and woman who live together in poverty or on welfare and have no children.

I mean, this bill is good, and I am for it, but it has got an awful lot of defects in it if we are going to try to move it and do something.

Now, in other words, if we are going to bring some real meaning to this program and move people off welfare, the key is jobs. Today, with 5 percent unemployed, you have really got a problem of where do you find jobs in private industry; isn't that correct?

Mayor STOKES. Yes, sir.

Senator RIBICOFF. But your hospitals lack paramedical people, nurses' aides, and people to sweep the floors and take out the bedpans in your hospitals in Cleveland, do they not?

Mayor STOKES. Yes. They are not under the city, but—

Senator RIBICOFF. And your schools and colleges there could probably put a lot of people to work.

How many hospitals do you have in Cleveland?

Mayor STOKES. Oh, my goodness, we have within the borders of the city of Cleveland approximately 15 hospitals.

Senator RIBICOFF. Fifteen. And these hospitals basically are undermanned because of budget problems?

Mayor STOKES. All of them.

Senator RIBICOFF. All of them undermanned.

Suppose you have a program where you brought in men and women who would work in the menial tasks in the hospital, and somebody has to do the menial work, and they would work for 20 hours, and they would receive 40 hours' pay, and the other 20 hours, they would be receiving training to upgrade them to go into a higher category of work.

Would it be difficult for you to get the 15 hospitals together in Cleveland to institute a work-training program in which the Federal Government would be paying for 40 hours for 20 hours of work and 20 hours of training, and then when those people were trained and they got stepped up higher, the hospitals would hire them in an upgraded job, and then you would take another group of people in the hospitals?

Would it be difficult for you, as mayor, to bring the hospitals together for cooperation with the city?

MAYOR STOKES. It would not be difficult as long as you have this factor of their being able to absorb that person when he or she finishes training.

SENATOR RIBICOFF. That is right, and they would only train them in jobs where there was an actual job at the end of the training period.

MAYOR STOKES. Yes, sir.

SENATOR RIBICOFF. That would be a condition precedent. No hospitals could go into this program unless the training was in categories where there would be a job waiting, upgraded, once they passed and achieved their training program.

MAYOR STOKES. Right.

SENATOR RIBICOFF. You can put this into effect?

MAYOR STOKES. With no problem.

SENATOR RIBICOFF. Those people, while it would cost money, once they had that upgraded job they would go off the relief rolls, would they not?

MAYOR STOKES. That is what this is all about.

SENATOR RIBICOFF. Yes, but it is not all about it. You see, this is what bothers me, that is what it is supposed to be about, but this is what this bill isn't all about, that is what bothers me.

I think we will make a great mistake if we oversell this bill to the country. One of the great problems which we have in America is every piece of social legislation we pass we oversell.

MAYOR STOKES. The thing for us to sell—

SENATOR RIBICOFF. We gimmick it, you know, and we make a public relations job.

Now, I am for this bill, but it is not going to do everything people think it will do. I am going to do everything I can to pass this bill, but yet I do not want to go to the American people and say this is going to answer all our welfare problems, because it is not. You know that as well as I do, Mayor Stokes.

MAYOR STOKES. If we pass this bill, doesn't Senator Nelson have a manpower—

SENATOR RIBICOFF. Yes, but we have an amendment in this bill for it, you see. I do not know when the Labor Committee is going to ever get around to it. Let us do it here.

MAYOR STOKES. We ought to do it here.

SENATOR RIBICOFF. That is right.

Let me point out to you there are \$600 million in this bill for training, but there is no provision for jobs. Now, there is no assurance that that \$600 million for training will have jobs at the end of it, so basically even a start—I understand the President's problems with money, we ought to take part of that \$600 million and make that available, actually, for public service-connected jobs.

Mayor STOKES. Or you ought to take additional moneys—

Senator RIBICOFF. Well, that is going to be—that is right, but you are going to have it awfully hard to get it through this Congress. But I want to get some results, not just pass a bill and nothing much happens, you see.

But the problem of jobs is important.

If you are going to have workfare—and the President has called it a workfare bill—it is not a workfare bill because there are no jobs at the end of the bill. So we are going to have to worry about writing some jobs into this bill, are we not?

Mayor STOKES. I hope you do, Senator, because the position of the League of Cities and Conference of Mayors is that, in fact, you have the minimum assistance program and a work program combined with it.

Senator RIBICOFF. Let me ask you, out of curiosity, because you are a mayor, do you think these people could be used to make Cleveland a little more beautiful and cleaner?

Mayor STOKES. Just cleaning up, just basic housekeeping?

Senator RIBICOFF. Just basic housekeeping.

Mayor STOKES. Unquestionably. After all, we are paying people right now who are supposed to be just doing that.

Senator RIBICOFF. That is right. There is nothing disgraceful for a person to be a white wing. In other words, if you could be paid for being a white wing, is it awful if you were taken off welfare and were helping clean up the city and given a week's pay for doing that?

Mayor STOKES. I do not know why anyone would have any problem with that. After all, white wing jobs used to be jobs, some people, when times were much harder, worked awfully hard and used every kind of political device to get, because we do have to have people to clean up the debris. There are people who just cannot be an engineer.

Senator RIBICOFF. That is right.

Mayor STOKES. There are people who have to be barbers and there are people who have to be laborers.

Senator RIBICOFF. Even today people sweep up city hall, right? And there are people—

Mayor STOKES. Most of the time.

Senator RIBICOFF. And there are people who sweep the schools and sweep the streets, and sweep up the floor of this committee room once we are out, and clean the sidewalks, and maintenance people to cut lawns and work in your parks to keep them beautiful, and pick up the papers after a picnic or a concert, people are getting paid for that.

Mayor STOKES. They are. It is a regular job.

Senator RIBICOFF. Now you talk about, and you are right, you cannot take a woman with a child and then give—children, and then give—her a job if the children are going to be neglected.

But suppose you had day care centers and then suppose you had a woman who was 30 and she had three or four children of school age, and they get off to school at 9 and come back from school at 3 o'clock, is there any reason why that woman for 2 or 3 hours a day when her

child is, or children are, in school, that she cannot help clean up the neighborhood, whether it is with a broom or picking up papers or trying to brighten up the city of Cleveland or the city of Hartford; is there any reason why a woman like that could not be used?

Mayor STOKES. Only one reason.

Senator RIBICOFF. What is that?

Mayor STOKES. And that is that I would have other kinds of jobs, more suitable to a woman.

Senator RIBICOFF. All right.

Mayor STOKES. And I would have more men who would be available for that.

Senator RIBICOFF. All right.

Mayor STOKES. This kind of work outside.

Senator RIBICOFF. In other words, what you would do, you would say to the community, balance this out, everybody cannot be trained as an electrician—

Mayor STOKES. Sure.

Senator RIBICOFF (continuing). Or a mason or an engineer.

Mayor STOKES. Right.

Senator RIBICOFF. There are people who are on the rolls who may be mentally retarded, there are people on the rolls who have a limited amount of intelligence, who could be trained for certain types of work.

I remember when I was Governor we had the Southbury Training School which is probably one of the leading institutions for the mentally retarded. It was a fantastic thing. The children who were retarded had a fantastic green thumb, and they were able to train gardeners, and maintenance people, and if there is anything in short supply, that is gardeners and maintenance people. I remember when I was Governor we used to pay wages, the going rate in the government, for girls who were mentally retarded out of Southbury or Mansfield Training School, who used to come and work doing housework in the Governor's Mansion at pay. As a matter of fact, I think two girls got married out of the Governor's Mansion when I was there, who found husbands and got married.

In other words, if you give it a little thought and attention, people do not have to just drift. In other words, there are all categories of jobs, and you try to find them, and I think there could be no greater tragedy if we just passed this bill and do not keep in mind that at the end of anything we do there must be a job. This should be an objective, to move as many people, and I am sure you, as a mayor, and every mayor, could find in your cities public service-connected work at the going rate for people, and if we are going to move people off welfare this is what we ought to be thinking.

Mayor STOKES. I agree with you absolutely, sir.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Mayor, I have gone over your statement and I understand you feel that the \$1,600 figure is not adequate.

Mayor STOKES. That is correct, sir.

Senator CURTIS. What would you recommend?

Mayor STOKES. I believe our position would be to take the minimum of what the poverty index would be, the fairly understood one of \$3,700.

Senator CURTIS. In lieu of the \$1,600 in the bill?

Mayor STOKES. Let me answer it this way: that I would be talking about the poverty index which is \$3,700 plus I would be talking about \$3,700 in cash absent any food stamps.

Senator CURTIS. That would be the Federal portion?

Mayor STOKES. Yes, sir.

Senator CURTIS. Now, the bill as it stands carries a mandatory requirement that the State must continue its supplement.

Mayor STOKES. I understand that.

Senator CURTIS. You would include that?

Mayor STOKES. No.

What I would do is, I would want to see the State phased out completely just as quickly as it can.

Senator CURTIS. Yes.

But I am trying to determine what your \$3,700 includes. You would not include food stamps?

Mayor STOKES. No, sir.

Senator CURTIS. But that would be the figure that you would start with while you still had the State supplement?

Mayor STOKES. You mean if I had the \$3,700 with the State supplement?

Senator CURTIS. Yes.

Mayor STOKES. No, sir. I envision the \$3,700 without the State supplement. I am taking a final figure. I am going to the end.

If you say what would I like to see happen, I would like to see us to start off at a minimum of \$3,700 and without State participation.

But if you cannot do that, then I would have to accept the State share along with the Federal share that would amount to \$3,700.

Senator CURTIS. I wonder if I would ask the staff, what does the \$1,600, the way they have interpreted it, what does it amount to exclusive of—with the State supplement. The \$1,600 figure in the bill, what does that actually amount to, including the State supplement? It varies as to States.

STAFF. It will vary as to State. The \$1,600 will be a 100 percent Federal contribution to replace the contribution that you have now for the first \$1,600, ranging from 50 to 83 percent. As far as the individual is concerned, he will still get the same benefit as provided for under the State welfare system.

There will be a difference in the way that the first \$1,600 is financed. It is a Government-to-Government program at that point. The individual won't see any difference in his welfare check.

Senator CURTIS. I am still at a little loss to understand whether the mayor has recommended an increase or not, \$3,700 without the State supplement and without the food stamps.

STAFF. He has recommended an increase. In some States where the payment level is below \$1,600, the Federal System, the family assistance plan, would wholly replace the State plan.

By raising the limit to \$3,700; the Federal system would replace the State system in a larger number of States.

The administration has suggested that the plan that the mayor suggested would cost \$25 to \$37 billion in excess of the cost of the family assistance plan before the committee.

Senator CURTIS. \$25 to \$35 billion?

STAFF. \$25 to \$35 billion in the long range.

Senator CURTIS. Per year?

STAFF. Yes, sir. Initially, it would cost \$12 to \$17 billion.

Senator CURTIS. That answers my question as to that.

Now, in addition to the raise in the amount, do you favor changing the bill to include single people?

Mayor STOKES. I believe that single people, married people who are without employment, that every American, Senator Curtis, ought to be able to live at a minimum level.

Senator CURTIS. Well, in other words, this bill before us excludes couples without children and the unmarried; you would include them?

Mayor STOKES. I would personally include them; yes, sir.

Senator CURTIS. Yes.

Do you believe in the right to dissent? The reason I am asking, you won't mind if I dissent from something you said?

Mayor STOKES. That is all right, because I am dissenting from much that you said this morning.

Senator CURTIS. I understand.

There are a great many fine people in the country, millions of people, who believe that the expenditure for the defense of their country is an expenditure for people, human beings.

I would not vote a nickel for defense of this country if I did not think it was defending the people in our country and everything about it, and I do not expect you to agree, but I cannot put expenditures over here and say that is for defense, I won't spend that, we will spend it for people. If we are not spending this money to defend the people in this country of the United States it would not be spent at all. But I think we are.

Mayor STOKES. There is quite a residue of opinion that, in fact, at least the full amounts that are being spent are not, in fact, in defense of the country.

Let us go to one of the other items, Senator Curtis, and let us say \$25 million for a trip to Mars. Now, you have a difficult time placing a priority of a trip to Mars to the feeding and the clothing and the housing of American citizens today.

Senator CURTIS. Well, the Congress has not done that. The space program has been reduced to its lowest level in years. It was reduced about \$1 billion this year.

It has been the sparkplug for the greatest scientific and engineering advance in recent times, and out of that advance and human knowledge and science and engineering we will have our future shaped for us. There will be more efficiency in food, in weather prediction, countless things.

Now, whether it should be cut back 20 percent more or 50 percent more, or what-not, it is not as simple as some people imply.

The defense of this country is to defend it for the people of the United States, and our children and their grandchildren. Unwise decisions will be made now and then, but you oversimplify greatly. You are a leader in this country, you are a well-educated man, and when you make a statement from a public forum like this that here we could do away with defense expenditures, there would be plenty of money for us, it misleads many of the people who have not had the opportunity you have, and they come to a conclusion that here is a wicked government which is conniving to carry on a war machine just because of choice.

It may be because of error, it is not because of choice.

Mayor STOKES. Mr. Chairman, may I—

Senator CURTIS. I do not expect you to agree with me. All I want is the right of dissent.

Mayor STOKES. Fine. I know the good Senator, and I am not going to debate the Southeast Asia conflict but, sir, I am going to tell you when you sit in a city hall in one of the big industrial cities of this Nation, you tend to deal with simple things. You tend to deal with simple things like people who are unable to eat today and cannot understand a concern with whether they are going to be able to drink the water around in 15 years from now or breathe the air 15 years from now, because their children are not getting enough to eat today.

When I talk to you, sir, about people who are living in the most absolute form of degradation in the cities today, in hovels, which in the North do not have fuel and heat during the winter months, and when I tell you that children have to exchange shoes with one another and go to school part time because they otherwise do not have a pair of shoes; in fact, when I tell you that the sixth wealthiest State in the United States, the State of Ohio, provides children on welfare with \$5 a year for school clothing, that is a fact, that is a simple kind of fact, Senator Curtis, that I have to deal with, and it does not lend itself to my being concerned about an accurate prediction of weather conditions because either of a satellite on the moon or on any other kind of planet.

Despite these kinds of suffering mayors do not say, don't defend your country. I served in the Army, and if I had to go again in order to protect this country, I would do so.

Senator CURTIS. I am sure of that, but I am also convinced that your words here this morning would lead millions of people to believe that we ought to discontinue this defense spending.

Mayor STOKES. No, no. You could certainly reduce the defense spending. There is no question in my mind, Senator Curtis, that defense spending could be reduced without absolutely any impairment to the territorial integrity of the United States. No question about it in my mind.

Senator CURTIS. Well, you should examine the extent to which it has been reduced.

Mayor STOKES. I do not want to get into a give-and-take, because what I hope is, as an elected Senator of the United States, you would not have been elected from your State unless the people of your State recognized that you were one of the two men in that State whom they felt, had the concern of the people at heart. In a body of 100 men, there are going to be variations in philosophy, and as persons like myself come before you, there will be differences in what our notions are.

But I think that we are united in one thing, and that is we are concerned about America, we are concerned about the preservation of our Nation, and we are concerned about its people.

Senator CURTIS. I am sure we are.

Mayor STOKES. And I think all it means in the case of you and me is, how do we put together where we think our priorities ought to be, priorities not in absolutes, but priorities in the sense of some money

going here and some there with, hopefully, the greater amount of money going to meet what we can agree is our most pressing need.

Senator CURTIS. I am sure that is true. But I am not so sure—

Mayor STOKES. Can I go back to one other thing that you mentioned?

Senator CURTIS. Yes.

Mayor STOKES. Let us assume the figure that the young man gave us was correct, the \$25 to \$30 billion a year, if my own notion that every person ought to have a minimum standard of living were carried out.

Senator CURTIS, in my city and in other cities, the costs of health care are just tremendous, and those costs are in a direct proportion to whether or not a mother has a proper prenatal care, whether or not she and the child have proper postnatal care, whether or not the youngster in the slums of our city gets the different immunizations, like vaccinations, whether they find out early enough for corrective purposes about eye trouble, ear trouble, heart defects, respiratory problems, all of these things that subsequently cost us money one way or the other, and the whole problem of not spending the kind of money in the first instance on quality education which causes a drop-out who then is reflected in juvenile and criminal statistics.

Every businessman understands how investing a given amount of capital will subsequently help save money by improving processes, diminishing labor costs and costs of production.

Human beings are analogous to this also. If X amount of dollars is invested in a given person who needs it, there will be a savings in that person during the time that he is in his productive years, and subsequently can, by illustration of my own personal testimony, then be a contributor back, and this is the way our country can continue to build and to save those who have been excluded from this process.

Senator CURTIS. You do not contend that the people who doubt the wisdom of this particular bill favor children going without medical care, do you?

Mayor STOKES. No, sir; I do not equate the two. But they are not thinking about them sometimes. Sometimes what they are concerned about in this bill are either dollar costs that weigh heavily sometimes to the exclusion—

Senator CURTIS. That was the whole burden of the County Officials Association. They said we are broke. They said, "You pay the bill," and it appears like they are willing to buy most everything if we do that.

Mayor STOKES. I am not.

The other thing, the other part of it, is how do you do it, how do you go about it. We have not had any experiences, Senator Curtis, in knowing specifically how to handle the problems because we have never known before in the history of our country the kind of problem that we have now. We arrived here by our mistakes, and so now we have got to, even as we blundered around and created the problem, in some way blunder around and use the best minds available to us to correct the problems.

But what we have got to keep in mind all of the time is that the reason that we are doing it is because we are talking about human

beings. If our only thought is about dollars, then we have lost the thrust of what this is all about. Instead of the man from the county talking to you about the money crunch at home, if he does not understand why he has a money crunch, or how much greater a crunch he is going to have if he does not get the dollars necessary to do the job, then he has conveyed the wrong impression, and I do not think that these men intended to.

I know they spoke in a limited manner in that way. But that is why those of us in the cities who are mayors, in particular, have such short longevity as public officials if we do what we have to do, because we have to propose the hard lines.

Right now I am proposing a tax program in my city because, whether I come here and get ultimately the help from the Cleveland and Ohio dollars that are here or not, I have got to take care of those day-to-day problems, and there is only one way for an official to do it in the city, and that is to go to the taxes.

Senator CURTIS. It makes a good speech—

Mayor STOKES. That is living.

Senator CURTIS (continuing). To say that we are interested not in dollars but in people.

Mayor STOKES. You do not agree with that, sir.

Senator CURTIS. But you cannot separate them. You are begging for dollars because you want people to be happy, you see. If dollars were not important you would leave that \$1,600 figure instead of going to \$3,700, but dollars are important.

Mayor STOKES. No. If people were not important, I would stay at the \$1,600.

Senator CURTIS. But dollars are important in helping the people, you see. It is the dollars that enable them to buy food and get enough shoes so they can all go to school at once. I do not know how we can love our neighbor and burn his house down. After all, it is just a house, materials, not people, and they are rather hard to separate.

Mayor STOKES. It is not too difficult, though, to say for human beings we are going to provide the dollars, is it? Can't we say it in that order?

Senator CURTIS. Well, I think you have to say that if you are going to be concerned about people, you have got to be concerned about dollars too.

Mayor STOKES. Well, if it comes to a question of serving this country you would not have any problem in whatever dollars were necessary to appropriate to save this country from external enemies, would you?

Senator CURTIS. That is right.

Mayor STOKES. So, sir, I have no concern about raising the amount of dollars necessary to save this country from its internal enemies.

Senator CURTIS. I did not dispute that. I did question the impression that you left that we could discontinue our defense expenditures.

Mayor STOKES. I am sorry, Senator, if I said that because what I should have said, and what I thought I said, is that you can certainly reduce your defense expenditures.

Senator CURTIS. Thank you very much.

Mayor STOKES. Yes, sir.

Senator CURTIS. Thank you.

The committee will reconvene at 2:30.

(Whereupon, at 1:15 p.m., the committee recessed, to reconvene at 2:30 p.m. this same day.)

The CHAIRMAN. The hearing will come to order.

Our next witness is to be Dr. Seymour Wolfbein, dean of the school of business at Temple University, and Mr. Karl Schlotterbeck, economic security manager of the National Chamber in behalf of the Chamber of Commerce of the United States.

**STATEMENT OF KARL SCHLOTTERBECK, ECONOMIC SECURITY
MANAGER, CHAMBER OF COMMERCE OF THE UNITED STATES**

Mr. SCHLOTTERBECK. Thank you very much.

My name is Karl Schlotterbeck, and I am economic security manager for the Chamber of Commerce of the United States.

My cowitness was to have been Dr. Seymour Wolfbein, dean of the School of Business at Temple University, and a member of the national chamber's committee on manpower development.

You may recall he was the first Manpower Administrator in the Department of Labor in the early 1960's.

Unfortunately, an unforeseen situation developed over the weekend. Dr. Wolfbein asked me to express his regrets to you, Mr. Chairman, and to the committee on not being able to be here.

Dr. Wolfbein would also like the record to show that he endorses this entire statement and wants his name associated with it.

Mr. Chairman, to my knowledge, the national chamber is the only organization of business whose concern about the welfare problem and the poverty problem antedates by several years the announcement about a year ago that there would be a welfare reform bill.

In the past 6 or 7 years the chamber has had a task force, an advisory panel, a national symposium, a national workshop on the urban poor, and a special committee on welfare programs and income maintenance, all examining into the welfare problem, and the separable problem of poverty.

In the course of these activities we have learned much, especially about welfare and about aid to families with dependent children.

We also came to realize how little is actually known about the people on AFDC.

H.R. 16311, contains a radical new welfare policy proposal. This is to establish a Federal program paying welfare to families with fathers present and working, to the so-called working poor, and the purpose of doing so is to solve the welfare problem.

According to HEW, this problem is the very rapid and costly growth of the one welfare program, aid to families with dependent children, the growth in the past decade and prospectively a continued growth in the years ahead.

We agree with this diagnosis of the welfare problem, but we disagree completely with the proposed solution.

HEW and Labor Department spokesmen contend that AFDC is so constructed as to explain the growth in the 1960's and to assure like growth in the 1970's.

They assert that since AFDC is not paid to families with working fathers earning relatively low incomes. AFDC has offered a power economic incentive to such men to quit their jobs and go on welfare, or to desert their families and then the families would go to welfare.

The evidence refutes these beliefs about facts.

You know, it is indeed curious that the argument about father desertion is even advanced because the President's Counselor, Dr. Moynihan, has said there is not a nickel's worth of hard facts showing that AFDC does cause father desertion, family breakup.

It is also curious why no attention has been given to what has been happening in a modified family assistance program. This is no 3 or 4 year very small scale experimental project like the widely publicized one in New Jersey. It is the welfare program in New York City.

Now, in this program they have removed this purported powerful economic incentive of AFDC which they claim has encouraged so many fathers to desert their families. And yet between 1961 and 1967, New York City alone accounted for more than 60 percent of the national increases in deserted families on AFDC.

Moreover, a 1966 study—

The CHAIRMAN. I would like to get that straight. Would you mind explaining that a little. You say New York has abandoned, had eliminated, that incentive for one to leave the family; is that right?

Mr. SCHLOTTERBECK. That is correct.

The CHAIRMAN. How did they eliminate that incentive, by providing the father could be with the family and still draw welfare?

Mr. SCHLOTTERBECK. Because they can draw this general assistance to an amount that will give them as much, with their earnings, as they would get if they were unemployed and on welfare. So it has removed that incentive for the father to desert.

Now, there was a study—

Senator CURTIS. What was that 60 percent business?

Mr. SCHLOTTERBECK. Between 1961 and 1967 nationally there was an increase of about 65,000 deserted families on AFDC. More than 60 percent of that growth occurred in New York City alone.

Senator CURTIS. During that time did they have general relief as a State program?

Mr. SCHLOTTERBECK. They have had that for 15 or 20 years.

Now, a study was done in 1966 of this welfare situation in New York, and they found that most of the desertions occurred after the families got on welfare.

In other words, this modified family assistance program has not cut down on father desertions. But HEW would have us believe that the proposed family assistance plan would succeed in eliminating this AFDC growth factor, if only we would do it nationwide. The logic escapes us.

Moreover, I suspect it must escape these HEW spokesmen, too, for HEW admits that the factors leading to desertion are complex not just one simple single factor of low income.

Mr. Chairman, the national chamber urges this committee to reject H.R. 16311 as the solution to the AFDC problem.

The allocations of increased Federal spending in the bill reflect wrong priorities. The justifications for this radical, new welfare policy are based on beliefs about facts. The proposed mix of welfare in cash and in kind would result in a potentially powerful work disincentive to adults on family welfare.

Instead, we urge this committee to develop a bill that would be specifically directed to solving the AFDC welfare problem, and to improving the present arrangements for adults in need.

We suggest a bill that would do four things:

First and foremost, unify the various welfare aids in such manner as to meet family need, but to provide incentives to able-bodied family welfare adults to become employable and to become self-supporting.

The CHAIRMAN. Can I ask you a question?

Mr. SCHLOTTERBECK. Surely.

The CHAIRMAN. Can you refer me to the page in your prepared statement where you are now?

Mr. SCHLOTTERBECK. All right.

The CHAIRMAN. I am looking at your prepared statement and you are reading from a summary, I take it?

Mr. SCHLOTTERBECK. I am at the bottom of page 12, starting with the next to the last paragraph.

The CHAIRMAN. All right, sir. Thank you.

Mr. SCHLOTTERBECK. And I am paraphrasing some of my language there.

The CHAIRMAN. Thank you very much.

Mr. SCHLOTTERBECK. Second, constructively help adults on AFDC, now and in the future, to help themselves get off from welfare.

Third, create constructive help for employed family heads with lesser work skills to acquire greater earning capacity.

Fourth, consolidate the three present welfare programs for adults in need.

Now, we have some suggestions for effectively helping both AFDC adults and the family heads of the so-called working poor. We suggest a constructive opportunity program. This would consist of two strategies, a rehabilitation strategy for AFDC adults, and an upgrading strategy for employed family heads with lesser skills, lesser earning capacities.

Both strategies are based on what we know to be so, not on what some believe to be so.

The occupational rehabilitation strategy is rooted in the fact that the vast majority of AFDC families are there, because they have lost their family breadwinner. So the solution to the problem is to make breadwinners out of the adults remaining with the families.

This strategy should be developed at the local level in our 130 or so larger cities. That is where most of the AFDC families are.

A method for identifying the manpower potential for these AFDC adults should be developed. Priorities for selecting and developing this manpower potential could then be established.

An effective method must be available and used in identifying continuing needs for qualified workers for entry level jobs, public and private.

Training allowances and child care arrangements would have to be provided, as in the present law.

The employer community in each local area must be actively involved in the entire strategy. But the self-interest of employers in another source of workers would help greatly in achieving that cooperation.

Finally, some one Federal agency must be responsible for putting these together, the manpower potential, the identified needs of employers for entry job workers, and programing the needed training program.

But this should be an agency that has also a demonstrated effective technology of motivational counseling. We are convinced that this is the indispensable ingredient to success in moving able-bodied adults from the welfare rolls to payrolls.

We urge this committee to examine carefully the motivational expertise of the vocational rehabilitation service, especially its now completed \$1 million, 5-year experimental project in Wisconsin.

Now, the second strategy is an upgrading strategy, and it would be a companion national initiative of public after work-hours training for lower skilled workers. This would be available not only to the so-called working poor but to other adult workers with similar earnings but smaller family responsibilities.

Such strategy is rooted in the fact that most workers do seek better pay through better jobs. This strategy would have a 3-fold advantage.

It would help those at lower pay levels to improve their lot, if they have the initiative and the desire.

It would help meet employers' needs for workers with better skills.

But, most importantly, the movement of such workers to higher skilled jobs would open their jobs for AFDC adults.

In conclusion, the chamber wants to commend this committee and its staff for its careful, deliberate search for the facts about the AFDC problem and about proposed solutions.

Development of a viable solution to the AFDC problem deserves top priority not only because of the rising burden on State and local taxpayers who are also, by and large, the Federal taxpayers, but also because the family adults on AFDC need a constructive way so that they can help themselves get off welfare.

We look to this committee with real confidence that it will continue its prudent, deliberate quest for the needed facts on which to develop such legislation.

Mr. Chairman, this completes my statement.

(The prepared statement of Mr. Schlotterbeck follows. Hearing continues on p. 1898.)

STATEMENT PRESENTED FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES
BY KARL T. SCHLOTTERBECK AND SEYMOUR L. WOLFBEIN

My name is Karl Schlotterbeck. I am Economic Security Manager for the Chamber of Commerce of the United States. My co-witness is Dr. Seymour Wolfbein, Dean of the School of Business at Temple University. He is a member of the National Chamber's Committee on Manpower Development.

We are speaking today on behalf of the National Chamber, the world's largest federation of business enterprises and organizations. Its membership embraces 89,000 business enterprises, 3,800 trade and professional associations, and local and state chambers of commerce, with an underlying membership of approximately 5 million individuals and firms.

We urge rejection of H.R. 16311. This proposal, billed as welfare reform, offers a totally sterile solution to the welfare problem. Hence, much of the proposed additional spending would increase prospective deficits, would be futile and to no avail. We are convinced that the beguiling "income strategy" of H.R. 16311 is spurious and should be repudiated.

For able-bodied adults on welfare and for employed family heads of the so-called "working poor", we recommend a constructive opportunity program. Such a program would consist of two strategies—an occupational rehabilitation strategy for welfare adults, and an upgrading strategy for, but not restricted to, the "working poor" family heads.

BASIS FOR CHAMBER COMMENTS

Over the last several years, the Chamber has become increasingly concerned about the welfare problem and about poverty. It has devoted progressively more of its resources to the study of these problems and to communications with its business members.

In 1964, the Chamber established the Task Force on Economic Growth and Opportunity. One hundred top business leaders studied the causes of poverty, and widely publicized some 80 suggestions for alleviating poverty and strengthening the economy.

In 1965, the Chamber published a pamphlet, entitled "Welfare Spending: How to Use It Constructively". This described successful experimental programs to help adults on Aid to Families with Dependent Children (AFDC). These included birth control programs, motivation for education, education and job training, and work projects.

The same year, the Chamber's Council on Trends and Perspective commissioned and published a study on the prospective demand and supply of manpower for the ensuing decade. One of the manpower potentials analyzed was the adult welfare population.

In 1966, increasing public attention and thought were given to better ways and means to provide income to the needy poor. So in December 1966, the Chamber sponsored a National Symposium on the Guaranteed Income. The purpose was to provide broad, public exposure of pro and con viewpoints about a national negative income tax plan.

In 1966-67, a special Advisory Panel studied various income maintenance proposals and made on-the-spot investigations of several recruitment, literacy, and training programs for inner-city youths and adults, many of whom were on welfare.

As a result of this Panel's work, in 1968 the National Chamber sponsored a day-and-a-half "National Workshop on the Urban Poor—Its Manpower and Consumer Potentials". There were several purposes, but a major one was to show our business members what was being done successfully to help the disadvantaged, the inner-city youth, the needy families and adults help themselves—and how to do it. The objective of these programs was to assist these people, including adults on welfare, become employable and be placed in self-supporting jobs.

Two years ago, the National Chamber established a Committee on Welfare Programs and Income Maintenance. The high caliber of business leaders who agreed to serve on this committee is indicated by the membership below:

M. A. Wright, Chairman, Chairman of the Board, Humble Oil & Refining Company, Houston, Texas.

C. E. Allen, Vice President, General Motors Corporation, New York, New York. Harless Branch, Jr., President, The Southern Company, Atlanta, Georgia.

George Champion, Chairman of the Board, Chase Manhattan Bank, N.A., New York, New York.

C. G. Drescher, Vice President for Corporate Relations, Sinclair Oil Corporation, New York, New York.

Gordon Grand, President, Olin Mathieson Chemical Corporation, New York, New York.

John A. Hill, President, Aetna Life, Casualty and Surety Cos., Hartford, Connecticut.

A. D. Marshall, President, United Student Aid Funds, Inc., New York, New York.

Charles Moeller, Vice President, Metropolitan Life Insurance Company, New York, New York.

Dennis O'Rourke, Attorney-at-Law, Colorado Springs, Colorado.

W. Thomas Rice, President, Seaboard Coast Line Railroad Company, Jacksonville, Florida.

Edgar B. Speer, President, United States Steel Corporation, Pittsburgh, Pennsylvania.

E. Hornsby Wasson, Chairman of the Board, The Pacific Telephone and Telegraph Co., San Francisco, California.

Walker Winter, Partner, Ross, Hardies, O'Keefe, Babcock McDugald & Parsons, Chicago, Illinois.

The major purpose of this Committee was to analyze the performance of existing Federal-State welfare programs and to recommend guiding principles for a public income maintenance program to constructively alleviate poverty and, at the same time, preserve human dignity, individual freedom and personal initiative.

Last fall, the National Chamber co-sponsored one-day Urban Action Forums in 15 cities across the country. In ten of them, we discussed the AFDC welfare problem with representative groups of business leaders, and suggested ways and means for the local business community to exercise initiative in the development of the manpower potential of family welfare adults.

We mention these activities to demonstrate that the National Chamber has been deeply concerned for nearly a decade—not just the last year or so—about this human problem of people on welfare. And this concern extends not just to adults in need with children, but also to other adults who are childless.

In the course of these activities, we have learned much about these programs. We have also learned how relatively little is actually known about the people on AFDC.

THE REAL WELFARE PROBLEM

Most will agree that the real welfare problem is centered in the one program—Aid to Families with Dependent Children. Referring to public welfare as a whole, former HEW Secretary Finch, told the Ways and Means Committee last Fall that:

"The failure of the system is most evident in the recent increases in welfare costs and caseloads . . .

"In the Aid for Families with Dependent Children program (AFDC), costs have more than tripled since 1960 (to about \$4 billion at the present time) and the number of recipients has more than doubled (to some 6.2 million persons)."¹

Moreover, the Secretary could see no change in this trend unless the welfare reform of H.R. 16311—the Family Assistance Plan—is adopted.

"Prespects for the future show no likelihood for relief from the present upward spiral. By conservative estimates, AFDC costs will double again by fiscal year 1975, and caseloads will increase by 50 to 60 percent."²

This identification of the welfare problem, and this prediction for the next few years were reiterated by Secretary Finch in testimony before this Committee last April.

More recently, on August 13, the Secretary of Labor called AFDC a "miserable failure," and asserted that the Family Assistance provides the "vast reform" that is needed.

This identification of AFDC as *the* welfare problem—with which, we believe, most will agree—provides the most suitable basis for evaluating H.R. 16311 as the "vast reform needed."

The single, pertinent question is—Will H.R. 16311 *reverse* the trend in AFDC?

Evaluation of the bill is best done in terms of its three basic parts:

1. Consolidation of the three public assistance programs for adults in need;
2. Some restructuring of the present federal-state assistance program for families with children in need; and
3. Initiation of a federal guaranteed family income program by establishing a new concept of "need", and by extending eligibility to families with a regular breadwinner present.

CONSOLIDATION OF THE THREE ADULT PROGRAMS

This bill would consolidate Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled into a single federal-state assistance program for adults in need. It would also: establish uniform nationwide eligibility conditions; increase the minimum amount of assured monthly income; provide for an expanded work incentive, and retain federal-state sharing of benefit costs.

Owing to the uniform eligibility conditions and to the higher level of benefits, federal costs would be increased the first year by approximately \$600 million.

¹ See *Social Security and Welfare Proposals*, Hearings, Ways and Means Committee, 91st Cong. 1st Session, p. 49.

² See the same, p. 50.

This consolidation of 3 programs for adults who, by and large, have little or no potential for work and self-support is a reasonable and sound change, but no federal minimum standard should be imposed for such assistance.

However, these proposed changes have no relation to AFDC and, hence, do not reform the basic welfare problem—AFDC.

RESTRUCTURING OF AFDC

Some other provisions in the bill purportedly abolish AFDC. However, this is not so. The kinds of families now receiving AFDC would continue, as a group, to receive part of their welfare from the federal government, and a state supplement (except in 8 states).

The major provisions would:

Establish a nationwide minimum federal income floor, supplemented in all (except 8) states so families would continue to receive the amounts provided under present AFDC programs;

Establish a uniform nationwide condition of eligibility, based chiefly on income, but also on liquid assets;

Increase the present earnings exemption (as a greater work incentive) in determining eligibility and benefit amount;

Increase federal financing of child care arrangements;

Increase federal financing of job training opportunities;

Provide that application for these welfare payments would be on a simplified form;

Require the adult applicant (with certain exceptions) to register for work or training; and

Increase the federal share of total benefit costs.

The only provisions which may facilitate the movement of AFDC adults from dependency on welfare to self-support on a job are the increased federal funds of \$600 million available for child care and training.

INITIATING A GUARANTEED FAMILY INCOME

A radically new provision in the bill is for a federal program paying welfare to families with a regularly employed father present. Uniform, nationwide conditions of eligibility, an earnings "disregard", and the requirement for registration for work or training are the same as for the AFDC type of families. This constitutes the "income strategy" of H.R. 16311 that purportedly will solve the welfare problem—AFDC.

Four facts are most significant.

First, such provisions will initiate federal financing of welfare payments to families headed by a father who is regularly working—to the "working poor".

Second, the provisions for receipt of welfare are such as to make this a guaranteed family income to families that are already self-supporting.

Third, this new program is obviously considered the most important contribution to reform of the welfare problem, since it accounts for the largest share—\$1.4 billion—of the increased federal costs of the bill for the first year.

Fourth, 13 to 14 million persons may well be added to the 7 millions now on the family welfare rolls.

Consequently, the reasons offered by HEW why this will help solve the AFDC problem should be carefully examined.

ANALYSIS OF THE CASE FOR A GUARANTEED FAMILY INCOME

H.R. 16311 proposes to initiate an "income strategy" designed to solve the problem of continuing growth in numbers of families on AFDC and of costs. The essence of this strategy is to pay welfare to families with working fathers when their income in relation to family size is relatively low. These are the "working poor."

HEW spokesmen contend that unless the earnings of such families are supplemented by welfare payments, there is a strong risk that these families will end up on AFDC. These fathers will be encouraged either to quit their low-paying jobs, or desert their families—and then the families would go on AFDC and be as well-off, or perhaps better off.

HEW Assistant Secretary Patricelli told the Ways and Means Committee:

"... this raises now what is probably the crucial question: Why is it that we are suggesting to the committee that we must cover the working poor, and thereby add 13 million people, roughly, to Federal assistance caseloads in the name of reform of the public assistance system?"

"... it is our feeling that it is vital to include the working poor, the 13 million, if there is to be a proper program for the 7 million nonworking recipients, and that is at the crux of the matter.

"So the case rests rather importantly on the fact that to deal adequately with the 6 to 7 million persons now on AFDC you have to build in the working poor so that they have the work incentives, and so that they have the family stability incentives, in order that they won't become part of the 6 to 7 million."³

HEW spokesmen support the soundness of this new income strategy" on the actual existence of these two risks.

Risk #1

HEW contends that AFDC offers an incentive to fathers with low job-earnings to quit and go on welfare.

"... No properly conceived welfare system should make it 'pay' for someone with low earnings to quit his job and go on relief. ... The family assistance plan encourages work and will supplement the wages of the working poor so that they will have the pride and financial incentives to become and remain part of the marketplace.

"... coverage for the working poor is necessary to preserve the work incentives for the working poor ..."

The facts do not indicate that many fathers have responded to this "incentive" of AFDC to quit their jobs and go on welfare. There are 23 states paying AFDC to families with unemployed fathers. These 23 include 9 of the 10 highly industrialized states, making relatively large AFDC welfare payments. Despite such attractive incentives to quit, there were only 90,000 such families on AFDC as recently as February, 1970.

Available data indicate that such unemployment and welfare were not from choice. The most recent monthly data available (thru Dec. 1968) show that for every unemployed father on AFDC placed in a job by the Employment Service (and then immediately dropped off the AFDC rolls) at least 18 others sought and found regular employment thru their own efforts and other resources. Had they truly preferred being on AFDC, they could easily have remained on welfare much longer merely by waiting for the Employment Service to find them jobs. Clearly, the choice of many was not to remain on welfare.

Risk #2

HEW contends that any father with low job-earnings (or a father with modest earnings but a larger family) is encouraged to desert his family if they would be better off on AFDC. Such father-absences, they say, explain the tremendous growth in AFDC.

"... it [AFDC] is inequitable in its treatment of male-headed families as opposed to those headed by a female. ... The result of this unfortunate discrimination is the creation of a powerful economic incentive for the father to leave home so that the State may better support his family than he can. ... And this financial incentive has taken its toll. In 1940, only 30 percent of the families on AFDC had absent fathers, but today the figure stands at over 70 percent." (Italic supplied.)⁴

"... the family assistance plan would remove a major incentive for a father to leave home so that his family could qualify for welfare."⁵

"Under AFDC the financial incentives are such that they work to break up the family. ..."

HEW spokesmen have specified father-desertion as a major causal factor for the growth in AFDC, as follows:

"Approximately 70 percent of the families on the AFDC program are families with absent fathers. As to how many are run-away or divorced, or absent for other reasons, I don't know.

³ See the same, pp. 362-63, 365.

⁴ See the same, for statement by former HEW Secretary Finch, p. 350; and by Patricelli, p. 364.

⁵ See the same, p. 50, for statement by Finch.

⁶ See the same, p. 128, for further statement by Finch.

⁷ See the same, pp. 364-65, for statement by Patricelli.

"The last figure I saw was about 20 percent, where there was *actual desertion, which is what we are talking about here.*" (Italic supplied.)⁸

The facts do not support this contention that AFDC has encouraged family break-up by father-desertion—that this has been a chief cause of the growth in the AFDC caseload, and in the tax costs.

Comparable, detailed surveys of AFDC show that father-desertions accounted for 20.2 percent of the families (*with living fathers*) on AFDC in 1953—the low-point in the caseload since 1950. And it declined to 19.3 percent in 1967—and to 16.8 percent in 1969, the caseload high-point since 1950.⁹ This *decline* has occurred while the aggregate AFDC caseload was growing prodigiously.

It is interesting to note that the President's Counsellor, Daniel P. Moynihan, completely disagrees with these HEW assertions. He has stated that "... there are not 5 cents worth of research findings that the availability of AFDC payments does lead to family break-up."¹⁰

However, in a separate memorandum, HEW subsequently admitted to the Ways and Means Committee that desertion is not triggered by the single factor of low income. (In fact, low income may be of minor significance.) HEW stated that "... The factors that lead to desertion are complex."¹¹

And indeed the factors must be complex. To illustrate, in New York City, families with unemployed fathers can get AFDC for the entire family—and those with working fathers, but "poor", have their incomes supplemented by a state welfare program, so that they will be as well-off as they would be on AFDC. If the father receiving a state welfare supplement becomes unemployed, or deserts, the family is automatically shifted to AFDC. Obviously, the "powerful economic incentive" for fathers to desert because their families would then be better off on AFDC—or to quit their jobs—has been removed. In essence, New York City has a modified family assistance program. It is, in a sense, an experimental program on a much vaster scale than the widely publicized experiment in New Jersey, financed by the Office of Economic Opportunity.

Thus, New York City experience with AFDC can give us some insight on what national experience might be with a national family assistance plan.

From 1961 to 1967, the AFDC caseload increased 41 per cent nationally—but 160 per cent in New York City. In fact, New York City alone accounted for 86 per cent of the national increase.

Father-deserted families on AFDC increased 138 per cent nationally—but 337 per cent in New York City. The city actually contributed more than 60 percent of the increase for the entire country.¹²

A 1966 study of the AFDC problem in New York interviewed AFDC mothers who had been deserted. Most of these mothers reported that the desertions occurred *after* the families got on welfare—not *before*, as a means to qualify the family for welfare.¹³

We can only conclude from this New York City experiment with a modified family assistance program that *removal* of this "powerful economic incentive" of AFDC for fathers to desert their families did not hold families together. Family assistance in New York did not reduced father-desertions, but "desertion" actually was the largest single cause of the large AFDC growth in the city. Why should we expect different results if a family assistance plan were adopted nationally?

The social tragedy of father-desertion has been grossly misrepresented as a major factor in the AFDC growth during the 1960's. Nevertheless, H.R. 16311

⁸ See the same, p. 225, for statements by HEW Undersecretary Veneman, and by Charles Hawkins, an HEW official.

⁹ See table in Appendix A—Distribution of AFDC Families. Note that the percentages in the text do not agree with those in the table. This is because the text percentages are computed *exclusive* of families on AFDC whose fathers are deceased.

¹⁰ See Daniel P. Moynihan, *The Orbits in Welfare—The View From New York*, a paper prepared for the 1967 Arden House Conference on Public Welfare.

¹¹ See the same Hearings, p. 530.

¹² See *Report on Findings of Special Review of Aid to Families With Dependent Children in New York City*, a report to the Ways and Means Committee made jointly by the U.S. Dept. of HEW and the New York State Department of Social Services on September 24, 1969. This study was monitored by GAO. The table on page 64 shows the 180 percent. Meanwhile, the deserted families on the AFDC caseload increased from 12,138 to 52,856—or by 337 percent.

The table on page 65 gives similar data for the U.S.

¹³ See *Welfare in Review*, Dept. of HEW, March-April 1968, for a report on a research study by Prof. Podell, financed by an HEW grant.

proposes to spend \$1.4 billion in the first year, chiefly to remove this so-called "powerful economic incentive" in AFDC for family break-up.

The national "risk" for fathers in working poor families to desert is infinitesimal. Between 1961 and 1967, there was a net increase of 65,000 father-deserted families on AFDC in the entire country. In 1961, there were 4,900,000 working poor families headed by males under 65 subject to this "powerful economic incentive" to desert. By 1967, there were 2,700,000 such working poor families. Thus, between 1961 when nearly 5,000,000 families might be regarded as subject to the risk of father-desertion and 1967, 2,200,000 of these families rose above the poverty level. Meanwhile, only 65,000 families (net) were deserted by fathers and went on AFDC. And 40,000 of these 65,000 deserted families were in New York City alone which had a modified family assistance program.

In summary, we find no basis in fact for the need for establishing this "income strategy" on a national basis. Nor does the evidence give us any assurance that this strategy could make the slightest contribution toward solving the AFDC program.

This "income strategy" should be completely rejected as an utterly sterile solution to the AFDC problem. It could only succeed in establishing in this country a guaranteed family income. And if New York City experience with a modified family assistance program is any guide, we might anticipate that the "income strategy" of H.R. 16811 would actually create a "powerful economic incentive" for father-desertion, when virtually none now exists.

CONCLUSIONS ABOUT H.R. 16811

Appraising H.R. 16811 as a whole, together with the justifications offered by HEW and Labor Department spokesmen, and with information developed in these hearings about the overlay of other welfare aids, we are impressed by three features.

First, the allocations of increased federal expenditures result in wrong priorities. If AFDC is the welfare problem, no priority in welfare reform should be given to increasing incomes of whole families that are self-supporting and not on AFDC.

Second, the justifications of HEW and Labor Department spokesmen for a major welfare policy change are based largely on *beliefs about facts*.

Third, the proposed mix of welfare in cash, and "in kind", would result in an obvious potentially powerful work disincentive to adults on family welfare.

For these reasons and the foregoing analysis, we urge this Committee to reject H.R. 16811 and, then, to develop a bill that will be specifically directed to solving the AFDC problem, and to improving the welfare arrangements for adults in need. We suggest a bill that would do four things.

First, and foremost, unify the melange of present welfare aids—cash benefits and incomes in kind—to meet family need and to provide incentives to able-bodied welfare adults to become employed and self-supporting.

Second, constructively help adults on AFDC, now and in the future, to help themselves become self-supporting.

Third, help those employed family heads with lesser skills to acquire greater earning capacity.

Fourth, consolidate the three present welfare programs for adults in need, providing approximately equal treatment to such persons—aged, blind or disabled.

We have some suggestions for developing effective help for AFDC adults and for family heads of the "working poor". Such help would embody a constructive opportunity program. It would require two strategies—a rehabilitation strategy for able-bodied AFDC adults, and an upgrading strategy for, but not restricted to, family heads of the "working poor". These suggestions are based not on what some believe to be so, but on what we know to be so.

A REHABILITATION STRATEGY FOR AFDC ADULTS

Most AFDC families are on welfare because they have lost their regular breadwinner—through divorce, separation, or desertion. There will be other families every year who experience this misfortune. While public assistance payments may meet their immediate need, a constructive lasting solution to the family's problem is to make the remaining family adult—the mother—a regular breadwinner.

A national continuing effort should be initiated to equip able-bodied AFDC adults with a capability for self-supporting employment, and to get them into such jobs. This strategy of occupational rehabilitation should be developed at the community level in our 180 larger cities. That is where the large majority of AFDC families live.

A method for identifying the manpower potential of AFDC adults in each of these communities should be developed. The needed information is already available at the local level.

Priorities for referral to job-training can then be developed from these data on manpower potential. We know that, nationally, half of the AFDC families do not have large family responsibilities because they have no more than 1 or 2 children. We know, according to the 1967 AFDC Survey, that three-fourths of these families are headed by mothers of whom at least 70 per cent are trainable now. They have completed the 8th grade, or more. We also know that 70 per cent of AFDC families (in 1967) were getting less than \$200 a month in welfare. Pay rates in a variety of full-time entry-jobs would mean incomes substantially above their welfare income. Of course, child care arrangements must be available to facilitate such job-training and subsequent employment of AFDC mothers.

An effective method must be available and used in these labor market areas for identifying continuing shortages of qualified workers for entry-level jobs, public and private. Such a device—the Job Bank—has been pilot-tested in Baltimore and is being patronized increasingly by private employers.

This should be used in programming training so trainees would have a reasonable assurance of job-openings on completion of training. Moreover, such training should be for those jobs which would pay substantially more than the trainees were getting on welfare.

Training allowances would need to be provided—as under present law.

We suggest that through the earnings “disregard” some welfare be continued for as long as, say, 1 year of continued regular full-time employment. Many AFDC mothers have debts to repay. But more importantly, some may not succeed on their first job—even their second job. Between jobs, they will still have children to feed. The uncertainty of initial job-success is undoubtedly a deterrent to seeking and taking a job that would cut them off from welfare.

Some agency of the federal government must be responsible for putting these together—the manpower potential, the identified needs of employers for qualified entry-job workers, and the appropriate training programs. This agency should be one which has experience in contracting for the training programs. But it must be one that has a demonstrated effective technology of motivational counseling. We are convinced this latter would be the indispensable ingredient to success in moving able-bodied adults from welfare rolls to payrolls. We suggest the Committee may want to examine carefully the motivational expertise of the Vocational Rehabilitation Service, especially its now-completed million dollar five-year experimental project in Wisconsin.

The continuing interest, involvement, and active participation of local employers, public and private, in the entire rehabilitation strategy and process must be obtained. However, the self-interest of employers in another source of qualified workers could be relied on to help achieve such cooperation.

Finally, some thought might be given to legislative language providing for special recruitment efforts to AFDC adults who are qualified for jobs in federal, state and local government agencies.

This occupational rehabilitation strategy as a continuing national commitment would assure most AFDC mothers that there is available to each a way she can be helped to help herself move up and out of welfare.

AN UP-GRADING STRATEGY

We know that between 1961 and 1967, roughly 850,000 working poor families headed by males under 85 moved out of poverty each year. By the end of 1967, there remained 2.6 million such families. According to HEW, about 60 per cent would be in rural areas in 1971—the other 40 per cent would be in the larger cities. Some of those could be up-graded to better paying jobs. This would open up more jobs for AFDC adults. In fact, up-grading of other workers who but for lack of, say, one additional child would be classified as “working poor” would also open up such jobs.

However, unlike the situation with welfare mothers, we now have no way of identifying the individual male heads of “working poor” families. But we know

they are there—and doubtless would not choose the identification of “working poor”.

We suggest to the Committee a companion national initiative—an upgrading strategy—of public after-work training for lower-skilled workers, not only the so-called “working poor”, but also others with slightly smaller family responsibilities.

This would have a three-fold advantage. It would help those at lower-pay levels to improve their lot, if they have the initiative and desire. It would help meet employers' needs for workers with better skills. Most importantly, it would open up jobs for AFDC adults.

CONCLUSIONS AND RECOMMENDATIONS

We are reminded of an observation by an outstanding student and thought leader of social welfare:

“When contemplating the policies that have been applied in the past and considering those which might be applied in the future, it is impossible not to be both impressed and depressed by the extent to which policy decisions are made and perpetuated on the basis of *beliefs* about facts rather than tested knowledge. . . .”¹⁴

The deliberate, careful and probing study now being given to H.R. 16311 as a solution to the AFDC welfare problem is most commendable. This Committee's search for facts is in marked contrast to various HEW assertions so often based on *beliefs about facts*.

The development of a constructive solution to this AFDC problem is most important—in terms not only of reversing the upward trend in costs, *federal* as well as state and local, but also of providing a constructive opportunity so the disadvantaged on AFDC can become free in the sense of real independence.

We are confident this Committee will continue its quest for needed facts and for suggested constructive solutions to this one problem—AFDC. This should have top priority, even though a plan for corrective action cannot be completed this year.

We recommend that the Committee exercise such prudence and deliberateness. We further recommend that any experimental programs authorized be focussed solely on solutions to this top priority problem—AFDC.

APPENDIX A

PERCENTAGE DISTRIBUTION OF AFDC FAMILIES, BY STATUS OF FATHERS, IN SPECIFIED YEARS¹

Status of father	1953 (November)	1956 (early)	1958 (late)	1961 (spring)	1967 (November- December)	1969 (May)
Total	100.0	100.0	100.0	100.0	100.0	100.0
Dead	17.1	13.0	11.0	7.7	5.5	5.5
Incapacitated	21.3	22.1	21.1	18.1	12.0	11.5
Absent	58.5	61.2	65.4	66.7	74.4	75.4
Divorced, or legally separated	11.4	11.4	13.5	13.7	15.2	16.5
Separated without a court decree	6.0	6.6	8.0	8.2	9.6	10.9
Deserted	16.6	15.5	18.0	18.6	18.2	15.9
Not married	19.6	22.7	20.3	21.3	26.8	27.9
Imprisoned	3.8	3.9	4.6	4.2	3.0	2.6
Other reasons	1.1	1.1	1.1	.6	1.4	1.6
Other status	2.1	1.4	1.8	7.4	8.1	7.6
Other ²	1.0	2.3				

¹ Data are from Saul Kaplan, Support from Absent Fathers of Children Receiving AFDC, 1955—Public Assistance Report No. 41; Robert Muggs, Characteristics and Financial Circumstances of Families Receiving AFDC—Public Assistance Report No. 42; Preliminary Report of Findings—1967 AFDC Study—U.S. Department of HEW, NCSS Report AFDC-1; Status of the AFDC Father and Mother, May 1969—U.S. Department of HEW, NCSS Brief Report (included in Public Assistance Statistics, December 1969).

² Includes families with unemployed fathers—5.2 in 1961; 5.1 in 1967; 4.8 in 1969.

¹⁴ See Eveline M. Burns, “The Future Course of Public Welfare”, a paper prepared for the 1967 Arden House Conference on Public Welfare.

The CHAIRMAN. Well, thank you very much for your statement.

As chairman of the committee, I am pleased to see at least one witness speaking for one group that understands that we on this committee are looking for answers. We have found things that are wrong about the bill that ought to be corrected and, may I say as one member, I am not trying to delay the present bill from being passed. I just want to see if we can do something to correct the shortcomings of that measure, and that is the type of thing that you are suggesting here.

Mr. SCHLOTTERBECK. That is what we are trying to do.

The CHAIRMAN. So far as this Senator is concerned, it is not the dollar figure that is giving him the problem. The problem is that it does not look to me as though it is going to get the job done, that it is going to do what we ought to be trying to do, and that is to help people to help themselves.

We are talking about able-bodied people who are capable of working here, and it is a higher form of charity to help those people to become self-sufficient or to help them to help themselves than it is merely to pay them to sit around and do nothing. I take it that is also the view of the chamber of commerce?

Mr. SCHLOTTERBECK. That is our view, too.

The CHAIRMAN. Let me just ask you about one thought that occurs to me.

I favor, of course, doing whatever we can to help upgrade the skills of poor families. But isn't this true, that someone is still going to have to do the menial work that remains to be done.

Now, I do not know of anything that one calls menial that I have not done at one time or the other. When I was a little boy my grandmother would put me out to work sweeping off the sidewalk in front of the house because we thought the sidewalk ought to be cleaned. If the city did not do it, we would sweep the sidewalk up.

Things that need to be done should be done by someone, and if that is a matter of making the neighborhood sanitary, clean, tidy, isn't somebody going to have to do that kind of work? Might it not be better if the job does not pay enough simply to subsidize some of those jobs, pay them something extra to raise the wage to make it more in line with someone's needs rather than hoping that we are going to be able to make a corporation president or a junior executive out of every working person in this country?

Mr. SCHLOTTERBECK. Well, Mr. Chairman, of course, that kind of work has to be done, if only in the interest of public health in the city.

But we do believe in a free market system, and if we want that work done we are going to have to pay to have it done.

Now, if you pay them a low wage and subsidize it, let us not fool ourselves because we would be paying a higher price to get that work done. We ought to recognize that.

Now, whether it is work that women can do or not, I do not know. But we do have to recognize that three-fourths of these AFDC adults are mothers. Now, three-fourths of those can be trained now, because they have completed the eighth grade or better. There is a tremendous manpower potential among these mothers on welfare.

Bear in mind three-fourths of our AFDC families live in our 130 larger cities. That is where the problem is, and that is all we know

about them, virtually. We need to find out more about these people, and in any one of the cities we know virtually nothing.

We need a profile of the manpower potential in every one of these cities so you could set up priorities for programing them into training for jobs, as jobs open.

Now, this is not difficult. The needed information is right there at the local level, and all you have to do is make a sample survey. Nor is it expensive to do so. But you cannot move ahead on doing anything along this line no matter what your program is, unless you have the basic facts right at hand so that you can establish these priorities and you know what you are dealing with.

The CHAIRMAN. What is your reaction to this problem here in this bill when you get your welfare payments up to a relatively high point, and then you hope that someone is going to work himself off welfare, and a bill such as this one finds it is reducing that person's earnings by 80 cents for every dollar that he earns?

Mr. SCHLOTTERBECK. Well, let me give you a different point of view, if I may.

Half of these families on AFDC have only one or two children and, in 1967, about 70 to 75 percent of all AFDC families were getting less than \$200 a month in welfare.

You know a job at minimum pay would pay them substantially more than they are getting on welfare. So you might well establish a priority in programing these mothers into training, selecting those who have the smaller families, who are getting the lesser amounts of welfare, because such jobs would compensate them substantially more than they are getting on welfare. This is one reason you absolutely have to have some kind of profile of the manpower potential of the AFDC adults in each one of these cities.

The CHAIRMAN. Thank you very much.

Senator Curtis.

Senator CURTIS. Would you elaborate on what you mean by profile.

Mr. SCHLOTTERBECK. Yes.

Senator CURTIS. Is that an inventory of available jobs?

Mr. SCHLOTTERBECK. Well, you need two things, actually. You first need to get this profile of the family adults on AFDC, and let us say in the city, to make it simple, there are 10,000 such families. Now, by a sample you could find out how many of these are headed by mothers. It will be about 75 percent.

You want to know the age grouping of these mothers, because it is still economical to take a mother with one or two children who is on welfare, and she is age 55, to train her for a job to become self-supporting. In a year or two she will have no dependent children, and what is she going to do for a living.

Some of the younger mothers have only one or two children. But you need to know the age breakdown of these mothers first, and the size of their family responsibilities. How many have one child, two children, three four; what they are getting on welfare and, finally, how far have they gone in school.

If they have completed the eighth grade or better they are trainable right now. I have seen some training programs where they have mothers on welfare and they have completed no more than the fourth or fifth grade, and they train them for jobs at beginning pay of \$2, \$2.25

an hour. But you have to have this basic background information in order to program them into the training programs.

Now, you also have to have an identification of continuing worker shortages for entry-level jobs, because you want to set up training programs so that at the end of the training there will be jobs.

Senator CURTIS. I have not had a chance to investigate this, but I was told in a city not far from here where a very concerned minister worked up a program of training and had it financed by other than Federal funds, and trained a number of AFDC mothers to be seamstresses.

The report I have is that they were able to get employment, I believe, at \$2.25 or something like that an hour, and they were very anxious to make the exodus from the AFDC rolls in order to become employed.

Mr. SCHLOTTERBECK. You are absolutely correct. This was up in Philadelphia, and they have found that many of these mothers simply want the opportunity to become self-supporting. But they do need training for jobs.

Some of them have not gone as far as the eighth grade, but the word went out to them, "If you want a job, come to us, we will train you."

Senator CURTIS. You mentioned the Vocational Rehabilitation Service.

Mr. SCHLOTTERBECK. That is right.

Senator CURTIS. Now, that is a part of the Department of Health, Education, and Welfare, is it not?

Mr. SCHLOTTERBECK. That is correct.

Senator CURTIS. I have read a report of that investigation up in Wisconsin and it is quite a convincing document.

As you well know, it points out that they undertook to rehabilitate for employment the recipients, and by rehabilitating, they did not just mean those who had some physical defect or handicap, but those who struggled with some problem related to being culturally disadvantaged. My recollection is that it had remarkable success.

The number of welfare recipients that became partially self-supporting, and the number that became totally self-supporting was quite astonishing. You know something about the figures?

Mr. SCHLOTTERBECK. I do not recall the figures but I do remember the project, and this is the one I was referring to.

Over the years, in dealing with the physically handicapped they found they had to motivate these physically disabled to believing in themselves that they could learn another skill and, again, become self-supporting. So this project was to find out whether this know-how, this technology, of motivational counseling was transferable from the physically disabled to the culturally disadvantaged. And you are correct. They had amazing success with this motivational counseling, and this is absolutely indispensable when you are dealing with these adults on AFDC, many of whom have not worked for years.

Senator CURTIS. I would imagine that the experts who are able to take a sightless person or someone who has lost his arms, something of that sort, and motivate them and give them sufficient confidence so that they can hold a job, that that same agency would have an expertise that would be very valuable in working with an individual who has

very little educational opportunity, perhaps has always been on welfare, and who regards the world as rather hopeless, and it stands to reason that an agency that could work with the handicapped could work with that person.

Mr. SCHLOTTERBECK. Well, that is what this program is.

Senator CURTIS. That is what it was all about, was it?

Mr. SCHLOTTERBECK. That is what it was all about.

Senator CURTIS. Well now, so far as reform of welfare, if we think of that in terms of reforming what we have now that should mean the betterment of the situation of the people who are now on welfare.

Mr. SCHLOTTERBECK. That is right.

Senator CURTIS. And that betterment would come about by enabling them to become wage earners at a higher level than they are getting.

Mr. SCHLOTTERBECK. Than they are getting on welfare.

Senator CURTIS. Is that in essence what the problem is so far as the recipients are concerned?

Mr. SCHLOTTERBECK. Well, when you look at their educational achievement, 75 percent of these mothers have completed the eighth grade or better. They are trainable now, but they do not know how to go about to get it.

It is not, it may not be, available to them. They need the opportunity, but they will need this motivation because many of them have been on welfare for quite some time. Maybe the only job they have ever done is domestic work, now and then, and they are not sure they can hold a regular job.

Senator CURTIS. Are you saying that they need someone to get acquainted with them, to give them individual attention and to build them up to the point where they can get a job; is that what it amounts to?

Mr. SCHLOTTERBECK. That is correct. And in the neighborhood all you need is a success here and there as excellent examples of what they did. Others will then believe they can do it, too.

Senator CURTIS. Now, for the moment, let us disregard whether it is wise or unwise to put the working poor on as recipients for some sort of cash benefits; whether that is wise or unwise, let us set that aside for the moment.

The point is that won't help solve the problems of the people already on welfare, will it?

Mr. SCHLOTTERBECK. That is precisely correct.

Senator CURTIS. If you have a welfare problem with the people who are on the rolls and it is a system that leads to despair and discouragement, and it is a system that does not lead to working their way out into employment, those problems will not be met by merely increasing the number of recipients, will it?

Mr. SCHLOTTERBECK. That is welfare expansion, not welfare reform. You know, HEW has pointed out that between 1961 and 1967 the numbers of persons on AFDC tripled, and the costs doubled.

Now, their solution to the AFDC problem seems to be to triple the numbers again and to double the costs again, and the logic of that arithmetic fails me.

Senator CURTIS. I want to refer to your table which you put at the end of your statement.

Mr. SCHLOTTERBECK. Yes.

Senator CURTIS. You have entitled it, "The Percentage Distribution of AFDC Families by Status of the Fathers in Specified Years."

Would you just explain what that table shows?

Mr. SCHLOTTERBECK. The data are based on nationwide sample surveys by HEW and by its predecessor in the welfare field. The table shows for specific dates where the fathers of these AFDC families were. In November 1953, for 17 percent of the families on AFDC, the father was deceased. For 21 percent of the AFDC families, the father was present but incapacitated; and for 58 percent of the AFDC families, the father was absent. Then the absent fathers are broken down by the reason for absence, one of which is desertion.

Now, you will notice that when you go from November 1953 to May 1969 the percentage of the caseload accounted for by deceased fathers has declined remarkably, in large part because social security has moved in and taken up part of the load. But you want to make some adjustment for that because when the father is deceased, they have obviously no decision to desert or not. So, you want to look at the experience only for families with the father living. Then you will find that the decline in desertion is even greater than indicated on this table.

Senator CURTIS. But there has been quite a marked increase in the number of AFDC mothers who were not married.

Mr. SCHLOTTERBECK. Yes; I have not seen the figures, but I understand that in very recent years that is accounted for in large measure by girls of school age who were in school. They do not represent family units. This was not a case of father desertion.

Senator CURTIS. While desertion was down a bit in 1956, up in 1958, 1961 and 1967, then it was back down in 1969.

Mr. SCHLOTTERBECK. It has declined from around 20 percent in 1953 to just under 17 percent in 1969.

It is not and has not been the major factor accounting for the big growth in AFDC, as some contend.

Senator CURTIS. You testified that it is not necessary or does not contribute to the solution of the problems faced by the present recipients of AFDC by just adding great numbers as recipients.

Our next question is this: Is it necessary to place the fully employed working poor on welfare in order to have some program that would assist them in upgrading their skills and, consequently, their employment possibilities?

Mr. SCHLOTTERBECK. Well, Senator, that question in slightly different form, was asked of the Secretary of Labor here, and he said that merely the payment of welfare to the working poor would not help them one iota in getting a better skill or rising up out of poverty. I think that is obvious.

Senator CURTIS. Isn't it probably also true that among some of those working poor, in fact among a great many people exist of excellent character and great determination and self-denial, which is probably the reason why none of the family have ever sought welfare, and that they would welcome a chance to be able to get some training or some improvement without becoming welfare recipients?

Mr. SCHLOTTERBECK. Not only that, Senator, but between 1959 and 1968, when we have not had a Federal family assistance plan, on the average from year after year from 250,000 to 300,000 male-headed

families below the poverty level rose up out of poverty through their own efforts. This has been the history of this country.

Senator CURTIS. Are there any statistics as to how long people stay on welfare?

Mr. SCHLOTTERBECK. Yes, there are some statistics city-by-city that would show you that.

Senator CURTIS. I must get over to answer the rollcall. I noted the U.S. Chamber is opposed to this bill. But would you endorse the proposal to have a pretest of the program in a few cities for a year and then implement the bill nationwide?

Mr. SCHLOTTERBECK. Well, let me indicate what we would endorse. If this were pretested, an experimental program, in three, four or five cities for, say, a period of 2 years to see what the administrative problems were, and also build in some criteria so you could determine the extent to which paying welfare to working poor fathers helped reduce the AFDC caseload in those cities, and at the end of, say, a 2- or 3-year trial period you stopped and evaluated the results and then, and not until then, Congress decided on the basis of those facts what it might do, I think we would look favorably on it.

But let me add one other thing.

Senator CURTIS. I must run on. A test period to be really a test period and to show anything would have to be one where the facts that were gathered were brought back to help the Congress make the decision as to what kind of program we are going to have.

Mr. SCHLOTTERBECK. That is right, and I would like to suggest that, if you are considering some experimental projects, that you also try for a period of 2 or 3 years on an experimental basis in four or five cities, both the rehabilitation strategy and the upgrading strategy, and build in criteria for evaluation and do the same with it.

Senator CURTIS. I am sorry but I must run on, but I want the record to show that our witness is one of the distinguished scholars of this city and served for 18 years on The Brookings Institution staff. At one time he was staff director for a ways and means subcommittee studying social security over on the House side, and we do appreciate the information you have given us today.

Mr. SCHLOTTERBECK. Thank you very much, Senator.

The CHAIRMAN. The Chair now calls Mr. Clark W. Blackburn, general director of the Family Service Association of America.

Proceed, sir.

**STATEMENT OF CLARK W. BLACKBURN, GENERAL DIRECTOR,
FAMILY SERVICE ASSOCIATION OF AMERICA**

Mr. BLACKBURN. Thank you, Mr. Chairman.

This statement is really a short statement rather than a summary, and I will give you the whole statement.

My name is Clark W. Blackburn, and I am General Director of the Family Service Association of America, a federation of 342 voluntary family service agencies. Because the board of directors of the association has not had an opportunity to discuss fully H.R. 16311, I am assuming full responsibility for this statement.

My comments are brief.

The member agencies of FSAA have had experience with millions of families under stress through the years. Our observations have led us to certain conclusions about the fundamental rights and needs of any family if it is to fulfill its responsibilities as a basic institution of society. We believe that first and underlying all other necessary conditions are the means to meet universal human needs—sufficient food and clothing, adequate housing, medical care. Adequate income is essential to every family. It must be enough to maintain a decent standard of living. Services must never attempt to substitute for adequate income. A highly developed democratic nation must provide adequate income and must provide it without discrimination and in such a way as to preserve the self-respect of those in need. I am in agreement with those people who feel that the present system of public welfare is not achieving this goal for the poor, and I commend the administration and Congress for seeking to initiate a new and better system.

Assuming that your goal also is the establishment of an equitable humane system for meeting the basic needs of people, I would strongly urge you to provide for full Federal administration and funding of the family assistance program. Experience has clearly shown that shared administration in public assistance programs does not work. There is wide variation in interpretation and application of policy that contributes to the general dissatisfaction with the current system.

Inequities for recipients are my primary concern, but as an administrator, I suggest that the proposed legislation with its plan for State supplementary programs and options for administrative responsibility would establish a cumbersome, practically unmanageable structure under which uniform standards, lack of discrimination, coordination with other basic Federal programs would be difficult to achieve or enforce.

I support the plan of H.R. 16311 to give full Federal financing on a nationwide basis for minimum payments, but the proposed minimums are seriously deficient if the goal is elimination of poverty and a guarantee of even the bare necessities of life for all our people.

If the first step must be so inadequate, the proposed legislation must be changed to provide for increases at an early date and at regular intervals until beneficiaries of the program reach the minimum but adequate level established by the Government.

I believe that only then can families direct their energies and abilities to making most productive use of their own or society's other resources for improving the quality of life and enriching our Nation. I understand that this would be a costly program in dollars, but I am sure you will agree that it is important also to weigh the cost of human misery, of lost productivity from those who are poorly fed, clothed, and sheltered, and of the disillusionment and distrust that pervades an affluent, powerful Nation that does not provide decently for its young, its aged, any of its people in adverse circumstances.

Perhaps most urgently of all, I must stress that mandatory work outside the home for mothers, enforced by depriving the family of a portion of already most inadequate funds, is not acceptable on any basis consistent with our American concept of family life. This section of the proposed legislation applies to the most vulnerable of families—

the one-parent, female-headed group—and out of my concern for the well-being of children and the development of strong family life, I urge you to change the proposed legislation to give all mothers freedom of choice in this crucial matter.

My position in no way negates the desirability of providing access to training and satisfying employment to any mother who wishes the opportunity nor of providing necessary services such as day-care facilities, homemakers, and counseling to support her initiative and protect her children.

I am sure that you are aware that nearly all of the poor who can work, do so. Most who do not are dependent children, aged, physically handicapped. It is indeed a fine step forward to include assistance for the working poor in the family assistance program. I urge that all people in need, regardless of age, marital status, number of children, ethnic origin be included.

I would also urge that work incentives in legislation be related to the realities of those in need. Training programs to provide new or enhanced skills should be related to actual job opportunities. Minimum wages must be related to a decent standard of living. Adequate wages, the best possible working conditions, equal opportunity to advance are the true work incentives, not threats of starvation, loss of dignity and self-respect, loss of control over one's own destiny.

I have given some time to studying title III of H.R. 16311—the provisions for services—and have had occasion to discuss it with several members of HEW staff. At this moment I see nothing to be gained and possibly much to be lost in rushing this title into law.

For example, the possible involvement of voluntary agencies in rendering services on a contract basis has not been discussed carefully with the voluntary agencies. I am sure there are many member agencies of FSAA and other voluntary agencies that would be interested in rendering services on a cooperative basis. But there is need for input from the voluntary sector in this planning before laws are enacted. I am confident that there are many persons in our association who would welcome the opportunity to offer assistance in working out more satisfactory cooperative plans between the public and voluntary sectors.

The country needs a new Federal plan for helping families and individuals who are in financial distress, no matter what the cause. My concern is that a new plan will, indeed, bring about a better life for millions of Americans.

The CHAIRMAN. Thank you very much, sir, for your statement.

The next witness will be Mr. Lawrence Cook, Omaha Tribal Council. Is he here?

(No response.)

The CHAIRMAN. Then the next witness is Florence Joshua, tribal chairman of Devils Lake Sioux Tribe, Fort Totten, N. Dak.

(No response.)

The CHAIRMAN. The committee will then stand in recess until Wednesday of next week.

(Whereupon, at 3:40 p.m., the committee adjourned, to reconvene at 10 a.m., on Wednesday, September 9, 1970.)

THE FAMILY ASSISTANCE ACT OF 1970

WEDNESDAY, SEPTEMBER 9, 1970

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

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

Present: Senators Long, Anderson, Talmadge, Williams of Delaware, and Jordan of Idaho.

The CHAIRMAN. The hearing will come to order.

I understand that Congressman James Scheuer is engaged elsewhere at the moment. If he is here we will hear him, otherwise we will hear him later on and, therefore, I would call Commissioner Stephen Horn, Vice Chairman of the U.S. Commission on Civil Rights.

Is Congressman Scheuer here?

Mr. SCHEUER. Yes, sir.

The CHAIRMAN. I was told you would not be here. We will be happy to hear from you. Will you please take a seat at the witness stand and we will be glad to hear from you.

STATEMENT OF HON. JAMES H. SCHEUER, U.S. REPRESENTATIVE FROM THE 21ST DISTRICT OF THE STATE OF NEW YORK

Mr. SCHEUER. I am very grateful for your courtesy, Senator, in inviting me to testify.

I am the author, along with Senator Gaylord Nelson, who is a chief sponsor, of the new careers program, which was initiated as an amendment to the OEO legislation of 1967, and which has now been implanted in many, many other pieces of legislation in the field of education, social services, vocational education, and numerous remedial job training programs.

The new careers concept is specifically included in the 1966 amendments to the Economic Opportunity Act, the Higher Education Act Amendments of 1967, the Elementary and Secondary Education Act Amendments of 1967, the Vocational Education Act Amendments of 1968, the Juvenile Delinquency Prevention and Control Act of 1968, and the Vocational Rehabilitation Act Amendments of 1968.

The purpose of the new Careers program is to take the unemployed, predominantly in the ghetto, and give them the skills to perform jobs in public services. Two-thirds of these jobs to date have been in education and health services but many thousands of other jobs have been found in law enforcement; for example, in the treatment and rehabilitation of young narcotic addicts by young people many of whom have had experience with addiction; in welfare; and in child development programs.

The Department of Labor has just received this study, which I ask unanimous consent to have printed in the record, entitled "National Assessment of the New Careers Program." * This study indicates that the new careers program has been spectacularly successful in motivating predominantly black unemployed ghetto residents to become trained, independent, and self-supporting workers in important public service jobs, in education, health, law enforcement, welfare, social services and the like.

The rate of failure in the new careers program is comparable to the rate of failure in the Ivy League colleges. It has about a 60 percent success rate. About 60 percent of those who start out in the training programs end up in jobs in which they are still employed.

Compared to the work incentive program, which has a success rate of eight or 10 percent, the new careers program has been a great success. It is based on the fact that the unemployed do not want a job program that just gives them a hunting license at the end of the training period to find some kind of a job. That is not sufficient to motivate them and get them going. Nor do they want a job training and development program that at the end of the training period gives them a deadend menial job. When you have either of those things you do not get much in the way of incentive. You do not get much in the way of hard headed commitment to the principle of work, to the principle of independence, to the principle of self-support, to the principle of being a taxpayer rather than a tax eater, to the principle of getting up in the morning and going to a job and coming home in the evening the way most Americans have done for centuries. You do not get much of that commitment where the program involves mostly a hunting license approach to a job or where it provides a deadend approach.

But when the program that you offer the black poor offers meaningful training and on-the-job education along with the work; when it offers meaningful supportive services help in transportation, help in medical care if they are sick, help in dental care if they have diseased teeth, help in psychiatric family care if they have real problems in the family; when the job gives them a feeling of pride and dignity and self-esteem, as teachers aides or as hospital aides or as social service aides or as library aides or as police-community relations aides or as narcotics addiction aides; when these folks feel that they are getting trained for a concrete job that involves helping other people, then the rate of success in terms of keeping them involved and successfully employed is extremely high. When you have these elements put together you have a program that works. This 100-page study that has just been published, documents in great detail the success of this new and innovative approach.

Now, I think in the Congress, in the Senate and in the House, and in the Nation at large, there is a feeling that the way out of poverty and dependency and lack of skills, lack of jobs, lack of hope, lack of commitment, for most of the people who are unemployed or underemployed today is through work. I certainly feel that way, and I have been deeply involved in these remedial training and employment programs for the 6 years that I have been in Congress. I feel that, based

*See p. 1916.

on the success of the new careers program, there is no doubt that for almost all of the underemployed and unemployed in this country the real answer to a life that gives them dignity and self-esteem and satisfaction is through employment, through work. I think it is quite clear that the poor feel that way, too. They want very strongly to have a chance to be employed.

As a matter of fact, the City University of New York did a survey last spring of mothers with preschool children and found that a substantial majority of the welfare mothers with preschool children who are heads of families would like to get job training and the opportunity to work provided they were offered day care facilities in which to leave their preschool kids.

We have been groping, in this Congress, in this welfare bill, for an employment program for the poor that meets their needs in a realistic way and that also meets the deeply held conviction of the nonpoor in this country that work is good, and that work for most people is the career answer, not nonwork, not Government support.

So, we are struggling in this bill to find a work program that is right and good and decent for most of the people who are now on welfare.

In some quarters you hear harsh language about the requirement to work, that this is oppressive and so forth. We have all heard that, and I fear that if the requirement to work in the welfare program simply means that the poor are going to automatically be slotted into the menial jobs, the kitchen jobs, the laundry jobs, the most undesirable jobs in our society, that even though in past times this was the way many people got their first foot on the employment ladder and worked up the ladder rung by rung from the bottom job, such a program would produce a very negative reaction to our cities, and on our university campuses.

Based on the real need in our country to provide an employment program that motivates the poor and fits the deeply-held convictions of most of our people that work is the answer to most people, and in view of the demonstrated success of this New Careers program that has gotten tens of thousands of people off welfare, that has doubled the average annual income of those who have come into the program from less than \$2,000 a year to over \$4,000 a year, a program that has immeasurably enriched our public services in the area of health services, education, law enforcement, social services, and the like, I feel it is very important to adopt the New Careers principle in the work requirement program. This is the elements that will defuse the work requirement program of its susceptibility to unfair demagoguery. This is the approach that will make it meaningful and effective for the poor, that will motivate them to take advantage of it enthusiastically and spontaneously, and the program that ultimately will help the overwhelming majority of the unemployed and underemployed in this country to achieve independence, self-respect, and self-esteem by passing from the tax eater status to the taxpayer status of an independent self-employed person.

The CHAIRMAN. Thank you very much, Congressman.
(Congressman Scheuer's prepared statement follows:)

PREPARED STATEMENT OF HON. JAMES H. SCHEUER, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I am delighted to be here today to testify on H.R. 16311. I would like to bring to your attention a manpower program which is directly relevant to three issues at the heart of improvements in any welfare program. These are:

(1) **Minimum Income Levels:** What should the level be for the portion of our population that cannot work?

(2) **Incentive Plans:** How can we increase the probability that welfare recipients, the poor, the working poor, and unattached youth will participate in available programs leading to economic independence?

(3) **Work and Training:** What strategy shall the government use in human resources and manpower development to improve service delivery to welfare recipients and to society, and to reduce the numbers of those who are unemployed and on welfare rolls?

Any meaningful solution to the welfare problem must provide answers in these 3 areas. I would like to propose some directions for the bill now before the Committee based on the New Careers Program, which I shall describe later.

1. MINIMUM INCOME LEVELS

We all are familiar with the accelerating increase in the number of welfare recipients over the last 3-4 years. In my own city, this number has mushroomed from 500,000 in 1965 to an estimated 1.1 million, or 15 percent of our population, in 1970. Our present welfare budget of \$1.7 billion is the largest single element of the city budget, accounting for about 35% of the city's expenditures.

Initially, welfare was intended to give the unemployed only temporary relief. It was directed at those who had slipped suddenly into poverty during the Depression. It generally succeeded. However, for those for whom poverty has become self-perpetuating, it has failed. It has failed because it never was designed to meet and solve problems over and above temporary bare maintenance. The Administration's bill recognizes the shortcomings of the original approaches for the expanding group of people generally referred to as "the disadvantaged."

2. INCENTIVE PLANS

It is critical to expand our thinking concerning any incentive plans, usually limited to welfare recipients, to include the poor, the working poor, and unattached youth. The current experience of the Work Incentive Program (WIN) clearly indicates the need to modify drastically our thinking in relation to the issue of incentives. For example, the main intent and job of WIN was to assist people to:

1. Find jobs if they had marketable skills;
2. Assess the employability of enrollees design, and involve them in programs which would prepare them for employment;
3. Provide special work projects and/or work experience for other categories of enrollees such as seasonal workers, etc.

The WIN experience to date has not been promising. According to the latest Department of Labor information, there has been a total of 164,848 cumulative enrollments in the WIN program since the start a little more than two years ago. To date, 13,919 WIN enrollees have been placed on jobs, or only 8.5 percent of the total number of enrollments (see Table I). Even if we use only the reported terminations of WIN enrollees, 72,273, against which to compare the number placed in jobs, 13,919, we wind up with a figure of only approximately 20 percent on jobs.

The WIN program is not producing the desired results. Apparently, the major focus is not where it should be—on developing concrete jobs and career ladders for which personnel are specifically trained.

The current incentive plan also is inadequate. Most of the jobs sought for WIN enrollees pay less net take-home pay than welfare payments and supportive services available to recipients for which there is no fee. The incentive plan built into the legislation should make employment *economically* attractive for those poor who choose education and training as a way out of poverty. This must be done by matching incentives with opportunities for productive employment. Any work and training plan must incorporate a system of job development for real jobs in advance of training personnel to ensure that a job awaits each enrollee

at the end of the pipeline. WIN enrollees had a generally poor choice of jobs available; with low wages and otherwise unrewarding work, enrollees were often better off maintaining their welfare status because it meant a higher monthly net income without menial employment.

3. WORK AND TRAINING

The third issue confronting your Committee is the provision of a manpower program that will successfully bring people off welfare rolls into productive participation in our society. Such a program already exists, has been field tested in demonstration projects all over the country, and has been a resounding success. As you may already know, the New Careers program originally sponsored by Senator Gaylord Nelson (Wis.) and myself, was initially funded by the Congress in 1967 as a basic part of the Economic Opportunity Act of 1967. It authorized "special programs which provide unemployed or low-income persons with jobs leading to career opportunities, including new types of careers, in programs designed to improve the physical, social, economic, or cultural condition of the community or area in fields including without limitation health, education, welfare, neighborhood redevelopment, and public safety, which provide maximum prospects for advancement and continued employment without federal assistance, which give promise of contributing to the broader adoption of new methods of structuring jobs and new methods of providing job ladder opportunities, and which provide opportunities for further occupational training to facilitate career advancement."

The New Careers program is designed to reach many of the same people the bill under discussion aims to reach—the unemployed, the underemployed, the undereducated, both on and off the welfare rolls. Recently, a major report was completed for the Manpower Administration of the Department of Labor covering some 15,220 present and former New Careers enrollees. This report was not available to the House in time for its deliberations on the Family Assistance Plan. The results of the assessment have, I believe, enormous implications for any work and training programs that are to be interwoven with the major welfare reforms you are considering.

The social and human benefits which have been demonstrated so far by this fledgling program are truly remarkable. I would like to summarize just a few. Appended to my remarks, you will find some tables to which I will refer and a position paper, "New Careers in the Seventies," prepared by a company under contract with the Manpower Administration that has provided technical assistance to the New Careers city and state agencies from January 1967 to August 31, 1970.

The major results include:

A. The average annual wage for a New Careers graduate is \$4,320 compared to \$1,285 for the year prior to enrollment.

B. For those New Careerists who terminated before the end of the program, the average annual wage is \$3,590 compared to \$1,285 for the year prior to enrollment.

C. The incremental earnings of graduates and terminees 1.89 years after program completion are equal to the total Federal cost for the New Careers program. (See Table II)

D. Sixty percent of all people who start a New Careers program successfully graduate 24 months later. This figure should be compared with the 8.5 percent figure for WIN, cited above. (See Table III)

E. Twenty-nine percent of all New Careerists were former welfare recipients. (See Table IV)

F. The success of the specific education and training model utilized in the New Careers program also has confirmed the belief that there is a substantial untapped pool of human resources that would benefit most from the kind of welfare reform which creates jobs and the training and motivation to succeed in them. For example, this program clearly demonstrates that there was no relationship between the educational level at entrance into the program and successful completion of the program (graduation).

G. More than 250 junior colleges, colleges, and universities have been directly involved in the education and training components of this program, in more than 100 parts of the country. These institutions report success after success of previously "uncredentialed enrollees in college programs." For example, more than 1/2 of all graduates of New Careers programs earned from 1 to 22 college credits prior to graduation from the program. College courses are available to enrollees in 9 out of 10 New Career projects.

H. The education and training model used over the last two years appears to be better than any other design at this point for "screening in" and "keeping in" trainees as they work toward meaningful careers.

I. Many former recipients of welfare services now are direct providers of services in hospitals, police forces, social welfare agencies, and family planning centers, and other public services. The New Careers program is accomplishing the dual purpose of, on the one hand, reducing welfare payments and increasing the tax rolls, while improving the quality of our public services.

J. A critical feature of the New Careers model is the intensive job and career development accomplished prior to any individual training. Enrollees in New Careers programs know from the start that they are being trained for a definite job and career ladder and can benefit from training accordingly.

I have appended a copy of the *National Assessment of New Careers*, prepared by the Manpower Administration, for your further study, gentlemen, and request that this be included as part of the Committee's record.

It makes eminent fiscal sense to invest a considerable portion of appropriated funds for welfare reform in a job development program which can substantially reduce direct welfare payments, produce a significant cost-benefit return to our economy, and contribute to breaking the cycle of dependency of the nation's poor.

I would also like to draw your attention to the innovative social services that are supposed to be an important part of the Family Assistance Plan. The provisions for family planning services in the administration's proposed program are significantly weaker than those in the existing law. Under Title XX family planning would become only one of the optional services a state may choose to offer. Title IV-A now requires the provision of family planning services to all appropriate AFDC recipients and contains authority for the optional coverage of past and potential recipients and other low income families. Family planning is not only a basic health service directly related to maternal and infant health but an essential component of any effective work and training program for the poor and disadvantaged. No matter how well designed training and employment programs are, or how well motivated the participants are, there can be no real hope for success, in either the long or short run, if those we are trying to help are mired ever more deeply into poverty by unwanted pregnancies. Certainly, there can be no continuity in such programs when women are required to leave jobs or training programs to have children they do not want.

We know this from experience. The President seems to understand the problem. Only last year he declared "that no American woman should be denied access to family planning assistance because of her economic condition," but his Administration has proposed a major welfare reform measure in which the provisions for family planning support are weaker than the existing law. I would also like to point out that the training of paraprofessional family planning aides has been one of the outstanding successes of the New Careers Program, and this expanding field has potential for rewarding and socially useful employment.

I have shared with you some of the remarkable results of the New Careers program because I believe it has direct application to the welfare reforms the Committee is considering. I would like to conclude my remarks by submitting some recommendations for the Committee's consideration. I urge this Congress:

1. To approach the solution of the welfare problems in our country by tying together, as the Committee is considering, minimum income, incentives for increased participation in a vastly expanded employment program closely linked to the New Careers program, as the comprehensive human resources and manpower development training model.

2. To appropriate enough funds for this education and training effort so that the successes of the New Careers program can be expanded. The program has proven its effectiveness in several years of pilot projects. It should now be expanded to recruit, select, and train the maximum number of welfare recipients, the poor, the working poor, and unattached youth in the provision of those services directly related to welfare reform (expanded day care, family planning, medical and dental, and other supportive services). An example of a successful application of this career development approach is the current Office of Child Development, Head Start Supplementary Training Program, with its utilization of the client population as preprofessional implementers of the program. Education and certification components are built into the program exemplifying the multiplier effect, proven in the New Careers program, of involving the poor in the resolution of social welfare problems.

3. To build into the legislation a requirement that any welfare grant-in-aid agency at the state, county, or municipal level recruit, train, and employ at least 25 percent of the total service delivery staff from the former client population and/or the poor, the working poor, and unattached youth.

I would like to express my thanks and appreciation to the members of the Senate Finance Committee for the opportunity to share with you my thinking based on the New Careers experiences of the last two years.

TABLE I.—Percentage WIN enrollees placed in jobs Oct. 1, 1968 to June 30, 1970¹

1. Cumulative enrollment.....	164,348
2. Number direct and indirect job placement.....	13,919
3. Percent 1./2.....	8.5

¹ Information from WIN program staff, Manpower Administration, September 1970.

TABLE II.—Benefits and costs of new careers: Summarized annual social benefits (incremental earnings), costs, and payout time¹ computations, 1969²

	Millions of dollars
Benefits:	
Postgraduation annual earnings.....	49,248
Posttermination annual earnings.....	21,540
Total	70,788
Preenrollment annual earnings.....	25,700
Total annual incremental earnings	45,088
Cost: Total projected Federal cost	77,631
Payout time:	
0 percent discount ³ years.....	1.72
10 percent discount..... do.....	1.89
Alternate cost calculation:⁴	
Total projected cost with sponsor share included.....	93,531
Net earnings increase during new careers enrollment.....	29,405
Adjusted cost	64,126
Payout time (alternate):	
0 percent discount..... years.....	1.42
10 percent discount..... do.....	1.56

¹ Payout time refers to the length of time following program completion for net benefits to exactly equal program cost.

² Source for Tables II-V: *National Assessment of the New Careers Program*, July 1967-October 1969; April 6, 1970; Public Career Programs Division, United States Training and Employment Service, Manpower Administration, United States Department of Labor.

³ Discount refers to the opportunity cost (return in alternate use) of Federal funds. Values of 0 and 10 percent were assumed to illustrate that payout time is relatively insensitive to discount rate.

⁴ This calculation includes sponsor share as part of the total program cost, but considers net incremental earnings during training as a social benefit. As this social benefit occurs only once, the amount is subtracted from total cost rather than being calculated on an annual basis.

TABLE III.—CURRENT (OCTOBER 1969) STATUS OF 15,220 PRESENT AND FORMER NEW CAREERS ENROLLEES: NUMBER AND PERCENT IN EACH CATEGORY

	Number enrollees	Percent enrollees ¹
Present enrollees:		
1st year.....	4,754	31
2d year.....	2,174	14
Former enrollees:		
Graduates.....	3,381	22
Voluntary terminees.....	3,179	21
Involuntary terminees.....	1,732	11
Total	15,220	

¹ Does not total 100 percent because of rounding.

TABLE IV.—*Wage and employment date for present and former new careers enrollees*

Variable:	Percent of all enrollees
Labor status at enrollment:	
Unemployed	75
Underemployed	17
Employed	5
Not in labor force	2
In school	1
Farmworker	0
Receiving welfare (or public assistance) at time of enrollment:	
On welfare	29
Not on welfare	71

TABLE V.—*Responses to the Question: How has (user) agency modified its structure to accommodate enrollees? Percentage of new careers project staff response by category, 1969*

Modifications:	Percent of agencies
None	21
New positions were created	41
Educational requirements were lowered	10
Special training was provided	6
Special trainers were hired	5
Expanded services were offered by agency	5
Enrollees were released for training	3
Working hours were adjusted	1
Ambiguous responses	9

¹ Based on 849 user agencies affiliated with 96 projects, 1 response per agency.

The CHAIRMAN. I feel that some of us will support doing more along this line than is being done.

I am prompted to ask this question, however. What is the answer to this thing that the poor do not want to work in something other than being the corporation executive or the chairman of the board.

Now, someone is going to have to do the housework, someone has to sweep the hall, do the menial work, cook the food, wash the dishes, and take out the garbage. Goodness knows, I have done enough picking up of litter myself to recognize that there is a need for it. The old concept in this country was that if you want the best of it you have to start at the bottom and work your way up. What is the answer to this? Who is supposed to do it? It is all right with me if they will just provide me with the equipment, I will get outside my apartment and wash my own windows and sweep the place up. But why should people who are asking for a handout be unwilling to get out there and take a broom and turn to? I mean, take a broom, take a mop and do what needs to be done around the place. Why do they have to be the president of the corporation or chairman of the board? Why should they not just go hungry if they do not want to do anything?

Mr. SCHEUER. Well, Senator, I think experience proves that the underemployed and the unemployed to not have to be given the feeling that they are going to be chairman of the board or president to get them involved. Rightly or wrongly, the poor do not want to be slotted into dead end jobs; but where the job seems to offer the opportunity of helping other people, of producing a result that they can feel is worthwhile, then they are motivated very deeply and work very hard and very long hours at wages in the new careers program that are sometimes less than other employment opportunities that they get along the way before they have completed their course.

But they stick to it because they take great pride in being teacher aides and working with children from their neighborhood under the supervision of a licensed teacher. They take great pride in being hospital aides, and doing important jobs in a hospital that formerly a nurse or a doctor had to do.

Up until now nurses and doctors spent approximately 75 percent of their time on jobs that required neither their professional training nor their professional experience. We have found that people who have been unemployed or underemployed, who have given approximately 6 months of training, take great pride in doing jobs that they know are necessary to be done in schools and hospitals and police departments that formerly took up the time of professionals who could now spend their time enforcing the law or giving the injection or teaching an individual child who has special learning difficulties.

The CHAIRMAN. I am all for that, but by the time we get through putting the people we can train to do the doctor's job for the doctor and doing the nurse's job for the registered nurse we have to recognize that basically those are people who have no business being at the bottom of the ladder anyhow. What do we do with the fellow who still remains at the bottom of the ladder? Somebody is bound to be down there, the ladder has to touch the ground rather than hang from the sky.

Mr. SCHEUER. You are right since there are people who are underemployed or unemployed who do not want to study on the job for 6 months, who do not want to be a teacher's aide or a doctor's aide or a law enforcement aide or a police-community relations aide or a drug addiction aide, who do not want to learn very much, and for those people, as you say, there are necessary jobs that have to be done that may not offer quite so much in the way of buildup of personal esteem and so forth. Some people do not want to invest the sweat equity to improve their skills. There will be a match between those jobs and those people. But there are other people in the slums who are currently underemployed or unemployed who have both the will and the ability to perform jobs in our society that are not menial, that are not dead end that give them great satisfaction and make a real contribution to our public services. For those people this program is the answer.

The CHAIRMAN. It seems to me though, and I have never seen a pyramid, but if I went over there and saw one of them, while it is true that that pyramid may be named for the pharaoh who built it, it seems to me that it is well to keep in mind that there were hundreds of thousands of little people who moved all those stones up there and made that pyramid.

Mr. SCHEUER. Right.

The CHAIRMAN. While it is fine to talk about who the bossman was, it is well to keep in mind that it was people who did that, it was not the pharaoh.

Mr. SCHEUER. I was in Egypt last January and I visited some of those pyramids—and I recall that if you go into those tombs and look at the drawings on the inside, you see all those people carrying the rocks up the pyramid. You will also see a work supervisor standing there with about a 12-foot whip with lead points on the end. I am not sure that is the philosophy that we want to adopt in this welfare reform bill.

The CHAIRMAN. Well now, all I am looking for is a better alternative to still get the pyramid built, that is the point.

Mr. SCHEUER. Right. I think we have to have all kinds of options. I think some of the poor are ultimately going to be matched with the kind of a job that does not have a great deal in the way of promotion or advancement because they do not really care that much and they are not willing to invest enough of themselves to build their talents. For others who are willing to invest something of themselves and to develop their talents and skills, we ought to offer more. Perhaps the philosophy ought to be one of options, a variety of choices. For those who want to work, who want to better themselves, who are willing to work after hours in remedial education and so forth, let us give them a chance to do so.

Our public services urgently need enrichment. I will give you a couple of areas where the poor have played particularly useful and constructive roles. One is in preschool child care programs where we have a desperate shortage of professionals and where women from the low income neighborhoods, mostly black women, by becoming child development aides, working under the supervision of a professional, have enabled dozens of other women with children to become involved in meaningful work.

The whole key to this welfare program according to President Nixon, is the child care program to allow many low income women who are heads of families to become independent and self-supporting through work. A key and indispensable element of this program is finding enough people other than professionals to man these day care centers. We do not begin to have enough child development specialists to do it without paraprofessionals.

Secondly, in the Nation's program of family planning, the new careers program is an essential element in carrying the message of family planning to the 5 million low income people in this country who are of child-bearing age but who do not have either the knowledge or the equipment to space their children as they would like to. We do not begin to have enough doctors and nurses to carry out that program. We know that there is nothing that mires a family so deeply into continued poverty as the appearance of yet another unwanted child. Yet, we do not have the professional personnel to carry the message to those women. But we have found in a hundred New Careers programs across the country that where we offer family planning services to the low income women who are trying to get jobs and trying to get help, and where the advice is given by another low income black or Mexican or Puerto Rican woman who has had 6 months of training and who functions under the supervision of a professional, that message gets across and is denuded of some of its demagogy. It is denuded of utterly irrational statements such as family planning is race genocide, because when a black woman tells another black woman how she can improve her life, move out of poverty, help the children she has by acquiring a job and improve the whole quality of family life, then she accepts that message.

Senator WILLIAMS. Who would you select to do the cleaning tasks of the cleaning women around the Capital, your offices and mine, and doing the laundry that you have suggested is a dead-end job? Who would you suggest, if those who were on relief call that a menial task and say it is below their dignity? Who would you suggest would ac-

cept that as a dignified job, and yet I do not wash my shirt and you do not wash yours, who do you think should wash your shirt?

Mr. SCHEUER. Well, there are some people who wash shirts because they are perfectly satisfied washing shirts and some people who are washing shirts but wish like hell that society could offer them something a little more significant and rewarding. It is that second category that I am interested in.

There are always going to be people who do not want to work at developing their talents, who do not want to study, who want to take the easiest way out, and for them these jobs are there. But there are others who do want to improve their future, who do want to make a little more money, who do want to fill vitally needed roles in our education, health, and law enforcement services, and I am simply saying let us offer them the opportunity, let us offer them options.

Senator WILLIAMS. I agree we should help them improve themselves if they want to. But I am a little bit disturbed. If I understand you correctly, you suggest that anyone who is doing these jobs now, it is an indication that they have no ambition, that they are satisfied. I think there is a dignity to any type of work that a man is doing for gainful employment to support his family.

Mr. SCHEUER. No question about that.

Senator WILLIAMS. And I do not think it makes any difference whether we are in the front office or the back office, I think they are entitled to the same respect if they are supporting their family as a laundry worker as you and I are as Members of Congress. I think they are entitled to just as much respect and I do not quite understand your reasoning that that type of a person should be looked down upon—

Mr. SCHEUER. I do not say they should be looked down upon.

Senator WILLIAMS. In their dignity because they are not doing dignified work. After all some people may think you and I may be welfare recipients, and so I wish to contribute to that man who is trying to support his family by the sweat of his brow. I think he is entitled to our respect.

Mr. SCHEUER. Right, I do not think either of us on that side of the bench or this look down on people who work. But some people who work in these low-level, dead-end jobs, feel they would like to be doing something more significant and more rewarding and are willing to take the time and effort to learn and study to improve their skills. For those people we ought to offer an opportunity.

The CHAIRMAN. Any further questions?

Mr. SCHEUER. And we have gotten a program with a proven record of success in doing just that.

The CHAIRMAN. Any further questions?

Thank you very much.

Mr. SCHEUER. Thank you very much.

The CHAIRMAN. I will ask the staff to make excerpts of the important parts of the matter you want inserted in the record because I would like to have available the entire presentation of Congressman Scheuer, but I think the record will be so long with this insert that nobody will read it if we tried to put the whole hundred pages of this witness and others.

Mr. SCHEUER. Why don't I give it to you excerpted down to 10 or 15 pages?

The CHAIRMAN. If you will do that, and for those members who would like to have the opportunity to read the entire presentation we will have that, too.

Mr. SCHEUER. I will have copies this afternoon for the distinguished members of the committee.

The CHAIRMAN. That will be done.

Mr. SCHEUER. Thank you very much, sir.

(The study referred to by Congressman Scheuer entitled "National Assessment of the New Careers Program" was made a part of the official files of the committee. An excerpt from the study follows:)

VII. CONCLUSIONS AND RECOMMENDATIONS

This chapter outlines the major conclusions of the survey and recommendations based on these conclusions. The recommendations are generally of three types: (a) recommendations for expanding those programmatic aspects of New Careers which appear to be currently successful; (b) recommendations for changing or strengthening areas of weakness in the program; and (c) recommendations for further study in areas insufficiently explored in the present survey.

OVERVIEW

As of June 30, 1969, there were 112 ~~New Careers~~ projects in the nation. Forty-six projects were non-CEP projects and 52 were CEP projects from their inception. Seven projects were originally funded as non-CEP and later became CEP projects. One project in four locations was funded as Planned Parenthood. The CEP funding status of six projects was mixed (included both CEP and non-CEP funds). As a result the projects may be categorized as 47 non-CEP and 65 CEP.

Only two New Careers projects became operational before the beginning of FY #1968. At the time of the survey, one-half of the projects had been in operation less than 16 months and one-fifth less than 12 months.

Seventy percent of the projects were in manpower regions I through V (including Washington, D.C.). Region IV had the most projects (22) and Region VIII had the fewest projects (2).

There were approximately 20,000 present and former enrollees associated with New Careers. Forty-five percent of these were currently enrolled in New Careers at the time of the survey. If previous trends continue, it is estimated that ultimately 60 percent of the enrollees in the program will graduate and 40 percent will terminate. Terminations tend to occur early in the program, since half those who will ultimately terminate do so in the first six months.

For the 112 New Careers projects, there were approximately 1,120 user agencies training New Careers enrollees. This is an average of ten user agencies per project. Sixty-eight percent of the user agencies were either health or education agencies.

Overall Recommendation: It is strongly recommended that the New Careers program be expanded beyond its present emphasis on only *human service* jobs. This is a critical issue that involves and has implications for many of the recommendations that follow.

RECRUITMENT AND SELECTION

The most commonly employed recruitment procedure was an outreach component of CEP, CAA, neighborhood centers, etc. Other recruitment methods included referrals from other agencies, informal walk-ins and assistance from the Employment Service.

The most commonly used screening techniques were interviews, either by project staff or by user agency personnel. Educational level was used as a screening device by 62 percent of the projects, even though this practice has been generally discouraged. The data show that there is no relationship between educational level at enrollment and success of enrollees in the program.

Recommendation: The fairly common practice of using an educational level below which enrollees will not be accepted should be discontinued.

This particular component of the program should be closely monitored. About one-third of the New Careers projects used either math or verbal aptitude tests as screening devices for job placement purposes.

Recommendation: The difference between the appropriate and inappropriate use of tests (such as personality or math and verbal tests) should be spelled out clearly in the New Careers guidelines. Such tests are appropriate for research and educational placement purposes, but not as devices to exclude applicants from the program.

SUPPORTIVE SERVICES

Most New Careers projects offer a variety of supportive services to enrollees. Specific supportive services include, in the order of the frequency of their offering; medical, transportation, legal assistance, psychiatric, day-care, dental, counseling, and financial assistance. The range was from 56 percent offering financial assistance to 97 percent of the projects offering medical supportive services.

The main source of supportive services tended to be either the project or its sponsor, although user agencies and the community did supply some of these services.

Recommendation: The source, quality, and scope of supportive services should be examined critically in relation to the effect of such services on the retention rate of enrollees. If it is found that these services can affect retention rates favorably, they should be intensified during the first six months of an enrollee's training to ensure maximum retention during that crucial period.

EDUCATION AND TRAINING

Education and Training components in New Careers projects include: on-the-job training, generic issues training, adult education, college courses, and skill training. More than two-thirds of the projects in the country offered all these training components to enrollees.

About half the enrollees (past and present) have received some college credit during their New Careers training. This figure was considerably higher for graduates and lower for terminees.

About 28 percent of the user agencies have arranged for college credit to be given for OJT. This type of credit is most often available in social welfare user agencies (48 percent). Credit is least likely to be offered for OJT in health agencies (20 percent).

Most skill training was provided by the user agencies, although some of this (the most general) was provided by educational institutions subcontracted by the projects. Some type of formal certification was available for skill training in about one-third of the projects.

Recommendation: All subcontracts with colleges, universities and user agencies should include specific provisions for college credit for supervised work experience (OJT) and skill training. Since this type of accrediting arrangement occurs in only 20 percent of the health agencies, there should be a special focus for these efforts in such agencies.

Adult basic education was typically provided by educational institutions with nearly all of the projects offering adult education to enrollees. However, the General Equivalency Diploma (GED) was available, in conjunction with adult basic education, in only about two-thirds of the projects.

On a cumulative basis, approximately 28 percent of the enrollees who needed a high school diploma received their GED through the program. This figure was 52 percent for graduates, who remained in the program longer than the typical enrollee.

Recommendation: A closer linkage must be established between adult basic education programs and provisions for obtaining the GED. Alternate educational routes should be made available for obtaining the GED credential.

CAREER DEVELOPMENT

Because of the comparatively short time that most projects have been operational, it was not feasible to obtain long range data on career development. However, some of the data obtained does have a bearing on this important component of the program.

Most projects did not have a career development specialist. Rather, project directors appeared to be performing much of this activity themselves.

Recommendation: New Careers projects should be required to make specific provision on their staff for a career development specialist, a person who has training and skills in the area of job development and long range career development. It is recommended that this be established as a senior level, fulltime position, with special intensive training provided as a regular ongoing activity.

Career development efforts have resulted in changes in user agency personnel systems in about 79 percent of the user agencies affiliated with New Careers. The most common modifications include the creation of new positions and relaxation of educational levels necessary for employment in the agencies.

Recommendation: The present efforts to modify the hiring and career structures of user agencies should be broadened and intensified. This is a critical area of the New Careers program which requires continuous and strong emphasis.

The most frequently mentioned career development problem encountered by New Careers projects was that of obtaining firm commitments from user agencies to hire enrollees upon completion of training. For example, some agencies have not made provisions for enrollees in their future budget planning.

Recommendation: No New Careers enrollees should be placed in user agencies unless the subcontract specifically commits that agency to employment of those enrollees upon successful completion of their training. This is a critical problem that requires the continual attention of local, regional and national staff.

Other personnel practices of users agencies, such as job structuring and merit systems, have caused career development difficulties. In general, career development efforts encountered a wide variety of problems, which is one index of the complexity of this activity and the need for a career development specialist in New Careers projects.

In spite of the difficulties encountered, the impact of career development on enrollees has been generally favorable. Enrollees anticipated being hired at the end of training and felt they would like to make a career of their work. User agency supervisors also anticipated that enrollees would be hired after training and were generally favorable in their attitude toward enrollees.

The enrollee's job description is a vital link between his job and his training program. Only 40 percent of the enrollees sampled indicated that they had in their possession a job description for their position.

Recommendation: All New Careers enrollees and their OJT supervisors should be provided with detailed job descriptions and career ladders prior to the beginning of training. This is necessary so that training, career development, and upgrading activities can be more clearly focused.

Supervisors indicated that at least some fringe benefits are enjoyed by enrollees in about 70 percent of the user agencies studied. However, the term "fringe benefit" was interpreted in many different ways.

Recommendation: Subcontracts with user agencies should require agencies to provide New Careers enrollees with all fringe benefits (such as medical insurance, annual and sick leave, etc.) which are normally available to their regular employees.

About 85 percent of the graduates have been hired by the user agencies in the enrollees' career ladders. Thus, in spite of some career development difficulties with user agency commitments, New Careers projects have been able to place nearly all of their graduates in the user agencies. However, it was not possible to obtain detailed follow-up information on those New Careers graduates who were placed on jobs.

Recommendation: An intensive, in-depth review of career development practices in New Careers should be launched as soon as possible, with special emphasis on follow-up of enrollees who have been placed on jobs.

DEMOGRAPHIC DATA

New Careers enrollees were predominantly female, between 22 and 34 years of age, Negro, married now or previously, with one or more dependents, and possessing between 8 and 12 years of formal education at the time of enrollment.

Recommendation: Although 74 percent of the New Careers projects studied now offer day-care supportive services, it is recommended that day-care be

a mandatory supportive service in *all* New Careers projects. This is necessary because of the high (68 percent) proportion of females among New Careers enrollees.

Recommendation: Efforts to recruit more males for the New Careers program should be intensified. This should be preceded by increased efforts to develop job opportunities and careers which are well-paying and attractive to males.

Most New Careers enrollees were primary wage earners and unemployed at the time of enrollment. The majority earned less than \$3000 during the year prior to enrollment in New Careers. Twenty-nine percent of the enrollees were on welfare at the time of enrollment.

PATTERNS OF TERMINATION AND GRADUATION

Approximately twice as many terminations from New Careers were voluntary as were involuntary. The most common reason given by enrollees for terminating voluntarily involved finding a higher paying job. This is supported by data showing that enrollees with fairly high pre-enrollment incomes had a lower than average graduation rate.

Recommendation: Projects should develop those jobs in user agencies where the highest possible entry wage for enrollees can be obtained in order to reduce enrollee attrition for salary reason. Furthermore, wage increases during the training period should proceed at the same rate enrollees as for other employees in the user agencies.

Terminations initiated by New Careers projects usually involved enrollee rule breaking or poor job performance.

Recommendation: Program components which affect involuntary termination rates (such as orientation, supportive services and counseling) should be critically examined with an emphasis on reducing terminations of this kind.

Female enrollees had a higher rate of graduation from the program than male enrollees. While the overall data in this survey did not support any differences in graduation rates between Negro and Caucasian enrollees, data from CEP projects suggest that Negroes had a higher rate of graduation than Caucasians.

Enrollees under the age of 22 had lower than average graduation rates.

Recommendation: The ten percent limitation for enrollees under the age of 22 should be continued. However, in order to meet the needs, of those younger enrollees, special demonstration programs should be created for them.

Enrollees who were on welfare at the time of enrollment do as well in the New Careers program as any other group of enrollees.

Recommendation: New Careers components and concepts should be adapted more extensively by programs designed to deal specifically with welfare recipients, such as WIN and other family assistance programs.

When enrollees were asked what they liked about the New Careers program, they indicated that an opportunity for continued education was the single most attractive component in the program. They also specifically mentioned enjoying human services work and the working conditions in the user agencies. Enrollees also liked the opportunity for advancement in New Careers.

When asked what they disliked about New Careers, nearly half indicated they had no specific criticisms of New Careers. This is one index of the extent of enrollee satisfaction with the New Careers program. However, parts of the program which were specifically criticized by some enrollees included low wages, organization of the program and teaching methods. Some felt they had no guarantee of a job after training. In general, however, enrollee opinions are highly favorable to New Careers. This may be related to the fact that about half the enrollees were given the opportunity to select the human service area and the user agency in which they were placed.

Recommendation: All New Careers projects should develop specific information about the kinds of human service jobs available so that they may help the enrollees participate meaningfully in the selection of their own training plan and occupational goal.

EFFECT OF CEP AFFILIATION

This survey found few differences between CEP and non-CEP projects. CEP projects were located in smaller cities than non-CEP projects. Non-CEP projects used more recruitment procedures of a wider variety than CEP projects, which relied heavily on an outreach component. Non-CEP projects also used a wider variety of screening devices than CEP projects. These differences are probably related to the fact that CEP typically has a component specifically designed for recruitment and screening, whereas this kind of component is seldom available to non-CEP projects.

Supportive services were consistently more available to enrollees in CEP projects than in non-CEP projects. However, CEP and non-CEP enrollees appeared to receive adequate supportive services at approximately the same rate according to the interview data. This suggests that availability of supportive services may not be a useful measure of the extent to which such services actually reach enrollees.

CEP projects were somewhat more likely than non-CEP to make provision for formal credit in educational components.

There were few differences between CEP and non-CEP projects in career development efforts and impact.

There was no apparent difference in the overall graduation rates of enrollees in CEP and non-CEP projects, nor was there a difference in the percent of enrollees hired by user agencies after training.

There is a larger percentage of Negro enrollees in CEP projects than in non-CEP projects. As noted earlier, Caucasians appear to graduate at a lower rate than Negroes in CEP projects, although graduation rates were comparable in non-CEP projects.

The typical CEP enrollee had slightly more education at the time of enrollment than the typical non-CEP enrollee. This may be related to the differential racial balance in the two kinds of projects.

Recommendation: Since there do not appear to be major differences between New Careers projects that are affiliated with CEP and those which are not (on those variable which were studied), it is recommended that New Careers continue as a viable component of the CEP program.

BENEFITS AND COSTS

As of October 31, 1969, a total of \$1.564 billion dollars had been obligated for New Careers by the Federal government. As of that date, the actual cost of the program was estimated to be \$65.236 million.

By the time those enrollees who are currently in the program have either terminated or graduated, it is estimated that the total Federal cost of the program will amount to \$77.631 million. This amounts to an average training cost of \$3,881.50 per enrollee, although the significance of this figure is not clear because of the many factors involved in its calculation (see pg. 88).

The data show that both graduates and terminees earn more after New Careers training than they did prior to enrollment. Using the total annual increase in earnings of both graduates and terminees, it is estimated that total social benefits will exactly equal program costs in less than 1.9 years after program completion. Furthermore, the lifetime social benefits in terms of increased earnings are at least 4.1 times the total cost of the New Careers program. Thus, even though the cost of training one enrollee is relatively high, the benefits in terms of increased earnings are also high.

The CHAIRMAN. Now, the next witness will be Commissioner Stephen Horn, Vice Chairman of the U.S. Commission on Civil Rights, if he is here. I understand Commissioner Horn will submit a statement for the record.

(A statement of the U.S. Commission on Civil Rights follows:)

STATEMENT OF U.S. COMMISSION ON CIVIL RIGHTS

Mr. Chairman and Members of the Committee, the Commission appreciates the opportunity to present testimony on the proposed "Family Assistance Act of 1970."

The Commission considers this bill one of the most important pieces of legislation to come before the Congress in recent years. The bill would make major changes in existing public welfare programs—changes that badly are needed if programs of public assistance are to enable disadvantaged families to achieve positions of self-sufficiency and economic independence, and above all, to live in dignity. The Commission strongly supports the principles underlying the proposed Family Assistance Act and believes its enactment would represent a significant step in enabling public welfare to achieve these goals. We have several suggestions, however, for changes which we believe would strengthen the bill.

As you know, the Commission on Civil Rights is an independent, bipartisan agency established by the Congress in 1957 and directed, among other things, to appraise Federal laws and policies with respect to equal protection of the laws and to submit reports, findings, and recommendations to the President and the Congress. Under this mandate, the Commission and its State Advisory Committees have devoted considerable attention to problems concerning the operation of public assistance programs, especially the program of Aid to Families with Dependent Children (AFDC). In 1966, the Commission issued a report entitled "Children In Need" following its investigation of the operation of the AFDC program in Cleveland, Ohio. In addition, Commission State Advisory Committees in Indiana, Mississippi, New Jersey, and elsewhere, have carried on their own investigations of the AFDC program, as well as other public assistance programs, and have apprised the Commission of their findings and recommendations. As a result of these investigations, the Commission has been made aware of many of the deficiencies and inequities in the existing AFDC program and of the clear need for changes to permit the program to operate more effectively. Many of these deficiencies are the result of inherent impediments in the laws and regulations governing the program. Others, however, are the result of insensitive and often punitive methods of administration.

I would like briefly to describe some of the deficiencies in existing programs that the Commission has noted in the course of its investigations and then to discuss some of the more important provisions of H.R. 16311 which are addressed to these deficiencies.

WIDE VARIATION FROM STATE TO STATE IN LEVELS OF ASSISTANCE

Although the Federal Government pays the bulk of public assistance costs, benefits to individual recipients vary greatly in different parts of the country. In some instances payments under a particular category of aid are several times greater in one State as compared to another. For example, in the program of Old Age Assistance, recent data show average monthly payments per recipient of \$116 per month in New Hampshire compared to \$44 per month in Utah. In Iowa, average payments to the Permanently and Totally Disabled are close to \$184 per month in contrast to \$50 a month in Alabama. South Carolina paid \$58 on the average to blind recipients as of June 1969; Massachusetts' payments exceeded \$148 during the same month.

State comparisons of payments to individuals under different programs reveal even grosser disparities. For example, AFDC recipients in Mississippi received an average of only \$10.20 a month in June 1969, while recipients under the program of Aid to the Blind in Massachusetts and California were receiving \$148.06 and \$146.40, respectively.

We recognize that there are substantial differences in the cost of living in different parts of the country. These differences, however, do not begin to account for the enormous differences in the amounts paid to needy individuals.

In its 1966 report, "Children In Need," the Commission recommended that the Federal Government establish a national minimum standard for public assistance payments below which no State might fall if it were to continue receiving Federal funds under these programs. The Commission also recommended additional financial aid to help States reach and maintain this standard.

LOW LEVELS OF FINANCIAL ASSISTANCE

In addition to the problem of the wide disparities among the various States in individual benefits, the plain fact is that in few parts of the country are the levels of financial assistance to welfare recipients adequate. Existing programs—those serving the aged, the blind, the disabled, impoverished children and their mothers—simply are not enabling people to live decently. Recent data show that only six states provide enough aid to bring their AFDC recipients above the non-farm poverty level, which for a family of four is \$3,000. Eleven states pay so little that their AFDC recipients must subsist at an income of less than half the poverty standard. While this situation exists with respect to all public assistance programs, it is significant that the program in which minority group members are heavily represented—AFDC—also is the program providing the lowest amount of assistance, whether measured on a per capita basis or by the percentage of need.

Four years ago when the Commission held a hearing in Cleveland, Ohio, we received testimony on the hardships faced by families dependent on public assistance for support. For example, one mother told how she had to keep her daughter home from school because she lacked shoes and there was snow on the ground. Another child was forced to stand on the sidelines during gym period because the family could not afford to purchase gym clothes. We heard parents tell of being unable to give their children milk when rent had to be paid and food stamps had run out. The Commission asked one AFDC mother in Cleveland whether she had to cut corners in order to survive. She replied: "I haven't found a way to cut corners. I found a way to live without."

In addition, there are many people in need who do not even receive the minimal assistance offered under public assistance programs. In fact, for each person currently receiving some type of public assistance, two others subsist close to or below the poverty level. According to government figures, approximately 25 million Americans are impoverished. A disproportionate number are nonwhite, but nearly 70 percent are white. Current programs are too limited to reach more than a fraction of this group.

DENIAL OF AID TO INTACT FAMILIES

When the Social Security Act was passed more than three decades ago, the provision for Federal grants to states to aid children who were in need by reason of the incapacity, death, or continued absence from the home of a parent, was a forward step. In recent years, however, we have found that the restrictive nature of this aid program—in effect, the requirement that the needy child live in a one-parent home to be eligible—has had a devastating effect on family stability.

In 1961, the program of Aid to Families with Dependent Children of an Unemployed Parent (AFDC-UP) was enacted. Adoption of this program, however, was left to the discretion of the states. Currently only half the states have adopted it.

One mother told the Commission at its 1966 Cleveland hearing that she had her husband separated after he lost his job, and unsuccessfully sought relief. ". . . this is one reason we separated and divorced. He couldn't see his kids go hungry so he just left. He couldn't afford four so he just left."

A caseworker for the Lake County Indiana Department of Welfare told the Commission's Indiana State Advisory Committee:

"Our State AFDC program puts a premium on the broken home. . . . Unemployed fathers, faced with the choice of staying with their families and being unable to provide for them or leave and enabling them to collect AFDC benefits, frequently leave."

In Newark, New Jersey, a former caseworker told the Advisory Committee of the advice he had to give to a father who could not find employment:

"It was my very sad duty to have to tell him that if he remained in the home . . . the family would be taken off [AFDC] and, off the record, I informally suggested to him that it might be better if he left the home in order for his family to be taken care of."

HEAVY TAX ON EARNINGS OF WELFARE RECIPIENTS

Relatively few welfare recipients are potentially employable. For those who are, however, current law sharply curtails the natural incentive to work and earn to provide adequately for the physical well-being of one's family. Until the 1967 Amendments to the Social Security Act, earnings of AFDC parents were charged, dollar for dollar, against aid received. This rendered virtually all part-time or

temporary employment useless as a source of additional family income. Since most of the welfare recipients who are potentially employable have had little or no job experience or training, any full-time jobs which might be available would likely pay very little—frequently not enough to cover job related expenses and child care. As one mother from Gary put it: "As soon as you go to work, in fact before you have worked your probationary period out, the first thing that the welfare does is cut your check." She added, "If they are going to take the money from you before you can help yourself, how are you going to be able to do it." Another mother wondered how it was possible to look for a job when she couldn't leave the children alone and couldn't afford a babysitter.

Although the 1967 Amendments require states to exempt some earnings from the welfare recipients' tax, the exemptions still are insufficient to encourage greater self-reliance.

CUMBERSOME METHODS OF DETERMINING ELIGIBILITY

The problem of establishing eligibility for public welfare is one that has plagued applicants for aid and added substantially to administrative costs. Frequently, needy individuals are forced to wait several weeks before assistance is forthcoming, while information is checked and income verified. Such matters as proof of need and the absence of a spouse first must be established to the satisfaction of the welfare department.

In February 1967, the Commission's Mississippi State Advisory Committee held an open meeting in Jackson to obtain information on welfare problems. Numerous recipients were heard from in addition to welfare experts and Federal, State and local officials. Many witnesses voiced complaints concerning the inordinate delays—frequently in violation of Federal and State regulations—in processing applications for aid. For example, although Federal law required that a determination of eligibility be made within 30 days from the time of application, Mississippi welfare regulations allowed up to 60 days for a decision on eligibility to be rendered. In practice local officials often ignored the 60-day limit. One witness described to our State Advisory Committee her unavailing 6-month effort to obtain some disposition of her application. Other witnesses alleged that when they attempted to make a formal application they were simply turned away. In addition to delays, infringements of privacy and violations of civil liberties often are concomitants of present methods of determining welfare eligibility. All too often personal insults, degrading treatment, invasions of privacy, intimidation and infringement of legal rights are experienced by the minority group welfare recipient over whom local welfare department officials wield tremendous power.

MANPOWER SERVICES AND TRAINING

There are a variety of problems of race and income which must be recognized and dealt with in considering welfare reform. For minority group members, a disproportionate number of whom are economically disadvantaged, the combination of inadequate education, lack of job skills, and the persistence of racial discrimination, blocks access to remunerative employment. For example, a recently published report on a demonstration project serving large AFDC families in Baltimore found that despite the fact that a number of mothers and children were employed, only two percent of the families had an annual income in excess of \$4,000. The work available to these families, whose average size was six, tended to be unskilled and offered no hope for advancement.

Large-scale programs of remedial education, training for meaningful jobs, and removal of racial barriers to educational opportunities, housing and employment are especially needed by members of minority groups clustered at the bottom of the economic ladder. The scope of our present manpower training programs is limited and the quality of our efforts in this areas has been questionable. When the Commission's Mississippi State Advisory Committee held its 1967 open meeting, it received many complaints from enrollees under what was then called the Work Experience and Training Program (Title V of the Economic Opportunity Act). One woman, a mother of five children was promised training as a nurse's aide but wound up washing dishes. Another mother reported that after her "training" was completed she was left to fend for herself—no help in finding employment was provided. Under the threat of having her AFDC payments terminated she accepted a \$25 per week cleaning job in a hotel.

In Gary, Indiana, a mother spoke despairingly of the training offered: "They don't give you courses with any dignity. The courses they give you on welfare are

things that Negro people have done all the time—cooking, housekeeping, washing, and things of that sort.”

A welfare recipient from Roxbury told members of our Massachusetts State Advisory Committee that she was enrolled in a clerk-steno training program under the Manpower Development and Training Act. Although there were 20 students registered, only 11 typewriters were available.

THE FAMILY ASSISTANCE BILL

Many of the deficiencies I have described are well known. Scholars and researchers certainly have reported on them often enough. Nonetheless, it has been shocking for members of the Commission to see firsthand evidence of these deficiencies and their devastating effects on the lives of those who want only a chance to participate in the Nation's affluence.

Federal aid programs have a way of perpetuating themselves without regard to the benefits they actually are providing. Bureaucrats develop all sorts of techniques to protect themselves against legitimate attack; outside constituencies are built up; and financial incentives are created to keep the *status quo* intact. In short, once a Federal aid program is established, it is exceedingly difficult to change it, even in the face of substantial evidence that it is worthless. In the past few years, a number of brave souls have spoken out concerning the inadequacies of existing welfare programs. Some have characterized them, bluntly but truthfully, as “bankrupt.” As you can appreciate, however, Mr. Chairman, it is one thing for those outside of government to challenge the validity and worth of on-going programs; it is quite another for government to concede the bankruptcy of a policy it has been following for three decades and to urge a radical change of direction.

This is precisely what the proposed Family Assistance Act does. As introduced by the Administration, it expressly recognized many of the deficiencies I have spoken of—unconscionably low levels of aid in many states, administration which is “costly, inefficient and degrading to personal dignity,” “intolerable incentives for family breakup,” and “inequitable exclusion from assistance of working families in poverty.” On the basis of these express findings, the bill proposes bold and innovative reforms to existing welfare programs. These reforms are long overdue. In the Commission's view, however, the fact that government is able to propose abandonment of such a long-standing program as AFDC demonstrates our Nation's capacity for bringing about change in the face of enormous bureaucratic obstacles.

FAMILY ASSISTANCE PLAN

The most innovative feature of H.R. 16311, indeed the heart of the entire bill, is the Family Assistance Plan under which eligible families would receive a basic cash grant (up to \$1,000 for a family of 2; \$1,300 for a family of 3; \$1,600 for a family of 4, and so on) entirely from Federal funds.

The Commission strongly endorses the principle of a national minimum Federal payment to needy families. This provision is in accord with recommendations made not only by this Commission, but also by the Advisory Council on Public Welfare, the National Advisory Commission on Civil Disorders, the President's Commission on Income Maintenance Programs, and other concerned groups. The Family Assistance Plan would establish a more uniform assistance program throughout the country. It would move closer to the concept of aid based on the single criterion of need by recognizing that even working families may suffer from poverty and require income supplementation, and it recognizes Federal responsibility and financial capacity for carrying a greater share of the cost of public welfare.

Although the bill would establish a national minimum payment, it would not represent the minimum standard which the Commission recommended in its 1966 report on “Children in Need.” What we were speaking of was a standard of income adequate for subsistence, which would be a matter of right for all families in need. In most states, however, the level of payment provided under the bill would be far too low for even minimal subsistence. Sixteen hundred dollars a year for a family of four is less than half the current poverty level—even the more liberal earnings allowance which we will discuss later would not enable a family to obtain a minimum standard of living.

We recognize that the \$1,600 payment would represent only the basic Federal contribution. States could supplement this payment to bring a family's income

up to the level of adequate subsistence. Experience under existing welfare programs, however, strongly suggests that reliance on the states to supplement family assistance payments provides no assurance that families in need will escape deprivation. Moreover, because of changes in the matching formula, in some states—those that have provided the most liberal amounts of assistance—the aid received by recipients actually may prove to be lower than those under existing programs.

The Family Assistance Plan, by including poor working families, breaks through the narrow confines of existing welfare categories to extend assistance to millions of needy families who currently are ineligible for aid. Many other people who are in dire poverty, however, still would not be helped. For example, childless couples and single adults, often in great need through no fault of their own, still would be ineligible for assistance and would have to turn to other assistance sources such as private charity.

In the course of the Commission's investigations, we have heard distressing accounts of persons clearly in need, but who are rendered ineligible through failure somehow to fit into existing categories. Several years ago, for example, the Commission heard of the case of an older Negro man who had lost an arm and a leg and also was afflicted with a heart ailment. Nonetheless, he was denied assistance under the Aid to the Permanently and Totally Disabled program because local officials deemed his disability to be less than "total."

We recognize that the Family Assistance Plan is a first step and that it is perhaps unfair and certainly unrealistic to expect that all of the impediments of existing programs that have developed over decades can be eliminated in one proposal. We believe it is important, however, to view this plan not as the final answer to relieving these impediments, but as the major first step in the right direction that it is.

AID TO INTACT FAMILIES

A second salutary feature of the bill is the absence of any requirement that there be no father in the home for a family to be eligible for assistance. As we pointed out earlier, the denial of aid to "intact" families has been a force for family disintegration. As we also pointed out, efforts to change this long-standing practice, through the AFDC-UP program, have not been successful. H.R. 16311 would no longer leave to the discretion of individual states whether "intact" families would be eligible for aid, but would, in effect, extend the AFDC-UP program to the entire country as an integral part of the Family Assistance Plan, thereby helping to preserve family integrity.

EARNINGS OF WELFARE RECIPIENTS

Another of the progressive provisions of the bill would increase the amounts that recipients can earn without deduction of assistance payments. Under the 1967 Social Security Amendments, the first \$30 of monthly earnings are exempted, as well as one-third of earnings above that amount. H.R. 16311 would increase the exemption to \$60 per month plus a substantial percentage of the remainder of income. We believe this liberalization is essential if the bill is to contribute to the goal of enabling families to get off the welfare rolls to become productive members of society. We suggest, however, that this provision be liberalized even more. Under the existing program of Aid to the Blind, the exemption applies to the first \$85 per month of earned income plus one-half the excess. We recommend that this standard apply also to the Family Assistance Plan. In our view, this higher figure more nearly represents the minimal expenses which necessarily are concomitants of employment, and would also be consonant with the principle of fostering work incentive.

We also point out that the bill would provide income exclusions which would work to the disadvantage of larger families. The \$720 per year exclusion would apply to earned income of *all* families, regardless of size. This provision, while it may be adequate for the one wage-earner family, clearly is insufficient for the many lower-income families in which two or more members each have marginal employment.

VARIATIONS AMONG STATES IN LEVELS OF ASSISTANCE

By establishing a basic level of financial aid throughout the Nation for needy families with children, and for the blind, the disabled, and the aged, H.R. 16311 would represent a significant stride toward reducing the gross disparities in the levels of public assistance that currently exist among the various states. The bill

would be of special help to poor families in states such as Mississippi and Alabama which currently offer the lowest levels of assistance. In other states, however, particularly the northern industrial states where levels of assistance are highest, there would be little or no improvement. Greater equity could be achieved by amending the bill to provide for a sliding scale of minimum payments based on the cost of living. In this way the Family Assistance Plan would take into account the often sharp differences in the amount of income necessary to subsist in different parts of the country and retain sufficient flexibility to adjust the minimum payment to accommodate these differences.

ELIGIBILITY DETERMINATIONS

The bill also contains a provision for the use of a simplified statement to establish eligibility under the plan for aid to the aged, the blind, and the disabled. Under Section 406(e) (1) and (2), a simplified, uniform procedure also may be used for establishing eligibility under the Family Assistance Plan. Early experience on a trial basis has shown that simplified methods of determining eligibility have the effect of reducing administrative costs without significantly affecting eligibility rates. More importantly, dispensing with current methods of investigation is of immeasurable value in terms of enhanced personal dignity and self-respect by those who need public assistance. Further, as we noted earlier, under the present system, the wide discretion accorded to local officials in determining eligibility has lent itself to discriminatory treatment of those who apply for assistance. Federal standards and simplified procedures for determining eligibility could be of substantial help in eliminating this problem.

TRAINING AND EMPLOYMENT

The bill is rightly concerned with providing those who need public assistance with opportunities to become self-supporting—to get people off the welfare rolls and on payrolls. The Commission supports this objective. We are concerned, however, with that aspect of the bill which would require that persons receiving public assistance benefits, including mothers of school-aged children, must accept referral for training or employment as a condition to continued receipt of those benefits.

The Commission has found in the course of its investigations that many mothers of dependent children are anxious to work and actively seek opportunities for training and employment. For these mothers, the bill could be of considerable help. We also have found, however, that many mothers of dependent children feel it is more important for them to stay at home and care for their children. We believe it would be a serious mistake to deprive these mothers of the choice which rightfully should be theirs to make.

Moreover, experience has shown that the coercive approach represented by this provision not only fails to produce the desired result—economic dependence and self-sufficiency—but it invites abuse, discriminatory treatment, and threats of reprisal against those who would assert their rights. The Commission has heard of incidents in which local welfare officials have used their authority to remove needy families from the rolls as a means of preventing minority group members from exercising their constitutional rights. The training and employment requirements could provide such officials with even greater arbitrary power over the lives of needy families.

We believe it would be a serious error to legislate on the assumption that those in need are lazy and shiftless, and must be forced to accept training and employment. Five years of experience, first with Title V of the Economic Opportunity Act (Work Experience and Training) and then with the Work Incentive Program (WIN), indicates that adequacy of training and availability of jobs, rather than unwillingness to accept training and jobs, is the crux of the problem. The Commission has heard a number of accounts of trainee exploitation. One woman testified before the Mississippi State Advisory Committee that although she was supposedly being trained under the Work Experience and Training program to learn the florist business, she was required to spread gravel and later found herself assigned to work as a domestic in her employer's home. Another woman who sought training as a dietitian told the Advisory Committee that she was put to work washing dishes and mopping floors in the local school. These and other incidents strongly suggest the necessity for providing adequate safeguards against such abuse.

The Commission recommends that the training and employment provisions be amended to exempt mothers of children under age 16 from the work or train-

ing requirement. We also recommend that the legislation prohibit referrals for employment which pays less than the higher of either minimum wage or the prevailing wage.

CHILD CARE

For those mothers who wish to seek opportunities for training and employment, adequate child care facilities are a necessity. Although the bill recognizes the need for the expansion of such facilities and supportive services, no specific authorization for funds is provided. Moreover, Section 436 makes no provision for funds for the construction of these facilities, although other pending legislation does. We recommend that such provision be added so that adequate child care facilities can become more than a vague promise, but a real help to working mothers. We also urge that the bill be amended to assure that Federal standards be provided to govern the nature and quality of the day care programs contemplated by the legislation.

ADMINISTRATION OF PROGRAM

Under existing law, welfare programs are administered by State agencies. As we pointed out earlier, there have been numerous instances in which State and local administration of public assistance has been discriminatory. On numerous occasions, the power to withhold aid has been used by State and local officials to inhibit the exercise of civil rights. Although the bill would amend this feature of existing law by offering States three alternatives in the administration of the Family Assistance Plan, we believe it is important that the legislation provide solely for Federal administration of the program as a safeguard against such discrimination.

Mr. Chairman, we have made several recommendations in our testimony for ways in which the bill you are considering could be strengthened. As the members of this Committee are aware, the bill is not perfect. It will not, in one legislative stroke, provide total reform of the existing public welfare system. The inadequacies we have pointed out, however, should not blind us to the enormous positive potential of this legislation.

The current public welfare system is bankrupt. We have tried to tinker with it for decades and the conditions which it is supposed to relieve grow worse. It must be replaced. The bill before us represents a significant first step in the sweeping reform that is necessary. While the Commission urges that its recommended amendments be adopted, we support the basic provisions of the bill as introduced by the Administration and as passed by the House of Representatives. We believe this legislation can contribute significantly to eliminating the alarming cycle of perpetual dependency to which welfare programs have contributed so substantially, and enable all persons to live in dignity as full participants in America's abundance.

The CHAIRMAN. The next witness will be Mr. Archer L. Bolton, Jr., chairman of government operations/expenditures committee of the National Association of Manufacturers.

STATEMENT OF ARCHER L. BOLTON, JR., CHAIRMAN OF THE GOVERNMENT OPERATIONS/EXPENDITURES COMMITTEE OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. BOLTON. Mr. Chairman, and members of the committee, my name is A. L. Bolton, Jr., and I am president of Bolton-Emerson, Inc., of Lawrence, Mass. We are manufacturers of process equipment and we employ approximately 300 people.

I am appearing here today on behalf of the National Association of Manufacturers as a member of its board of directors and as chairman of the government operations/expenditures committee. We appreciate the opportunity to state NAM's support of the family assistance plan. My comments will be limited to title I of H.R. 16311, since we believe this is the heart of the measure and embodies the critical reform elements.

Although we favor the approach of this legislation it is clear that the initial costs would substantially exceed present program levels, so it seems to us that it would be important to reorder priorities throughout the range of aid programs to make way for this new bold approach without inflationary consequences from these expenditures.

The present fiscal situation would seem to make this even more urgent and, therefore, our initial recommendation is that the effective date which is now set for July 1971 be postponed for at least 6 months and preferably for a year.

We are aware of other proposals for the delay of this program pending further testing of the basic concept, and we recognize that the program may well need to be modified as experience is generated.

Really, the entire plan would seem to be a pilot project in welfare reform, and we suggest that if the Congress desires to enact this legislation now but delay the effective date, the interim period might well be used to develop sound guidelines to avoid the types of problems encountered with Medicaid and other social programs.

The amendments which have been proposed by the administration we feel, clarify the aims of welfare reform particularly with respect to work incentive and work requirement features.

We have been particularly encouraged by the proposed amendments, first, increasing to \$500 a year the penalty for the household head who refuses to register for or accept work or training and, second, clarifying the right of refusal of employment, and making the job suitability definition more explicit and, third, eliminating the unemployed fathers category.

We do feel that the bill by the whole approach to welfare reform would be further strengthened by the following changes which we are suggesting: First, to phase out the foodstamp program over a 5-year period. The other exclusions of income in section 443(b) are related to work- and skill-improving incentives or to simplification of administration. Food stamps, however, we believe, raise income without commensurate work effort.

Second, we suggest the States should be permitted to make office-based inquiries relating to eligibility as a specific protection of the work and training requirement.

We suggest provision be made for comparison of employment refusal rates on a labor market basis as another method of enforcing the work requirement.

Fourth, we suggest that anyone directly involved in a labor dispute should be ineligible for benefits under the family assistance plan.

Fifth, we suggest that the 30-percent reimbursement to the States for supplementary payments should be omitted.

And, finally, we would encourage the move to grant consolidation for family and individual service programs.

The full statement which has been submitted deals with this in more detail.

One charge against the bill has been that it inevitably will lead to a flat benefit-guaranteed income for all. The critical factor, in our view, is how the benefit incentive system is structured. If the basic allowance is a realistic minimum, and if the earnings disregard provides a true incentive to work and advancement and if the work requirement is strong, we feel such a program directs away from, rather than closer to, a guaranteed annual income. We feel it strengthens

rather than weakens the connection between work and income and, most important, strengthens the thesis that receiving public welfare is not a blanket right but does entail responsibilities to society as well.

The provisions of the bill, particularly with the changes suggested, would appear to meet these tests. Obviously, however, actual experience is going to be required.

The question of whether work incentives will be affected has no pat answer. Reference was made earlier to the WIN work incentive program. This program seemingly has been ignored or given only token cooperation by many welfare agencies. This would not be allowed under the family assistance plan. At the same time experiments with various income disregard plans in New Jersey conducted by the OEO have yielded more discouraging results even though the evidence is admittedly fragmentary.

We have noted that one alternative proposal being discussed by the committee is to strengthen the work incentive by paying wage subsidies through employers. The main difficulty with this seems to us that it would distort the employer-employee relationship for both the subsidized workers and those whose compensation is directly related to productivity and market forces. The effect that this could have on collective bargaining and industrial relations would in general be severe.

Concern has been expressed by members of the committee that the work incentive might prove ineffective or even a disincentive under some circumstances. We feel that the proposed administration amendments would tend to remove these disincentives in all geographical regions, and the work incentive would be strengthened, particularly by the elimination of special benefits to fathers who are working less than full time and are considered unemployed in some States.

The potential incentive imperfections of the family assistance plan must be viewed relative to the much more glaring disincentives of the present AFDC system which provides a financial inducement for desertion or is offset only by the very limited work encouragement of the WIN program.

We believe that the risks of welfare reform should be taken in view of the more obvious failures of the present system, and the absence of viable alternative solutions.

The idea that we hope will be implemented is a bold one. If we approach it fully aware that it may necessarily be modified based on experience, we would avoid raising unrealistic expectations on both the part of the beneficiaries as well as the sponsors of the family assistance plan.

The CHAIRMAN. Any questions? Senator Williams?

Senator WILLIAMS. Do I understand that you are endorsing the bill as recommended; its amendments by the administration?

Mr. BOLTON. Yes, sir.

Senator WILLIAMS. In the form in which it now stands.

Mr. BOLTON. With several suggested changes.

Senator WILLIAMS. Without those changes would you endorse the bill?

Mr. BOLTON. We feel that this is a worthwhile program that we would endorse. We raise these questions as considered difficulties that we think should be considered.

Senator WILLIAMS. But would you endorse the bill in the form in which it now stands? Many of us recognize we would have proposed amendments but the point is they may not all be successful. In the event your recommendations for revision are not accepted and would be rejected, you would still endorse the bill?

Mr. BOLTON. Yes, I think we endorse the basic bill, sir.

Senator WILLIAMS. Now, having studied the bill and endorsing it, why do you recommend it be postponed a year or two to see whether you are right or not? As a businessman do you conduct or do you run a pilot project first to see whether it works or do you initiate building a factory and putting it into production to see whether or not it works? Do you think the pilot project should come after or before?

Mr. BOLTON. Our primary concern, sir, is the present fiscal condition of the Federal financial structure, and to use the business analogy, I believe we approve this project, we do not believe it should be immediately implemented for purely financial cost reasons.

Senator WILLIAMS. If that is the reason it is delayed, why should we spend \$50 million to \$100 million as an excuse for its delay; why not just delay it?

As I understand your proposal, endorsement of the pilot project idea which would cost \$50 million to \$100 million is only an excuse for delay rather than to learn and gaining information.

Mr. BOLTON. I think you have corrected me or I should correct myself. We are not necessarily saying that we do believe a pilot program costing x dollars should be instituted. We are saying that we recommend the program not be immediately implemented and that study be given to establishing procedures and possible test programs during this period.

Senator WILLIAMS. Now, I notice that you suggest the food stamp program should be eliminated. But recognizing the hardship that would arise from the sudden termination, you would recommend that this be phased out over 5 years; is that correct?

Mr. BOLTON. Yes, sir.

Senator WILLIAMS. Now, as it is phased out would there be an substitution for it or would it just be a 5-year phaseout?

Mr. BOLTON. We are not recommending that there be any cash substitute but that the program be phased out.

Senator WILLIAMS. Like the old story if you cut off the dog's tail a little at a time it would be less painful than if you cut it off all at one time. You do not think the same problem would exist 5 years from now if you do not have any alternative plan. You feel that it would be less painful because it would not be noticeable, is that correct?

Mr. BOLTON. We think it would be too painful under some circumstances to cut the program immediately. We would hope that in a 5-year experience with the family assistance plan the successes would make the elimination of the food stamps add-on possible.

Senator WILLIAMS. And I understand you are suggesting that the State supplement should be 100 percent State financed and no Federal assistance, is that correct?

Mr. BOLTON. We would rather see a return to the 50-90 provision which was in the original bill, as I understand it.

Senator WILLIAMS. You said omit the provisions of 30-percent reimbursement to the States.

Mr. BOLTON. Yes, sir: We do feel that the 30-percent add-on is one of the substantially complicating parts of this whole welfare problem, particularly with States such as New York and California. I did not mean to indicate that with the elimination of the 30 percent, and this, I believe, is covered in my full statement, that there should be no Federal supplement.

Senator WILLIAMS. Well, if you eliminate the 30 percent, what Federal supplement would be left?

Mr. BOLTON. We are suggesting a return to the original language.

Senator WILLIAMS. To the original language, 50-90 percent, in other words New York would get 50 percent rather than 30. No further questions.

Senator JORDAN. Just one or two questions. This bill makes no provisions for single persons, for childless married couples, who may be just as poor and just as hungry and just as destitute as are people with families. Would you think this bill should be amended to make some provision for taking care of those people?

Mr. BOLTON. Our position, Senator, is that we believe that this bill, as it is before us, is attacking the primary problem, which is AFDC. We recognize the problem of the childless couples and single people and we think this should be dealt with as a separate problem and with its own legislation.

Senator JORDAN. How do you think it should be dealt with?

Mr. BOLTON. I am not prepared at this moment, sir, to submit any concrete suggestion.

Senator JORDAN. Thank you.

Senator WILLIAMS. You said that you thought that the bill as revised had the proper work incentives, and you mentioned New York as an example in later testimony.

Under the bill as it was revised by the administration, a party who accepts the training and earning \$7,000 in New York would have exactly \$6,209 in expendable income; that is, when you include the food stamps and rent supplement and so forth, whereas if they do not work at all they got \$6,210, the same family of four.

Now, do you think that the loss of \$1 in cash and income in-kind for the person who works and earns \$7,000 as compared with the \$6,210 or \$1 more for the person with the same-sized family doing nothing is your definition of an incentive?

Mr. BOLTON. I am not in a position to challenge your figures, Senator.

Senator WILLIAMS. These are not my figures; they are the Department's figures in analyzing the bill.

Mr. BOLTON. No, I mean in argument I am not dealing with the figures as such. The thing that appeals to us as a work incentive is the gradual takeaway rather than the cutoff which exists under the present system of welfare administration.

Senator WILLIAMS. Well, the present bill, with the grandfather clause, we were told not one welfare recipient in America would get any less than he is now getting, so I do not know how much change there is or how much reform there is in that. But in the figures that were presented by the Department they were that in New York City a person earning \$7,000 would have a total in cash and food stamps,

rent, medicaid, and so forth, of \$6,209. If he earned \$6,000 he got over \$7,500 or \$1,300 more than if he earned \$7,000, and if they did not earn anything at all they got \$6,210 or \$1 more than they would if they earned \$7,000. Is that what you had in mind when you said this was a work-incentive program and you thought it was a step in the right direction?

Mr. BOLTON. No. What I had in mind was that this bill in other localities works to the advantage of a person earning money and he is not, in effect, 100 percent taxed on his earnings.

Senator WILLIAMS. Sure, I am glad to hear you say that because I was hoping somebody would make that point. Now, what locality would that work in to an advantage because the Department furnished us four States, they selected them at random, and in every one of the States this disincentive, as a notch, developed.

Now, since you have analyzed this bill, what State and what city would there be, that this incentive would not be applicable, because we would like to know it in our committee?

Mr. BOLTON. May I ask staff if they can support me?

Senator WILLIAMS. You can, because I would like to have the information of just where this would not be true. Give us the figures down the line.

Mr. BOLTON. I think, perhaps, Senator, if I may, I would like to ask for the privilege of submitting a statement to this point following this testimony. However, staff points out that in our statement we are saying that while the degree of work incentive is questionable in some cases this is very often due to the operation of other categorical aid programs. It is seemingly, impossible to legislate all of these problems in one fell swoop. This may not deal directly with your question.

Senator WILLIAMS. If I understand you correctly, you do not know of any area where that would not be true. I have been interested in this because I think our existing program needs a revision. I think we need a real work incentive program. But I think that you would agree that the mathematics that I just outlined and which were cited in the various examples presented to the committee so far, that those are not what you would call work incentives. I think we could agree on that.

What we are trying to find desperately is where, in what area, this would be applicable.

Mr. BOLTON. May we research these questions?

Senator WILLIAMS. Because we did not select these areas, they did.

Mr. BOLTON. May we try to deal with this question in a memorandum?

Senator WILLIAMS. Yes, and send me one to my office. I would be interested in receiving it, too.

Thank you.

The CHAIRMAN. Thank you very much, sir.

Mr. BOLTON. Thank you.

(Mr. Bolton's prepared statement and a subsequent letter to the chairman follows:)

PREPARED STATEMENT OF A. L. BOLTON, JR., REPRESENTING THE NATIONAL
ASSOCIATION OF MANUFACTURERS

Mr. Chairman and Members of the Finance Committee:

My name is A. L. Bolton Jr. I am President of Bolton-Emerson, Inc., Lawrence, Massachusetts.

I appear here today on behalf of the National Association of Manufacturers as a member of its Board of Directors and Chairman of the Government Operations/Expenditures Committee. The Association is a voluntary organization of industrial and business firms, large and small, with members located in every state and representing a major part of manufacturing output in the country. I appreciate this opportunity to state the views of the Association in general support of the legislation you are considering.

My statement will be confined to Title I of H.R. 16311—the Family Assistance Plan—which is the heart of the measure and embodies the crucial reform element. A careful comparison of Title I and the pertinent NAM policy position, appended to this statement, indicates agreement on the objectives of welfare reform and the principal means to obtain these objectives. Therefore the basic approach in this legislation receives NAM's support. Of the myriad proposals made to date, H.R. 16311 appears to us to offer the best hope of straightening out the welfare "mess," of eliminating the controversy and discontent which have surrounded categorical assistance in general and the AFDC program in particular.

While the objective of the Family Assistance Plan is to *reduce* welfare dependency and eventually *reduce* direct government outlays on public assistance, the initial costs obviously would substantially exceed present program levels. Thus this new initiative greatly increases the need for cutting back and eliminating outmoded and low priority programs. Under any circumstances, it would be important to re-order priorities throughout the range of government aid programs to make way for this sort of new initiative without inflationary consequences. The present fiscal situation, with the disappearance of the surpluses expected for fiscal years 1970 and 1971, makes such an effort of critical importance.

Therefore, our initial recommendation is to postpone the effective date of the bill, now set for July 1, 1971, for at least six months and preferably one year, if the Committee desires to approve the basic reform legislation at this point. More time is necessary for Congress and the Administration to exercise fiscal responsibility before embarking on an admittedly expensive new initiative, as worthwhile as its objective may be.

We are aware of other proposals for delay of the program pending further testing of the concepts involved. We recognize that this program will need to be modified on the basis of experience. In fact, it is fair to say that the entire plan is a pilot project in welfare reform. If Congress desires to enact the legislation now but delay the effective date, the interim should be devoted to developing sound guidelines to avoid the types of problems encountered with Medicaid and other social programs and to testing some of the recommendations that we and others have proposed.

Returning to the details of the Family Assistance Plan, several specific changes in its structure are needed. In the proposed amendments to H.R. 16311 submitted in early June, the Administration has clarified the aims of welfare reform, particularly with respect to the crucial work incentive and work requirement features, and has moved in the direction of more effective administration. We are encouraged, in particular, by the following major amendments, all of which strengthen the work incentive:

1. Increasing to \$500 per year the penalty for refusal to register or accept work or training on the part of the household head receiving family assistance benefits. (Sec. 447(a) and 448(a)).
2. Clarifying the family assistance recipient's right of refusal of employment on the grounds of prior experience and skills. The job "suitability" question needed to be explicitly defined and we believe that the new proposal is one which can be more effectively administered. (Sec. 448(b)(4)).
3. Eliminating the "unemployed fathers" category of aid. (Sec. 451 and 453(a)(1)).

The bill has some unique features not contained in previous proposals to attack the welfare problem. It is of particular concern to the business community because of the considerable direct costs involved and, more important, because of its potential impact on the entire labor market, on work attitudes and national productivity. Although it is the most promising attempt to date to break the cycle of welfare dependency, many reservations have been voiced and, as an Association, we have some of our own.

We have some additional suggestions which we think improve specific provisions of the legislation. The first part of our statement deals with the details of the proposed legislation; the second part is an evaluation of the underlying principles and the major objections which have been raised.

The basic benefit

The chief characteristics of the Family Assistance Plan are uniform eligibility and basic benefits across the nation, the extension of aid to families headed by men, the work requirement and the work incentives. Understandably, a great deal of attention has been, and will continue to be, given to the figure of \$1,600 as the basic benefit for a family of four.

Whatever income level had been set for this basic benefit would have been subject to question. Certainly one principal consideration is the direct cost to the federal government. Raising the basic benefit level for a family of four from \$1,600 to \$1,700 would raise the cost by an estimated \$500 million.

We believe it is important to relate the level of this basic benefit to the present public assistance levels. As of January, 1970, 42 states and the District of Columbia had AFDC benefit levels of more than \$38 per person per month (or \$1,600 a year for a family of four); another 3 states had benefits of between \$30 (or \$1,440 a year for a family of four) and \$33 per person per month (or \$1,584 a year for a family of four). Thus the proposed basic benefit level is not inconsistent with the average under the present program. However, the basic benefits—except those for the working poor—will have to be supplemented by the states. Thus the total available to each family would be considerably more than the "\$1,600 for a family of four" formulation suggests.

Certain types of earned income would be excluded in the calculation of benefits. Most of these exemptions are clearly related to work—and skill—improving incentives or to the simplification of administration. However, the situation with respect to food stamps is more complicated. They add to the income of recipients without requiring commensurate work effort. Nevertheless, we realize that some current welfare recipients, who now receive food stamps, would be much worse off than at present if this program were abruptly eliminated. Therefore, we recommend that the bill be amended to remove the food stamp exemption over a period of five years.

The Administration has recommended that, in determining eligibility and calculating benefits, both earned and unearned income should be taken net of federal income tax (Sec. 443(a)). With the relief for low income taxpayers provided by the Tax Reform Act of 1969, the federal income tax liability for beneficiaries is obviously very small, if any. Insofar as this provision applies to *earned* income, it would provide a limited further work incentive. However, we question the appropriateness of treating *unearned* income in the same manner and recommend unearned income not be taken net of federal income tax in the relevant calculations.

The work requirement

The bill requires every member of an eligible family, except those specifically exempt, to register with the local state public employment office for manpower services, training and employment. If—and for so long as—any individual fails to do so, he will not be considered a family member for purposes of determining benefits, but his income will be counted as earned family income in the regular way in calculating benefits.

The registration and rehabilitation requirements, which apply to the "working poor" as well as to those with no income, emphasize the incentive and work orientation of these proposals and differentiate them from most guaranteed income plans of the past. By including the working poor in the registration requirement, an aspect not spelled out in the Administration's original proposals, the House bill strengthened the incentive for self-improvement. The Administration has itself moved to enhance the work incentive by proposing to eliminate the "unemployed parent" category of aid.

The basic benefit as defined in H.R. 16311 is \$500 per year for each of the first two eligible family members and \$300 per year for each additional member. If one member of the family refuses to register or to participate in work training or vocational rehabilitation, his benefit would be withheld. This would amount to \$300, even if it is the father or mother who is involved, because then an eligible child would receive \$500 per year as one of the "first two" eligible family members. We have felt that denying \$500 to a family where an adult member does not participate would be a stronger incentive, and approve the Administration's proposed amendment to this effect.

Another problem arises from the fact that a member of the family may earn significant income, although he does not register, if he worked for several employers who did not report such earnings to the Social Security Administra-

tion or the Internal Revenue Service. Under the bill's provisions, if the father of an eligible family earned \$900 a year in reported income, \$720 would be exempt, but \$90 would be deducted from his family's benefit. Another family head earning an equal amount in unreported income would have the benefit of the full \$900 plus the full family benefit. Presumably some consideration of this situation could be included in the spot-checking of eligibility. In view of the recent Supreme Court decision on welfare payments, it may be necessary to include in the legislation protection against frivolous harassment of attempts to enforce the work requirements.

We believe that payments should be made on the basis of verified need with effective procedures to prevent abuses. The bill now provides for the furnishing of information to the Secretary of the Department of Health, Education and Welfare by families and by other federal agencies. We believe that, in addition, it should be amended to permit the states to make office-based inquiries regarding eligibility for state supplements. This would provide another impersonal and objective check and is particularly important because the states are not required to make supplementary payments to the working poor.

Work-oriented administration

Experience with the Work Incentive Program (WIN) has indicated the importance of the local welfare administrators' capabilities and attitudes in implementing the work incentive. The requirement in H.R. 16311 that specified types of individuals be required to register for training, employment or vocational rehabilitation—or risk losing their individual benefits under the Family Assistance Plan—is intended to overcome some of the major problems which have been encountered in the administration of WIN.

The original criteria for permissible refusal to accept work were not equally objective. One major improvement was made by the House removing the vague concept of "suitability" which could have been used to hamper reasonable enforcement of the work requirement.

In the June amendments offered by the Administration, the recipient's right of refusal on the grounds of prior experience and skills is limited to cases where more suitable employment is actually available in the community but the individual has not been given adequate opportunity to obtain it. This is a further improvement but still leaves considerable room for administrative discretion. Therefore, it should be a legislative requirement that records be kept on a labor market basis of the incidence of refusals of manpower services or employment. These records should be compared quarterly with (1) the demand for low- and semi-skilled labor within that labor market, and (2) the incidence of refusals elsewhere. An inexplicably high proportion of refusals in an area would signal a problem in the administration of the work requirement and would give the Secretary an opportunity to clarify directives.

This is not an unimportant matter. A study conducted by the Department of Labor, in collaboration with the Urban Institute, led to the estimate that 3.2 million adults, 43% of those who would be covered under the Family Assistance Plan, are employable. Of 1.4 million male family heads, only 30,000 had not worked at all during a 12-month period. Among female family heads, 60% had had some work experience during the year. In all, over 75% of those considered potentially employable worked for some portion of the preceding year. This makes it all the more important that all possible encouragement be given to accepting employment. The fact of employment will add to self-respect and confidence; the experience itself should add to work skills.

In addition, the bill should be amended specifically to disqualify anyone directly involved in a labor dispute from receiving benefits under the Family Assistance Plan. This would include a person actually participating in a strike, one who refuses to cross a picket line (whether or not the picketing is conducted by his own union), and anyone otherwise actively assisting in the strike.

Training and child care

The NAM believe that the overall goal should be to equip all citizens—through education, job training and development of personal incentives—to become active participants in our society and the enterprise system. Therefore, we feel that the stress on the provision of child care for families where the responsible adult is receiving job training, or is working, is of particular importance. The AFDC caseload covered by this program consists primarily of families headed by females. Their employment potential is often minimized because so many of them have young children. However, in the economy as a

whole, almost 40% of mothers with children under 18 work. The available evidence suggests that many welfare mothers are also anxious to work and would be employable if the child care problem were solved.

In his August 1969 message on welfare reform, the President mentioned a computerized job bank and 150,000 new training slots for the heads of families now on welfare. H.R. 16311 is less specific but it does provide (Part C) for training programs and allowances. The cost estimates used in the Ways and Means Committee's report are the same as those in the President's proposal—\$800 million for training and child care—although the bill does not specify the number to be trained.

In some instances, "training" would be a fairly simple matter of updating or retrieving skills; in others it would involve a major training effort. To maximize productivity the emphasis throughout should be on industry participation.

Financing

Under the Administration's original proposals, the states would have been required to maintain the current level of benefits, with the federal government providing the floor of \$1,600 for a family of four. No state would have been required to spend more than 90% of what it would have spent without the operation of the Family Assistance Plan. However, for five years, each state would have had to spend at least half of what it would have spent to supplement the federal base. States would not be required to supplement payments to "working poor" families.

H.R. 16311 replaced this "50-90" rule with a provision that each state whose AFDC payment level in January 1970 was higher than the family assistance level would have to agree to supplement the family assistance payments up to that level, or up to the poverty level if that is lower, in order to be eligible for federal funds under Medicaid and other welfare programs. Federal matching would be available, except for supplements to the working poor, at a rate of 30%.

We oppose this provision of H.R. 16311. To begin with, it adds \$300 million a year to the original estimates for the President's program. In addition, the 30% federal financing on "add-ons" will encourage some states to continue providing benefits beyond prevailing wages for unskilled and semi-skilled work. This, quite frankly, has been one of the major problems in such states as New York and California. Finally, releasing the states from the responsibility for maintaining at least 50% of their effort is an uncalled-for separation of the spending and revenue-raising powers.

In its proposals relating to individual and family services, the Administration has suggested an incentive system to encourage the states to adapt these service programs to local needs. This would allow a governor to transfer up to 20% of the federal grant funds from any categorical program he administers to another of higher priority, although no programs could be increased in funding by more than 50%. To qualify, the state would have to submit a consolidated plan covering any HEW service programs to be included. This is a first step toward grant consolidation, which we believe should be encouraged. It would, therefore, be desirable to provide for a gradually increasing flexibility. The second part of the Administration's program for coordination requests the provision of \$30 million annually for grants to improve planning and management capacity so that state and local governments can assume new responsibilities. If this is enacted, the development of consolidated programs should be given a priority.

We also approve of the proposal to replace the present open-ended appropriation of federal funds with a fixed amount annual appropriation. This would be accompanied by an evaluation program which would provide quality as well as fiscal control.

Administration

Under H.R. 16311 a new agency would be established under the Department of Health, Education and Welfare to administer the Family Assistance Plan. This agency would be responsible for establishing and managing Family Assistance Plan offices and would carry out other necessary functions. It would have the power to contract for other agencies to carry out appropriate functions. The Ways and Means Committee Report suggested that an advance appropriation be requested by the Department of Health, Education and Welfare to cover costs of full-scale administrative planning. In view of the many new concepts involved, and to avoid as many pitfalls as possible between enactment and the effective date, this would be a sound step.

The states would be given the option to administer and disburse family assistance benefits and state supplementary benefits on their own. Alternatively, if

they enter into an agreement under which the federal government administers the supplementary benefits, the latter also would absorb all administrative costs. This is an obvious inducement to centralize the program's overall direction. It is also an attempt to reduce the cost and complexity of administration. As present the administrative costs of welfare involving individual investigations of all cases can run as high as 25% of total cost, obviously an exorbitant price to pay for regulation.

NAM's policy position calls for the states and localities to have a continuing administrative responsibility for welfare programs. We believe they would have this under the job incentive, training and rehabilitation provisions of H.R. 16311—the type of "service operations" where responsibility for implementation is best left at the state and local level. As for the actual making and regulating of benefit payments, available evidence from the Internal Revenue Service experience and elsewhere indicates that this can be done most efficiently on a uniform basis using the spot-checking or sample investigation method to control abuses.

II. MAJOR CRITICISMS OF H.R. 16311

Because the Family Assistance Plan is the core of the proposal, it is important to examine the major criticisms to which it is being subjected. These come from all sides, and, in some cases, result from conflicting interpretations of the underlying approach.

1. *It will lead inevitably to a flat-benefit, guaranteed annual income for all.*—Some people already have indicated how "easy" it would be to extend the Family Assistance Plan to single persons and childless couples. However, the critical factor in our view is not the marginal coverage of the plan but how the benefit-incentive system is structured. If the basic allowance is a realistic minimum, if the "earnings disregard" provides a true incentive to work and advancement, and if the work requirement is strong enough—then the program directs us *away from*, rather than closer to, a flat-benefit guaranteed annual income. It would strengthen the connection between work and income. It would strengthen the thesis that receiving public welfare is not a blanket "right" but entails as well responsibilities to society at large.

The provisions of H.R. 16311 appear to meet these tests although this could not be proved definitely until and unless there were actual experience with the program on a wide basis. In this connection, we also should keep in mind the status of existing welfare plans. While actual benefit levels vary widely by state, they are all basically flat-benefit programs with little or no "income disregard." It could be said that we now have fifty guaranteed annual income plans for those on welfare, with the most "generous" ones attracting the most clients.

2. *Some families will not be "better off" working.*—Members of this Committee have expressed considerable concern about the possibility that the work incentive might prove ineffective, or even a disincentive, under certain circumstances and in certain localities if the Family Assistance Plan were in effect under Title I of H.R. 16311 as passed by the House, and existing statutes relating to public housing, Medicaid and other welfare-type programs were unchanged. The proposed Administration amendments to H.R. 16311 would tend to remove these disincentives in all geographical regions. The work incentive would be strengthened in particular by the elimination of special benefits to fathers who work less than full time and who are considered "unemployed" in some states.

Apparently the degree of work incentive still would be questionable in some cases even if these amendments were accepted. However, it is well to remember that such results would obtain not from the structure of the Family Assistance Plan itself, but from the operation of existing categorical aid programs, and it may well be impractical to restructure all these programs in one piece of legislation. Also, of course, the potential incentive imperfections of the Family Assistance Plan must be viewed relative to the much more glaring disincentives of the present AFDC system which provides a financial inducement for desertion and only the very limited work encouragement of the WIN program.

3. *The high cost.*—The full year additional federal cost of H.R. 16311 (including the adult aid components and reflecting the proposed amendments) is now estimated at about \$4.1 billion. This should be considered in the context of both the costs of inaction and the indirect costs of welfare dependency.

It was estimated in the report of the Ways and Means Committee that by 1975 federal costs under the existing AFDC program would approximate those under the "working poor" to the rolls, better controls and the assumed increase

in earned income of the working poor would keep federal expenses relatively stable compared to the inevitably spiraling costs of AFDC.

Furthermore, the large AFDC caseload entails indirect social and economic costs which, though not readily measurable, must be greatly in excess of the direct outlays of government for welfare benefits. It is well to remember that the price of welfare dependency, occurring in some cases in several generations of the same family, is paid both by the children in lost opportunities and by society as a whole in many other ways. To the extent that the training and incentive programs provided by H.R. 16311 succeed in keeping or bringing families together and raising the participation in, and the productivity of, the work force, the true costs of the legislation would be reduced, perhaps very substantially.

A related area of criticism refers to the possibility that the work and training requirements themselves would add to the cost because a large bureaucracy would be required to implement them. Here, again, only experience will provide the answer. It seems to us, however, that well thought-out procedures and standards for training and placement should minimize those tasks. Also, the sampling system used to control abuses could be adapted to include spot-checking of areas of difficulty in training and placement. The net cost of training, day care and administration has been estimated at less than \$1 billion. Significant as that sum is, it is less than \$1.7 billion increase in public assistance costs anticipated for fiscal 1971. More important, it would be money spent for constructive purpose, rather than continued payment for hopelessness.

Nevertheless, that this new initiative would be expensive initially is inescapable. In view of the worsening federal budget situation, we believe that the effective date of the Family Assistance Plan program, if enacted, should be delayed for at least six months beyond the scheduled start-up on July 1, 1971 and preferably until July 1, 1972.

4. *Adding to welfare rolls is no way to reduce dependency.*—The most significant element of additional cost under the Family Assistance Plan would be the payments to the "working poor" which would involve millions of additional welfare recipients. The rationale for this, of course, is that the present system in many states encourages the working poor to break up their families so that the mothers and children will be eligible for welfare. It has been estimated that payments to the working poor under the Family Assistance Plan, on the same "income disregard" scale that would apply to the existing welfare caseload, would be relatively modest, averaging about \$750 annually for those working full time, full year. This estimate anticipates that most of these welfare recipients would not become long-term cases. As large numbers of the working poor rise above the poverty line annually, government payments would diminish correspondingly.

5. *The work requirement and incentives won't work.*—This criticism comes in several forms. One is simply that you cannot force people to work. A frank appraisal is that significant numbers would not work regardless of incentives or regulations. These would have their personal, but not their families', benefits cut off under the terms of the proposed legislation. This specific provision would be strengthened by reducing the family's total benefit by \$500. However, the preponderance of available evidence indicates that most of the adult welfare population is strongly motivated and prefers working to not working.

Others question the practicality of training large numbers of welfare recipients, the extent of the market skills that can be developed, and the work motivation that the "income disregard" is designed to promote. There is no ready answer as to whether the job markets could absorb existing adult welfare recipients. In some areas, particularly the more rural ones, there could be considerable problems of placement. On the other hand, most metropolitan areas continue to suffer manpower shortages in many semi-skilled jobs for which welfare recipients could be trained. Through most of the last decade, in fact, the economy has been afflicted much more by worker scarcity than unemployment. Infusion of new manpower could ease this and help counter the inflationary effects of overly tight labor markets.

Nor is there any pat answer to whether or not the "income disregard" in the plan will really motivate its beneficiaries to work harder and raise their productivity. The existing WIN (Work Incentive) program, offering more limited incentives for present welfare recipients, has not been widely utilized. The program has been ignored or given only token cooperation by many state welfare agencies. This would not be allowed under the Family Assistance Plan. Experiments with various "disregard" income plans in New Jersey, conducted by

the Office of Economic Opportunity, have yielded encouraging results relating to the work effort of those receiving benefits, but the evidence here is admittedly fragmentary.

Conclusion

In summary, we believe that the basic principles incorporated in Title I of H.R. 16311 merit the serious attention of Congress with a view to early enactment. We do feel, however, that this promising approach to the reduction of welfare dependency would be strengthened by the following changes:

1. The food stamp assistance program should be phased out over a period of five years.
2. The states should be permitted to make office-based inquiries relating to eligibility for state supplements as a specific protection of the work and training registration requirement.
3. Provision should be made for a comparison of employment refusal rates on a labor market basis as another method of enforcing the work requirement.
4. Anyone directly involved in a labor dispute should be ineligible for benefits under the Family Assistance Plan.
5. The 30% reimbursement to the states for supplementary payments should be omitted.
6. The consolidation of grants for service programs should be gradually increased.

NAM POLICY STATEMENT ON WELFARE AND PUBLIC ASSISTANCE

To reduce poverty and welfare dependency, the emphases of government welfare programs should be on education, job training and the development of personal incentives for all citizens to become active participants in our society and enterprise system.

The determination of eligibility for assistance should encourage self-support and motivate recipients to earn their income. The adequacy of cash work incentives in the benefit structure should be periodically re-assessed.

To complement cash work incentives, more effort is required by both the public and private sectors to provide improved day care for dependent children, job training, and family planning services.

We believe that welfare payments should be made on the basis of verified need with effective procedures to prevent abuses. Administrative responsibility for such welfare programs should rest with state governments and their subdivisions, with federal financial assistance to the states based on minimum household maintenance allowances.

We believe that this approach will result in less government spending as the incidence of poverty is reduced.

Adopted December 2, 1969.

**NATIONAL ASSOCIATION OF MANUFACTURERS,
GOVERNMENT FINANCE DEPARTMENT,
September 24, 1970.**

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is the elaboration of NAM's views on the work incentive embodied in H.R. 16311, which was discussed particularly with Senator Williams during my appearance before the Committee on September 9th.

Discussion of the Family Assistance Plan is often confused by comparisons with the present situation. This is particularly misleading in our view with respect to the work incentive because, with the exception of the very limited impact of WIN, the AFDC program is a *support* program. The Family Assistance Plan, on the other hand, is an *incentive* program.

Two basic, but separate, questions are involved—(1) whether some AFDC families, particularly those headed by women, would be losing benefits, in money

or kind, under FAP; and (2) whether the work incentive embodied in H.R. 16311 would, in fact, be effective.

The discussion of the first question has centered around the illustrations provided by the Department of Health, Education, and Welfare for the cities of Phoenix, Wilmington, Chicago and New York. In some instances, these figures, particularly for the higher amounts of earnings, do appear to give more cash-and-kind benefits under AFDC. However, these are "potential" benefits, available if the woman is working; if she has—or makes—full use of other programs such as medicaid, food stamps and public housing.

Of these questions, the most critical is whether or not she is working. The Department of Health, Education, and Welfare provided some relevant data from the survey of AFDC families in 1969. Of 1,630,500 families, 19 percent had fathers or stepfathers in the home. Thus, 1,319,500 of these families were headed by women. Only 223,500 of these women had some earnings. A quarter of these earned less than \$75 a month; almost 60 percent earned less than \$200 a month. Therefore, the "potential" benefits under AFDC for the working mother, particularly those with incomes of \$3,000 or more a year, have been mainly exercises in arithmetic.

A recently published study of the employability of AFDC women (*Welfare in Review*, July–August, 1970) indicates that the employment potential of this group is increasing but that the related factors of having young children and inadequate day care facilities limit this potential. This situation would be alleviated by the day care provisions of H.R. 16311. Similarly, the work of training requirement would have an impact on the welfare mothers who are not needed in the home but are not now seeking work or training. Also, FAP would eliminate an important reason for desertion. Granted that the statistics on this point are clouded by the fact that many of the families involved were not legally established to begin with, the extension of aid to families headed by men should provide a positive incentive for keeping families intact.

This brings us to the question of whether the work incentive embodied in H.R. 16311 is great enough to be effective. The examples provided by HEW for the four cities already mentioned do indicate an increase in total income for each increase in family earnings. This is, incidentally, not true for the AFDC examples for the same cities. In Phoenix, for example, an AFDC family with earnings of \$5,000 has a potential cash-and-kind total income of \$5,620, but one with earnings of \$6,000 has a total of \$5,464; in Wilmington, the corresponding figures are \$5,695 and \$5,133; in Chicago, \$6,545 and \$6,123. The "notch" in New York City comes at a higher level, but it is also there. Thus the steady increase in total income under FAP does provide an incentive for increased earnings.

The next aspect of the question is whether the proportionate increase in total income as earnings rise is sufficient to constitute an effective incentive, which brings us back to the nagging question of cost. Within the overall cost confines, a package of basic benefits and incentives has been developed. If the "effective tax rate" on earned income of the poor is to be lowered, either the basic benefit allowance has to be cut or the cost of the program will rise very sharply. Because of our feeling that the entire plan is a pilot project in welfare reform, we believe that the division of resources presently prescribed in H.R. 16311 should be tried. As we indicated in our full statement, the basic federal benefit—\$1,600 a year for a family of four—is in line with the present average AFDC benefit. This means that the incentive formula presently embodied in the legislation could be tested without a drastic change such as would result from cutting the basic benefit. It is apparent from our full statement that we do not believe that the fiscal situation permits a sharp increase in costs. The ultimate choice between these alternatives will, of course, rest with the Congress.

Thank you for your courtesy in permitting us to make this additional statement. We request that it be included in the record of the hearings.

Sincerely yours,

A. L. BOLTON, Jr.,

Chairman, Government Operations/Expenditures Committee.

The CHAIRMAN. The next witness is Mr. Durward K. McDaniel, national representative of the American Council of the Blind.

STATEMENT OF DURWARD K. McDANIEL, NATIONAL REPRESENTATIVE OF THE AMERICAN COUNCIL OF THE BLIND; ACCOMPANIED BY DR. S. BRADLEY BURSON, CHAIRMAN, LEGISLATIVE COMMITTEE, THE AMERICAN COUNCIL OF THE BLIND

Mr. McDANIEL. Mr. Chairman, I am Durward K. McDaniel of the American Council of the Blind. I have appearing with me a member of my board of directors, who is the legislative chairman of the American Council of the Blind, and I want to introduce him and let him use our time. He is Dr. S. Bradley Burson, who is on the staff of the physics department of the Argonne National Laboratory, near Chicago, and he has come to Washington for this hearing, and it is my pleasure at this time to present to the committee Dr. S. Bradley Burson, who will speak for the council.

Dr. BURSON. Senator Long and gentlemen of the committee, it is a real privilege to appear before you, particularly in behalf of the membership of the American Council of the Blind.

I believe I should also indicate that I am legislative chairman of the Illinois Federation of the Blind, which is one of the affiliated chapters of the American Council of the Blind.

We feel that by those of us who are blind severely or visually handicapped, speaking for our group, we can bring to you the views and desires which we think will upgrade and uplift and indeed, reduce the burden on the community of many people who could be self-sufficient.

I want to say parenthetically that I could not help but be taken with your comments, Mr. Chairman, concerning starting work from the bottom, and I could not help but think if I had a vote for every dish that I had washed in my 10 years at the university, I could be elected president without any difficulty.

Blindness imposes a multitude of problems on people. They can be categorized—to the extent that any such problems can be categorized—into two central areas, the psychological ones and the physical ones. The physical ones are usually fairly obvious. If you cannot read the sign on the bus you want to take, you have to ask somebody which bus it is, and you might fall in the gutter trying to get on it if you do not have some help.

Along with this same experience goes the psychological problem of a feeling of dependency and inferiority.

Conversely, the members of society suffer the same kind of problems. Ten days ago a young man called me, who has been trained as a computer programmer, and it appears he can get a job if the potential employer is able to provide him with certain machinery which will make it possible for him to function.

These physical problems can be faced head on, and all too frequently the psychological ones are submerged in the physical problems because the psychological aspects are so much harder to recognize and to meet.

The statement which has been presented to your committee contains seven or eight concepts. We hope for and would like to receive immediate action on some of them from this committee, because we feel that to a large extent previous inaction on these matters may have been inadvertent, simply due to the fact that the concerns of blind persons

in the country, probably the smallest category, tend to be buried in the larger, more monumental problems.

The statement covers several other ideas which we would like to indicate as containing seeds of types of improvement that we think the welfare laws ought to contain.

Let me briefly summarize the eight points, set forth in our printed statement, and then address myself to the specific considerations we would like to present to you.

I am relatively familiar, through something like 20 years' work in Illinois, with the Illinois public aid department. Since Illinois is one of the large States, it probably is more or less representative of what is true across the country. The first proposal we submit is federalization of all aid to the blind. The lack of uniformity in the State laws makes it virtually impossible to say that a particular individual subject to a relatively well-defined set of problems will receive equal treatment and equal opportunity. This is not a new idea, but as far as we know there is no considered action on it in the immediate future.

We are opposed to the abolition of title X, which is a separate category for blind persons. Many of the problems that I have alluded to already are unique to the blind, and cannot be effectively solved when they are submerged in the vast complex of problems faced by other handicapped people—they get lost in the forest because of the trees.

The third item, bears on the responsibility of relatives for adult persons referred to in the code as "blind children." The question is, if you are blind, do you remain a child all your life? I will return to this issue at greater length because we feel this is something you can do something about.

The next item relates to a matter that has been discussed here at some length earlier in this morning's session, namely, incentive. The earned income exemption for the blind, which is now pegged at \$85 and has been that way for about 10 years, should be modified and improved and brought up to date.

The fifth item indicates our support for the extension of this type of work incentive to other categories of disabled persons.

Another factor which we have discussed with people across the country at various times is the failure to disregard social security payments in the determination of blind assistance. As it stands, the law reduces all needy blind persons to the same category, and again, in keeping with your earlier comments concerning whether or not a person should be chairman of the board, the positive side of this question, I think, is reflected in this request, namely, that those people who have demonstrated greater productivity and are covered under social security as a consequence of their own diligence deserve more consideration. In other words, social security payments should be considered as deferred earnings.

The seventh item goes back to an earlier reference—the age-old image of blind persons—they are incompetent, they are inferior, they are not qualified, this is not true. And we know it is not true, it is not true of any group of disabled persons. We feel that they are the best persons to be consulted and be involved in a very real way in the formation of policies within the Government.

Finally, I come to the last recommendation which is again related to, the work incentive and that is to provide an attenuated tax credit to employers to provide in some measure a means of overcoming the psychological resistance to hire blind persons.

The foregoing summarizes to the extent that time permits, the basic platform that we are presenting to you. The areas which we would like you to consider specifically are two, that is two specific modifications to H.R. 16311. One is the relative responsibility and, two, is the earned income exemption, and I couple to the earned income exemption the tax credit idea—the idea that a wage incentive, a wage subsidy of some kind, will, indeed, go a long way toward opening employment opportunities for blind persons.

Under title XIX, the medicaid provision, which specifies the acceptability of State plans, the language of this law says that the responsibility of parents or any applicant shall not be considered except for spouse, child under the age of 21, and then it goes on to incorporate these not only offensive but unrealistic words, “except for blind and severely disabled persons over the age of 21.”

This language is not only offensive but unrealistic, and I might say to you, that although this affects a very small number percentage-wise, it is one of the most offensive elements in our laws today and always has been.

In the past legislative session in Illinois, our State has abolished this rule. I have statements from a half dozen other organizations of the blind, including the American Foundation for the Blind, which is the largest nonprofit private agency in the country, probably in the world, the American Association of Workers for the Blind, indicating their support for the change we propose.

We have presented in Senator Percy's bill, S. 1251, application of this proposal to title XIX of the Social Security Act. So, we would like your committee to delete that language wherever it appears both in medicaid and in blind assistance.

The earned income exemption which, as I mentioned earlier, is pegged at \$85, will be updated if the present bill is adopted and the blind are included with title II beneficiaries. Presently the blind do receive this earned income exemption, but it is lower. Instead of being \$140 it is \$85, and it is not tied to the cost of living. In other words, we feel that this incentive should not have been allowed to suffer something like a 25 percent depreciation simply due to economic attrition.

Now, as I mentioned earlier, the concept of a tax credit would be an extension of this earned income idea. It would go a long way in overcoming the unjustified personal prejudice, which employers frequently exhibit—the prejudice based on cultural heritage—disability accompanies blindness. We do not feel that the tax credit should be permanent, it should be carried on for a year or 2 years. It should have appropriate safeguards built in so that employers cannot take undue advantage of it, but it is a concept which we think should be drafted and implemented.

If we are successful in some of these efforts we will feel gratified.

We are deeply appreciative of the opportunity to appear, and our hope is that not only have you given us this time but that we have managed to get you to take favorable action on our requests.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

There is one question that I would like to ask that might be helpful in formulating a better bill insofar as the blind are concerned. I would like to know what jobs in industry or commerce can blind people most effectively hold. In other words, if we wanted to find some way to press private industry to set aside certain jobs for persons who are blind, to more or less reserve those for blind persons or give them a preference to those jobs, what type of employment would you be suggesting?

Dr. BURSON. Well, as you probably know, the Randolph-Sheppard Act is now subject to amendment, I think probably a good share of your committee are cosponsoring that bill, and this was probably the first breakthrough in employment due to the provision, that is the operation of vending concessions in public and private buildings and the Federal subsidy to provide rehabilitation training for these persons. There are about 3,000 people employed in this area, that is primarily food services and merchandising. This is an area you might say which has been established and it was established very largely as a consequence of the priority, of the preference, that you people established in 1936.

Now, to answer your question more directly, we are caught between two fires. On the one hand, there are many blind persons who need employment. I can name licensed lawyers who are operating vending stands, people who have masters degrees in college who are working at very menial tasks, you have a combination of a person's self-respect, his desire to work, and the opportunity. The two goals that any disabled person really needs or wants are economic self-sufficiency and social integration. But you cannot have one without the other. If you have a job in the community you probably will work in the community, and if you work in the community you will have a better chance of getting a job in the community. So, these two things are inseparable.

One of the difficulties I face in answering your question is this: We are fearful of funneling in qualified blind persons into jobs which are substantially below their level. In other words, to be personal about it, I do experimental research in nuclear physics. Now, one would not say—so there is an opportunity that blind persons can do. Well, obviously, any esoteric work of any kind calls for the qualifications and training and experience. So, we are reluctant to say these jobs can be held by blind people. Rather we would put it on the basis of if the job cannot be held by a blind person why can't it be held by him. I do not know whether I have answered your question or not. It is difficult.

The CHAIRMAN. It is a very fine answer. Thank you.

Any further questions?

Dr. BURSON. I might mention Mr. McDaniel here is a licensed attorney, has practiced law in Oklahoma City for something like 25 years. I am actually a licensed lawyer myself, although I have never practiced law.

The CHAIRMAN. I am a lawyer by profession and I was pleased that a young man who was not entirely blind but one who could not read the law books was a member of my class. He passed with good grades, even though someone else had to read most of the law to him. He did not have law books in braille so he would pay someone to read to him, and he made good grades and wrote a good exam paper and he is doing well practicing law now.

Thank you very much.

Dr. BURSON. We have approximately 400 blind and visually disabled computer programmers now working in the data processing field. We know about 500 in the world. We have recently organized an international association of this group. This is another example of what we consider to be a breakthrough in the employment field.

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

Dr. BURSON. Thank you, sir.

(The prepared statement of the American Council of the Blind follows:)

STATEMENT OF THE AMERICAN COUNCIL OF THE BLIND

Reese H. Robrahn, President; Dr. S. Bradley Burson, Chairman of Legislative Committee; Durward K. McDaniel, National Representative, 20 E Street, N.W., Suite 215, Washington, D.C. 20001.

SUMMARY

The American Council of the Blind:

1. Favors federalization of medicaid for and aid to the blind, with a guarantee against reduction in present grants and provisions for automatic cost-of-living increases and liberal standards of need and eligibility.
2. Opposes the abolition of Title X of the Social Security Act.
3. Endorses, with modifications, the provisions in H.R. 14173 limiting relative responsibility and the application of liens against property and excluding income and resources of noncontributing adults from family income and resources.
4. Favors increasing the earnings exemption for blind welfare recipients to the amount allowed to beneficiaries under Title II of the Social Security Act, with periodic cost-of-living adjustments.
5. Favors increased earnings exemptions for aged and disabled welfare recipients.
6. Favors a requirement that States disregard all OASDI benefits in determining need for recipients of aid to the blind.
7. Favors the participation of recipients of aid to the aged, blind, and disabled in the periodic evaluation of State welfare programs as provided by H.R. 14173, and advocates the provision of additional procedures for the representation of the interests and views of welfare recipients.
8. Favors tax credits for employers hiring and training blind persons.

STATEMENT

Federalization of medicaid for and aid to the blind

If welfare has been a failure, as President Nixon has stated, it has been a failure for all types of recipients, not for those in the AFDC category alone. All recipients alike have suffered from failure to meet need, from inadequate State support, and from incentive-stifling restrictions. While the administration's welfare bill, H.R. 16311, would raise standards for the aged, blind and disabled categories in some respects, it does not take the logical step of proposing federalization of these programs. The American Council of the Blind proposes that Congress proceed immediately to federalize completely the smallest of these categories, aid to the blind, including medicaid for the blind, as a pilot program which would not only improve the living standards of needy blind persons throughout the country but demonstrate the advantages of liberal and uniform standards. Legislation to establish such a program should include the following safeguards: (1) Provision for amounts of aid sufficient to meet the minimum basic needs of blind persons and additional amounts to meet special needs; (2) Provision for automatic cost-of-living adjustments in grants; (3) Provision for liberal eligibility standards; and (4) A guarantee that no recipient will receive a reduced grant by reason of federalization of the program.

Retention of title X of the Social Security Act

The American Council of the Blind advocates the retention of Title X, federalized in accordance with the preceding paragraph. The history of Title XVI in the several States which have adopted that program has been unsatisfactory

because the inflexibility of Title XVI has made it difficult to meet the special needs of some categories of recipients. The proposed provisions of this title in H.R. 16311 hold no promise of relief from the inflexibility of the present law.

Relative responsibility and lien requirements

The Council endorses proposed Section 445 (c) of Title I, on Page 15 of the Committee Print, providing for the exclusion of the income and resources of a noncontributing individual in determining eligibility for and amount of family assistance. As it passed the House, H.R. 16311 did not include the provisions of H.R. 14173 which would have limited the imposition of property liens. The Council endorses the property lien prohibition of S. 1475.

Proposed Section 1603(a) (2) of the bill (H.R. 16311), limiting relative responsibility under Title XVI, while it represents an improvement, has the defect that it allows a State to consider the financial responsibility of another individual for an applicant or recipient if the applicant or recipient is a blind or severely disabled child of the individual, regardless of the age of such child. This would permit the imposition of financial responsibility requirements with respect to parents of adult blind and disabled persons. To cure this defect the American Council of the Blind proposes that the word "or" following the word "twenty-two" in line 4, Page 86, of the Committee Print of H.R. 16311 be replaced by the word "and". To the same effect, the Council advocates the amendment of Title XIX by the adoption of S. 1251. If these changes are not made, large numbers of blind and disabled adults will continue to be disqualified for cash and medical assistance.

Earnings exemptions

The revision of Section 1603 proposed in H.R. 16311 makes no provision for increasing the present earnings exemptions of blind welfare recipients. While Title I of H.R. 16311 makes an attempt to lift families with children out of poverty by encouraging them to take advantage of training and employment opportunities and by excluding from the income taken into consideration in determining eligibility several kinds of income, these provisions are not made applicable to the aged, blind and disabled, although they clearly should be.

The present exempt earnings allowance for blind public assistance recipients was adopted by the Congress in 1960. Since July, 1962, the month in which this allowance became mandatory, the cost of living has increased by more than 25%. During this same period the earnings limitation for OASI beneficiaries under Title II has been increased twice, from \$1450 to \$2280, or 57 per cent. To remedy this obvious inequity the American Council of the Blind proposes that aged, blind and disabled recipients be allowed the same earnings exemptions, including any provisions for automatic adjustments in accordance with wage levels or living costs, as are allowed for Title II beneficiaries.

Deduction of OASDI benefits from welfare grants

One of the great injustices permitted in the public assistance programs is the deduction of social security benefits from cash payments to welfare recipients. The American Council of the Blind believes that social security benefits are tantamount to deferred earnings and that they should be disregarded in determining need for recipients of aid to the blind. No recipient of public assistance can ever be lifted out of poverty if the only effect of his receiving benefits is to subsidize State welfare programs. The deduction of benefits from welfare grants is practiced in all States regardless of the amount paid in assistance. We advocate an amendment to H.R. 16311 to correct this injustice.

Representation of recipients

The creation of procedures for the representation of the interests and views of welfare recipients is desirable and necessary for the effective planning, delivery, and reviewing of these important government services. Complaints and proposals for improvements could be dealt with properly and expeditiously on a regular formal basis through consultation and evaluation of these services by government officials and representatives of such recipients. Section 1602(a) (16) of Title II of H.R. 14173 provided for the participation of recipients of aid to the aged, blind, and disabled in the periodic evaluation of State welfare programs. Unfortunately, this provision was not included in H.R. 16311 as it passed the House. This would have been a step in the right direction, but there should be a system by which recipients would select their own representatives. An appropriate model for such procedures and consultation has been estab-

lished by Executive Order No. 10088, which provides a system for choosing representatives of Federal employees.

Work incentive and opportunity

The proposed Family Assistance Plan contains some very desirable liberalizing features, but the incentives are not great enough to make the program as attractive as its proponents would like it to be. Encouraging people to work necessarily depends upon a factor not dealt with by H. R. 16311. The missing factor is the job opportunity. Most recipients of public assistance have an employment handicap other than an inferred preference to be unemployed and to receive welfare payments. People with a serious sight problem know how reluctant many employers are to hire them. Senator Talmadge has recognized the need for an incentive for employers in Amendment No. 788. Senator Percy has introduced S. 2192, to provide a tax credit to employers hiring certain unskilled persons. Senator Prouty has introduced S. 998, to allow a tax credit to employers for the expenses of providing job training programs. The American Council of the Blind endorses these approaches to the creation of job opportunities and urges the Committee on Finance to include in H. R. 16311 provisions for tax credits for employers who hire and train blind workers. The incentives should be greater than those proposed in Amendment No. 788 and S. 998. The Council favors liberal tax credits for a 24-month period on a descending scale. Temporary tax credits can create job opportunities and will be expensive to the government only to the extent that they succeed in accomplishing this objective.

The American Council of the Blind urges that the tax credit principle be made applicable to the hiring and training of blind persons whether or not they are recipients of aid to the blind. The broader application of this principle could have a direct effect upon the number of blind persons who would otherwise become eligible for public assistance in the future.

CONCLUSION

The long range reform and successful operation of a satisfactory program of aid to the blind depends directly upon the federalization of the program. Without federalization of the program the great variations in standards of eligibility and payments in the States will continue. All of the provisions advocated by the American Council of the Blind would be compatible with a federalized program. We advocate that the Congress act now to make a federalized pilot project of the smallest of the categories of public assistance.

The CHAIRMAN. Now, the next witness will be Mr. William C. Fitch, executive director, the National Council on the Aging. We are pleased to have you, Mr. Fitch. Will you proceed with your statement?

STATEMENT OF WILLIAM C. FITCH, EXECUTIVE DIRECTOR OF THE NATIONAL COUNCIL ON THE AGING

Mr. FITCH. Thank you very much.

Mr. Chairman and members of the committee, my name is William Fitch. I am the executive director of the National Council on the Aging, and on behalf of the council I would like to express our appreciation for this opportunity to testify on behalf of the Family Assistance Act of 1970, H.R. 16311.

For more than 20 years the National Council on the Aging has been a pioneer in the field of aging and has devoted a major portion of its time and effort toward improving the income status of older persons and helping them to achieve a fair measure of security, dignity, and independence throughout their later years.

We have been all too well aware of the failure of the current welfare system and the social security programs, and were frustrated and discouraged by the inequities, complexities, disparities, work disincentives, and misunderstandings that are inherent in the present system.

The council commends those who have recognized these confusions and failures and have made such forward strides in attempting to overhaul the system through the proposed Family Assistance Act of 1970.

In my presentation today, I would like to confine my remarks to the adult categories in the bill especially those which provide a national set of eligibility standards and a national minimum level of income for all recipients of these categories of aid. These will mean a great deal in helping to simplify the administration, to increase the dignity of older persons, and to reduce the threat of poverty which plagues these people. However, the present bill falls short of eliminating poverty as a way of life for most older Americans.

Stark documentation of this fact is found in a recent report prepared by the National Council on the Aging for the Office of Economic Opportunity entitled, "The Golden Years * * * A Tarnished Myth." I am not sure with all the things that have come to your attention, this has crossed your desk yet, but we have made copies of this report available to every Member of the Congress. It is basic to the recommendations that are being brought out in your hearings and other income maintenance programs.

This report, based on more than 50,000 interviews with older persons in a dozen sections of the country, discloses the conditions under which a great number of Americans live out their older years. There is ample evidence that silent and unseen though they may be, the older poor will not disappear. The elderly continue to be one of the few groups in the Nation whose numbers increase among the poor each year. Furthermore, other studies, such as those currently being conducted by the U.S. Senate Special Committee on Aging, indicate a continuing and growing disparity between incomes of the aged and the working population as a whole. Only a basic institutional change can alter this pattern.

The findings of this project underscore the simple, but often overlooked, truth, that poverty can be eliminated only by increasing income. It also remains equally true that income alone is not enough. The older poor are also faced with a financial crisis due to a national lack of facilities and services in such areas as housing, health, supportive services, and transportation. Often, where resources exist that could help them, they are unknown or inaccessible to the older poor.

The study of income in the FIND survey was intended to show the income of the older poor and to compare their income with recognized levels of poverty and against low income and moderate budget projections. It has been estimated that approximately half of the Nation's elderly, or about 10 million individuals, are living below the poverty level. According to the Social Security Administration, 21 percent of families with a head aged 65 years old or over, and 55 percent of unrelated individuals of this age were living in poverty in 1966. In 1967, according to the Bureau of the Census, 19 percent of all families with a male head and 65 years old or over, and 66 percent of unrelated individuals were reported to command a yearly income of less than \$2,000. When we look specifically at the poor, however, the figures speak even more cogently.

Tables prepared from responses of the entire FIND group, aged 65 and over, indicated that in the target areas, about one-half of elderly

couples and two-thirds of nonmarried persons were living below the OEO poverty levels of \$1,600 and \$2,100, respectively; almost two-thirds of elderly couples fell below the 1966 Social Security Administration poverty index level of \$2,675; and about 80 percent were below the moderate budget for an elderly couple—\$3,869—established in 1966 by the Bureau of Labor Statistics. Similar proportions of individuals had income below these levels.

Of the nearly 19,000 elderly poor who were interviewed in our survey, it was significant to discover that nearly a third of the poor couples interviewed reported incomes below \$1,000, and nearly two-thirds reported incomes below \$1,500. About 17 percent of the individuals reported incomes below \$500; 58 percent had incomes below \$1,000.

It is obvious, therefore, that a great proportion of the elderly poor are not living even close to the poverty line, but rather far below it.

The recommendations that emerged from our Project FIND study fall into three major categories:

To set as a national goal the elimination of poverty among the aged by 1980:

To organize a network of essential facilities and services to alleviate the social consequences and accompaniments of low income and advanced age;

To establish, as an immediate priority, a focal point in each community for information and help to assure the older poor the benefit of such services and resources as now exist, and to guide the development of needed programs.

Poverty can be eliminated only by increasing income. This can be achieved primarily through increasing social security benefits, substantially improving old-age assistance and ultimately blanketing into the social security mechanism all older persons not now eligible for its benefits, and extending opportunities for employment to all those who are able and willing to work.

A special NCOA task force on income maintenance has made a study of the alternative means of providing the elderly poor with an adequate income. While the task force is not yet ready to issue a final report, it has reached some preliminary conclusions regarding the family assistance plan which I would like to share with the committee.

FAMILY ASSISTANCE PLAN RECOMMENDATIONS

The family assistance plan, when enacted, will establish the principle of an "income floor" for the elderly poor. This "floor," however, falls short of the poverty line for a single person (\$1,600 in 1969) by 23 percent, and certainly falls far short of the Department of Labor's annual cost in 1969 for an intermediate budget of \$4,192 for a retired couple. In addition, a number of benefits newly provided for families with children (for example, wage exemptions, Federal agency hearings) have not been applied equally to older persons.

As indicated in the recommended goals above, expansion of the Social Security Act to include older persons now covered only by old-age assistance is preferable to a separate public assistance effort. The following proposed revisions in the family assistance plan bill would, however, greatly improve the status of the elderly public assistance

recipient if his needs are to continue to be met apart from the OASDI system.

A. Development of a poverty line concept in the family assistance plan legislation for older persons which assures payment according to a minimum standard. Commitment, written into the statute, should stipulate that payments will be increased automatically accorded to a progressive scale (for example, in two steps over the next 4 years) to at least reach the poverty line.

B. Liberalization of allowable resources to include "nest egg" savings, life insurance policies, and stocks.

C. Provision for granting an opportunity for a fair hearing for older persons before a Federal agency rather than only before a State agency as is now specified in the bill.

D. Elimination as a possible condition of eligibility for aid the tying of liens to property or any relative responsibility provisions.

E. Mandatory (rather than "optional" as is now specified) disregard of the first \$60 of earned income a month plus one-half of the remainder, as is provided in the bill for family incomes.

F. Obligatory Federal administration of both Federal and State payments programs.

G. Full Federal financing of payments to recipients necessary to raise their incomes to the poverty line, and partial support to States in the maintenance of their standards where those standards exceed the Federal poverty level.

H. Replacement of food stamp programs with more adequate cash transfers.

We would also like to note specifically that section 2005 of the bill (title XX) provides for "balance of services." This "balance" is not defined.

What the bill does not provide for is a "balance" in the provision of services to vulnerable groups who need these services. Since services will be limited under the bill (its closed-end appropriation is pre-written) aged persons could suffer by default if all services relate to children. To insure that this does not occur, the law should specify that there is a "balance" between individuals and groups to be served. This could be done, in fact, in States, by balancing staff as between adults and children, to insure that adults get their fair share of services.

Mr. Chairman, I greatly appreciate the opportunity to appear before the committee and present our views. To conserve time, I have presented our findings and recommendations in a rather generalized form. We will be more than happy, however, to work with the committee or the committee staff, in a more specific way if this would be helpful in modifying provisions of the bill. We will also be glad to make available to the committee the final report of our Task Force on Income Maintenance when it is released later in the year.

The CHAIRMAN. Thank you for your statement, Mr. Fitch. I personally hope that the bill that we report out of this committee will be one more major stride toward the goal that you have listed here in your statement.

I, as you know, have always been very much interested in trying to provide that the aged should be cared for adequately. In many instances I have offered the amendment myself and I am still for that.

I am happy to say when we talk about the welfare mess we do not mean this area. I do not think the aged program or the program for the blind or the disabled is a mess, I think everything we have done has tended to be a step in the right direction. I think you agree with that.

Mr. FITCH. Yes, sir.

The CHAIRMAN. Senator Anderson?

Senator Jordan?

Thank you very much, Mr. Fitch.

Mr. FITCH. Thank you.

The CHAIRMAN. Our next witness will be Mr. Frederick S. Jaffe, vice president of the Planned Parenthood-World Population, and Director of the Center for Family Planning Program Development.

Mr. Jaffe, would you mind telling us in more detail who your group is, sir?

STATEMENT OF FREDERICK S. JAFFE, VICE PRESIDENT, PLANNED PARENTHOOD-WORLD POPULATION, AND DIRECTOR, CENTER FOR FAMILY PLANNING PROGRAM DEVELOPMENT

Mr. JAFFE. Yes.

Mr. Chairman and members of the committee, I am Frederick Jaffe, the vice president of the Planned Parenthood-World Population, or, as it is also known, as the Planned Parenthood Federation of America, and director of the Federation's Center for Family Planning Program Development.

The Federation is the national organization in the family planning field. It was formed in approximately 1960.

We have 185 local affiliates in various communities in approximately 40 States, who provide family planning services through clinic activities and educational programs. We are the only national organization in the birth control-fertility control field. In 1969 we served in our own clinics approximately 400,000 people.

I am very pleased to have the opportunity to appear today before you to present our views on this important reform measure.

Our organization supports the principles and objectives of the family assistance plan.

There can be no argument that the welfare system in this country demands reform, and we believe that many, if not most, of the basic elements for that reform are present in the family assistant plan. A national standard for benefits, a minimum national family income, the inclusion of the working poor in the program, and the high priority accorded to day care services are necessary, feasible and, in our judgment, long overdue.

At its meeting on March 1, 1970, the board of directors of our organization, which includes some 100 distinguished citizens from all over the country, considered this problem and adopted a resolution calling for the establishment of a minimum income for all Americans. In line with this resolution, our organization fully supports the direction of the reforms proposed in the family assistance plan.

However, we believe there are weaknesses and some inconsistencies in the proposed application of these reforms in both the original plan and the administration's revised version. In its March resolution, our board expressed its belief that the current poverty level of \$3,600 for

an urban family of four represented the minimum guarantee that would be realistic. It is apparent therefore, that the minimum income proposed in the FAP of \$1,600 for a family of four is too low and should be increased at least to a level consistent with the current definition of poverty. Secondly, impoverished single persons and childless couples should be included for benefits under the plan. There does not appear to be any reasonable reason for their exclusion. In addition, we feel that the administration's decision to eliminate its original requirement that States supplemental benefits for unemployed fathers and provide medicaid coverage for their entire families, seriously weakens the importance of the program to the working poor. We are not dealing with fixed categories of people who are either permanently employed or permanently unemployed, but people who are employed and become unemployed and need assistance during periods of dependency and will subsequently become employed again. A program to provide genuine family security and assistance, we believe, should encompass the various stages in this process.

We believe, therefore, that the original provisions for the coverage of unemployed fathers and their families should be restored.

Finally, the proposed social services program under title XX fails to mandate some of the basic preventive social services such as family planning, and in many instances these services would be made available without cost only to those below the minimum coverage. This is particularly short sighted in relation to the provision of family planning services.

The provision of family planning services to low-income families has been probably the main concern of our organization for more than 50 years. According to our own studies and those of Government agencies, there are approximately 5.4 million American women who need subsidized family planning services. A relatively small proportion of these women, somewhere between 15 and 20 percent, are welfare recipients. Therefore, when the family assistance plan was announced last year we were encouraged by the inclusion of the working poor for benefits and supportive services.

The President, in his historic population message of last year affirmed that access to family planning services is a basic human right and should not be conditioned upon economic status. He acknowledged that, although some progress has been made in the provision of family planning services to the poor, our federally supported family planning services programs needed to be expanded and better integrated. In 1969 an estimated 1 million women out of 5,400,000 received modern family planning services from all public and private organizations combined. This is not a measure of Federal programs alone, but it includes a significant effort made by our organization and by voluntary hospitals using their own budgets.

It was, therefore, surprising to us that the administration did not place strong emphasis on family planning in its social services amendments to the family assistance plan.

Social science research and literature have abundantly documented that family size is related to poverty. Harold Sheppard of the Upjohn Institute for Employment Research in a 1967 study pointed out that "the incidence of poverty among families with one or two children under 18 is relatively low (11 percent) but steadily rises as the number

of children increases—to 43 percent among families with six or more children.”

Many surveys, however, indicate that the poor do not want large families. They, in fact, tend to want slightly smaller families than those desired by the middle class. However, the poor have more children than they want because they do not have access to modern family planning information, medical services and low-cost contraceptives. This is a function of their lack of access to proper medical care. If poor and low-income families were given the same opportunity to plan and space their children that middle-class Americans now enjoy, this would be one of the most meaningful forms of economic and social assistance.

As you know, our definitions of poverty are the relations between income and family size, and people, who will be able to make out more or less on their own at a given level of income, will by virtue of having an additional unwanted pregnancy be pushed below the poverty line.

Modern, effective family planning services today cost about \$60 per woman per year. Consider and compare this cost to the expense of providing prenatal care, hospital costs at birth, post-partum and infant care for women who involuntarily become pregnant and the unwanted children they bear. Consider too, the possible costs to the public when the unwanted pregnancy forces a working mother to leave her job and become dependent on welfare assistance. I might further add that in addition to these hard economic factors, there are very considerable human and family benefits as well.

In a very real way, it seems unnecessary to discuss these facts with a committee that has done so much to encourage the development of domestic family planning programs. With the 1967 amendments to titles IV and V of the Social Security Act, this committee and the Congress were responsible for providing emphasis and impetus to the development of family planning programs of this country. The family project grant program under title V and the complementary OEO program have shown some good results in the past year, but these are still limited programs and cannot meet the Nation's family planning needs.

Title XIX, the medicaid program, contrary to expectations, has played only a minimal role in the financing of these services for the medically indigent population. The States in response to the high cost of the program have usually limited coverage of adults to those on public assistance.

In addition, many fiscal and administrative restrictions have further limited the availability of care. Preventative health services, family planning among them, have received very little and, in fact, almost no attention. A survey conducted by our organization revealed that only nine of the 37 States that had medicaid programs in 1968 could even provide an estimate of the total number of medicaid patients who had received some family planning services during the year. The administration, in its presentation of the fiscal year 1971 budget, had to drastically reduce its previous overly optimistic estimate of funds expended under this program for family planning, and, indeed, of the numbers of people served.

Title IV-A, the present program of social services and other preventive services for AFDC families, contains a very strong mandate

for the provision of voluntary, subsidized family planning services. Under the 1967 amendments, family planning services—including, of course, necessary medical services—must be offered and provided to all appropriate AFDC recipients who want them. With these amendments the Congress recognized that the provision of family planning services was basic to any meaningful national welfare and employment program. Many months have passed since the 1967 amendments became law, but the family planning mandate of this title has simply not been implemented. The situation was officially recognized by former HEW Secretary Finch when, in response to a question from this committee during his testimony on the family assistance plan, he stated that “very little” had been accomplished under title IV’s family planning provisions.

I would like to call to your attention some data that are in the material prepared by the committee staff related to the administration’s revision of H.R. 16311, and which apparently came from the Department of Health, Education, and Welfare. There is a chart in here that estimates that in 1969, 479,300 welfare recipients, presumably AFDC recipients, were offered family planning services under an open-ended Federal matching grant formula, presumably title IV. We would challenge those figures, and we would strongly urge the committee to request detailed documentation of the source of that estimate from the Department.

In testimony before the Senate Labor and Public Welfare Committee, former Secretary Finch was candid enough to acknowledge that a great deal of, in his words, “Mickey Mouse” has been used by the Department in its estimates of family planning services provided under their programs.

I am sort of astonished that one element of the Department apparently does not read what the other elements do because, at the same time this emanates from the Department to guide you in your evaluation of the family assistance plan, the Department sends to the Congress the first annual report on services to AFDC families, as required by the 1967 amendments. If you will read that carefully, it says that a national sample survey in 1969 indicated that only one out of 10 AFDC recipients in that year received even a medical referral for family planning services. That does not even say they received the services.

Now, since there are roughly 2 million AFDC families in the current year, and some of them are headed by women who are beyond the child-bearing years and would not be candidates for family planning services, it seems quite reasonable to me that the maximum number of AFDC recipients who are currently receiving family planning services would be somewhere in the area of 175,000 not 479,000. Furthermore, I would be willing to assert dogmatically—that if, indeed, these 175,000 AFDC recipients are currently receiving family planning services, almost all of them are receiving services through either privately financed programs or other Federal programs, not through title IV. The implication of the material supplied by the Department that this is a measure of the functioning of the title IV—A program since 1967 is terribly misleading.

Now, there are several reasons for this failure of title IV to function. The States have found it difficult, if not impossible, to secure

the required 25 percent cash matching funds. Moreover, the traditional role of State and local welfare departments has been to serve as sources of referral for services, and they have not usually thought of themselves as having the responsibility to actually secure medical services. Many apparently continue to view their title IV responsibilities in terms of simply counseling and referral. HEW, for its part, has not encouraged the use of title IV for the purchase of services and has fostered the notion that the States can rely on Medicaid to meet their title IV family planning responsibilities. Despite the language of HEW's WIN program guidelines which state very clearly that "Pregnancy has been and is one of the most frequent causes for dropouts in employability programs," the Department has made no real effort to assist the States in developing the required medical family planning services resources. According to its July report on services to AFDC families, HEW apparently believes that its major accomplishment thus far under the title IV family planning program has been the liberalization of attitudes of welfare personnel toward the discussion of family planning services. It is certainly important, but it is just one step in a program.

As ineffective as the present title IV program has proven to be, its potential for serving the family planning needs of the medically indigent is vastly superior to the program that has been proposed in the revised family assistance plan. The deemphasis of family planning under title XX is particularly incomprehensible since the States are now just beginning to be aware of the potential of title IV-A for financing the provision of family planning services, and some, Texas and North Carolina in particular, are starting to implement the program.

Title IV's existing authority mandates the provision of family planning services to all appropriate AFDC recipients financed under an open-ended Federal appropriation. The revised family assistance plan ignores this mandate which the Congress wrote into law in 1967 and instead views family planning services simply as one of the enumerated and optional services the States may offer as part of their social services plan. Under title IV-A, the States, at their option, can expand coverage to individuals not currently receiving public assistance. Title XX, in contrast, would provide free family planning services only to those below the minimum coverage. None of the favorable matching and other incentives provided for day care and other work supportive programs are made available for family planning services. In addition, under title XX, family planning programs will have to compete with older, better established social services for limited Federal funds under the closed-end grant features of the new title.

Now, these administration recommendations are utterly incomprehensible in view of the conclusions that the Department itself reached in its report on services to AFDC families and, with your permission, I would just like to read a few sentences on this which document and reinforce what I have just been saying. The report states, and I am quoting, that:

"Medical services"—that is medical family training services—"still are too limited, especially in rural areas but frequently in large urban areas as well. Replying to the question whether medical family planning programs currently available are adequate to meet the need of

eligible clients"—this is eligible welfare clients—"36 State welfare agencies answered in the negative in March 1970. Thirty-one cited geographic inaccessibility as a major problem. Many reported a shortage of health professionals and paraprofessionals, and some reported that existing facilities are overcrowded. Even in the Nation's principal counties and cities where clinics are more likely to be found than in less populous sections, 50 out of 106 local welfare agencies reported currently available medical family planning programs are inadequate. Although Federal funds may be used to match \$3 for every \$1 spent from State funds for services, time and again agencies emphasize the difficulty of raising the 25 percent share at State and local levels. Generally, no special funds have been made available to develop family planning services, as indicated, for example, by the general absence of full-time staff leadership for this program."

And they conclude: "Although some progress has been made by public welfare agencies in providing family planning services under the 1967 amendments, the scope and pace of change must be greatly accelerated if national goals are to be achieved."

Mr. Chairman, to make modern family planning services available and accessible to individuals who will be eligible for the FAP, we believe that consideration should be given to the following modifications of the administration's proposal: First, the provision of family planning services should continue to be a mandatory program and not be reduced in priority to an optional one. Second, the favorable matching arrangements proposed for day care, which make it possible for the Federal Government to pay in some cases up to the total cost of these services, should be applied to the financing of family planning services under this bill. Third, family planning services should be made available free of charge to all individuals and couples who require assistance under the plan, not to just those below the minimum coverage.

Our organization believes that the availability of low cost, medical family planning services is indispensable to a general effort to reduce poverty in this country and to any meaningful work and training program. We are certain that the Congress agrees with the President's statement of last year "that no American woman should be denied access to family planning assistance because of her economic condition," and that Congress will remedy this obvious defect in the proposed legislation.

Thank you.

The CHAIRMAN. Thank you very much for a very timely statement, Mr. Jaffee.

I do feel this is one area where we should be able to do something to help with the present situation.

I have tried to come up with some estimate as to what it costs us to go along with those who think they know better for a woman than she knows herself for her own good, and insist on trying to make in convenient for unmarried women to produce children that they are not able to support, driving them deeper and deeper into poverty. My impression is that it costs us somewhere between \$5,000 and \$10,000 now to support an unmarried mother's children that she is in no position to support. The cost of that, I assume, will go up as we provide more and more day care and other services to these poor families.

I think you have made a very fine statement here, that what people are denied in help that they want in planning their own families and, therefore, required to impose on society a very heavy burden, apparently we have now made the breakthrough in recognizing that people should not be required to produce large numbers of children that they are in no position to support, and where they would like to avoid it.

As you have so well indicated in your statement, middle income and upper income families are able to meet this problem. We ought to provide for the poor just as a matter of self-interest, whatever assistance they need in that area.

I think you made a fine statement.

Mr. JAFFE. Mr. Chairman, I might point out, I am sure you are familiar with the excellent statewide family planning program that has been developed in your State in the last 3 or 4 years under the direction of Dr. Beasley of Tulane. One of the terribly important findings of that program, which is one of the most systematically organized ones that have emerged any place in the country, has been the response of low-income women, and welfare recipients to a well-designed delivery system of the family planning services. It has exceeded all expectations. The ability of Dr. Beasley's program to reach at least 75 or 80 percent of a low income target population, defined from census and other social statistics, and his ability to keep that population coming back for yearly examinations on a voluntary basis, is a fantastically significant demonstration. I would say that the Louisiana experience is significant not only for this country, but for the entire world in terms of the organization and delivery of a proper family planning services and its potential impact on social problems and ultimately on demographic problems as well.

Now, what we are seeking in the family assistance plan and in other relevant Federal programs, is the ability to repeat that sort of well-organized program elsewhere in this country, and begin to make a significant use of family planning services in a preventive way.

The CHAIRMAN. Thank you very much for your statement. Any questions?

Senator ANDERSON. Who supports your organization?

Mr. JAFFE. Our organization exists primarily on private contributions. Our local services are supported, in part, perhaps 35 percent of the cost, from fees from patients who are able to pay on a sliding scale.

Sixty-five percent of the cost of those services come from public contributions in the 185 communities in which we function much like the Red Cross or the Polio Foundation or any of the other voluntary health agencies.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. No questions.

The CHAIRMAN. I would just like to ask this further question: I have noticed, and I approve of these family planning offices that I see in some small communities. I assume we have them available now in larger cities, but I would like to ask if that is adequate. It would seem to me that people might be embarrassed to report in, especially single people might be embarrassed to come to these family planning offices.

Shouldn't we provide the service where someone goes out and looks people up and tells them what they need to know about family planning?

Mr. JAFFE. Well, Senator, the Louisiana model, for example, has a very strong, what we call in our jargon, "outreach component" which does exactly that. Program workers, and if you will recall Congressman Scheuer mentioning the possibility of New Careers jobs within a family planning program, are recruited from the low-income population and given 3 to 6 months' training and supervision. They function very effectively as outreach aides who will do a number of things to inform prospective patients of the availability of the service.

For example, they will visit post partum wards in the hospitals. One of the times when women are most interested in discussing family planning, is just after they have had a baby, and it is relatively easy to reach them. You know exactly where they are. Outreach aides will also conduct group meetings in churches, in women's groups and civic groups in the community to inform people of the availability of the service, describe, and reassure them on some of the misinformation that they may have.

This is an integral part of what we consider to be a family planning delivery system, and it seems to me that one of the important things that the Federal funds under title IV-A, and under other programs, can pay for is the creation of this sort of an outreach system.

Now, in some cases it is necessary to have a family planning clinic as such because there is no other medical facility in which the medical service can be provided or there is an inadequate number of medical facilities. There may be only one health department building in the community, and the community needs five locations.

Our general approach to where you put these services is to start with existing resources, existing facilities, hospitals and health departments, and integrate a family planning clinic or a family planning service in other clinics within those services. When you then see what else remains to be done in terms of location, in terms of geographic accessibility, in terms of capacity so that their clinics are not overcrowded, you then establish free standing clinics which serve other kinds of people.

Finally, I think you have to remember we are very varied people. Some people will be embarrassed about going to a door that has a shingle on it that says, "Family Planning Clinic." Many others will not.

I think that to develop a delivery system we are going to have to have the ability to serve both kinds of people. We are going to have to have the ability to serve people who will be embarrassed, and at the same time, many, perhaps the majority, will not.

In the New Orleans experience, Senator, it appears that the majority of low income women are not at all embarrassed to go to a clinic that has a shingle on it that says "Family Planning Clinic."

The CHAIRMAN. Thank you very much.

Senator ANDERSON. What is your total annual budget?

Mr. JAFFE. The total annual budget of the Planned Parenthood Federation, including its affiliates, was about \$16 million in 1969.

Senator ANDERSON. That is satisfactory with me. I just wanted to know what the size of this was.

Mr. JAFFE. Thank you. We have grown rather rapidly in the last decade.

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

Mr. JAFFE. Thank you.

The CHAIRMAN. Might I call Mr. Jaffe here for one question? I see he is still in the room, isn't he?

Mr. Jaffe. I would like to ask you one further question.

So far we have been talking about family planning services for these mothers. One proposal which has been before this committee is that we chase down the fathers and make them pay something for support of their children to encourage their responsibility in family planning, and I would just like to know your reaction to the proposal that we seek to identify the father and make the father contribute something to the support his children. What would your reaction be?

Mr. JAFFE. I confess to knowing very little of how feasible that is. I have seen some studies, and, perhaps some assertions, that indicate that the difficulty of locating the various fathers makes it so costly that it becomes an unfeasible program if you could do it.

I do not really have any basis of judgment as to whether that is true. I do have a strong feeling that if the basic structure of the family assistance plan is enacted it will tend to preserve the family unit and not provide an incentive for fathers to desert, and that a good part of that problem may be minimized or reduced through that mechanism. That is all I can add to it.

The CHAIRMAN. Thank you very much.

The next witness will be Mr. David L. Batzka, board member of the Kentucky Association of Older Persons. Did I pronounce your name correctly, Mr. Batzka?

STATEMENT OF DAVID L. BATZKA, BOARD MEMBER, KENTUCKY ASSOCIATION OF OLDER PERSONS, AND DIRECTOR, KENTUCKY INTERFAITH AGENCY PROJECT

Mr. BATZKA. I am glad you let everyone know I was not Mrs. Lenore Upson.

I happen to be the youngest board member of the Kentucky Association of Older Persons, which is an organization in Kentucky about 1 year old, made up of about 800 older individuals over 65, and about 50 organizations; and I am also director of the Kentucky interfaith aging project, and we are a new project. Basically, I am an aging consultant for the churches and the State of Kentucky, but I am here today as a board member of the Kentucky Association of Older Persons.

I was going to mention that, as you probably get to the Kentucky Association of Older Persons, that is what we call senior power, and we were planning to bring three or four of our members who were on public assistance to testify. But, unfortunately, as you can image, trying to bring someone from Kentucky who is over 70 years old is a little to-do, and we just did not have the time and felt that is was worth the energy for these older people to come because, I think, they have a story to tell on what it means to live on \$74 of total income a month, and what it means to worry about whether they are going to have enough money to go to the end of the month.

For example, our office gets a call from a couple whose check has run out, they need some drugs, and they are eating jello and cereal, and have a week to go, and what do they do? I can go on and on with these stories.

In a way, statistics do not bear out the human facts of the older person, and I just put this under the heading of, I think we are cruel, as a society, to our older persons, and I speak as a younger person, because I see this every day in my work, there are older people who are so beaten down, so disillusioned with the world that they live in, and I notice that the testimony of the National Council on Aging raised some of the problems, and I hope that you will take into consideration some of the suggestions that we make because basically what we tried to do was to solve some of the problems in the bill.

As you are probably aware, the No. 1 problem of older people is income. It is just that simple, whether they have enough money to go get their food stamps or whether they have enough money to go down to the local Senior Citizens' Center, that is all involved.

Nearly 30 percent of the people over 65 in our Nation are officially classified as poor. On OAA, which is the old age recipients, there are over 2 million in the United States, and I call these the forgotten Americans, because these are the lonely older people who are generally living in their own homes.

The average payment for the 64,000 in the State of Kentucky is \$53.75 a month, and in the United States it is \$71.35 a month. To me, it does not take much imagination to see how could you live on as little income as this a month for an individual.

Now, as far as population, I think it is important to find out where these older people are, and I have taken Kentucky because this is where I am from.

In the State of Kentucky, out of a population which is 1,000 who are over 65, 191 are on old age assistance. In eastern Kentucky, which includes the 49 Appalachian counties, there are 355 old-age recipients out of a thousand over 65. In some of the counties in which I have been working, half of the older population in a county are on old age assistance, which means their maximum total income, if they own their own home in Kentucky, is \$74, and they just survive.

Now, in order to correct this we make actually four recommendations, but we commend Congress for placing a minimum income level for older people. Actually what our suggestion is what minute and small changes in the bill—and we are talking about title II, which is part of H.R. 16311—we can make.

One of the problems is that we have widows who are over 72 who are living alone in their own home, living on the small social security payment of their husbands.

As you probably know, if a person received or paid in on \$3,600 in the early fifties, their payments are based upon this small income. What can we do about this? The solution that KAOP has come up with and submits to you for your consideration is to make a category for the single living unit, and I will make the point a little later about how many people are living in this single unit, and actually the bill as now written misses this group, because it only puts the floor at \$110, but for the couple this is double and brings them up to the poverty level.

Our second recommendation is that earned income should include the social security benefits. We strongly feel that the older person who worked all his life and has now retired should receive at least the first \$60 of his social security benefits.

Our third recommendation which, by the way, according to a copy that I have has already been changed in the revisions, and that is in section 1603(5) and (6) that State agencies may disregard, change it to the State agencies "shall" disregard, and this has already been changed for the earned income for \$60, and it has been changed in the revisions to the word "shall".

Now, there is one more word in section (6) on \$7.50. This was \$7.50 of any income is still optional, and \$7.50 to an older person, they are marvelous in stretching the dollar, and I feel that we should change and give the older person that \$7.50, so there is just one word that needs to be changed, and that is the word "may," to "shall," and I am surprised that this revision has not already been made because of the discrimination which was made in five had been changed, and we believe that six ought to be changed.

Let me explain a little further, and I hope you will turn to page 2 of my testimony, to the chart which is at the bottom of the page where we attempted to actually find the cost of living for older persons in Lexington, Ky.

If you will note in the center of that page it is stated that more than two-thirds of the aged are women, and you will note that out of the over 2 million, that 68 percent are females, that of these females, 70 percent are over the age of 72.

You see, actually what has happened is that their husbands are dead, missed social security, so we have widows who are living alone in their own homes over 72, and under the bill as it is presently stated their maximum total income would be \$110 a month, and now if they live in an urban area it is \$94, and this is just not adequate.

What we did, we took from the Chamber of Commerce and tried to figure out what it actually costs an older person to live in Kentucky, comparing it with what actually public assistance pays.

As you will note at the bottom of page 2 we estimated it costs \$40 for food for an older person. The public assistance pays \$31.

On clothing we estimated the cost to be \$15. Public Assistance pays \$8, and so forth.

So you have a total possible income of Public Assistance of \$94, where for this person to live, just to survive adequately, we think it would cost \$213. You will note on the other side we make the same estimate as to the couple.

I do not know how I can dramatize the problem of the single older person who is living alone in his own home. They suffer the income which affects their total lives because when a person does not have enough money they are not eating the proper foods. There is a story I would like to tell, and you will have to excuse me for this, but it is about a person who dies of bad fitting dentures.

You know, we know that no person probably has died of bad fitting dentures, and no doctor is probably going to fill out a health certificate or a death certificate saying that bad fitting dentures was the cause of death, but let me run through this story very briefly.

What happens here is this older man, his teeth do not fit properly and he does not have the \$15 to go down to the dentist to get his teeth

fixed. Thus he does not have his teeth and he cannot eat proper food like meat which has protein in it, and since he is not eating the proper foods, this affects his health, and he is not getting the rich blood through his mind, and so he becomes senile, and then we pay—I have not estimated how much, but then the State or through medicare programs it has to provide care for this older person through nursing homes or other medical care.

Now, if this older person with his bad fitting dentures would have had the \$10 in hand to get his teeth fixed, or the proper income then we would have had less problems down the road.

In other words, it is very simple that an ounce of prevention is worth a pound of cure. In other words—

The CHAIRMAN. Why shouldn't he just run that through a meat grinder when he buys his food, and in that way he would not need to have any dentures to chew on?

Mr. BATZKA. Yes, but most of us do like teeth, and most older people get embarrassed if they do not have teeth. I can give you a personal story of my office manager who, right away, is 66, and she broke her teeth and she would not come into my office, and she did not want me to see her without her false teeth. So we had to take into consideration the concerns of the older person.

But I hope you understand the point I was trying to, in a humorous story to communicate that there is a real concern here if they have this money at the beginning it really is going to, I think, save money in the long run.

If you will note at the bottom of page 3 we have—and most of my figures, by the way, do come from HEW reports—you notice that 32.8 percent live alone in Kentucky, and 39.5 percent in the United States. Here we just try to point out that these people do live alone in their own homes and, as you probably know, it costs as much for one person to live in their homes as it does for two, and so we cannot overemphasize what it costs in terms of just maintaining the home.

I think you have to understand, too, that older people do want to live independently, and I think this is what this bill can provide, and to keep people out of nursing homes, and if they have an income, in order to live in their own home.

Actually what happens, and what I am trying to state here is that if the minimum income level for a couple is adequate and brings them up to the poverty level, the \$110 per month total income, but in the bill it states the poverty level for a single person is \$1,920, if you can figure what \$110 times 12 comes out to, \$1,320; in other words, they fall \$600 short.

In order to solve that problem without raising the minimum income level, we feel by making a single living unit category for one individual who is living alone in his own home at \$160 would bring them up to the poverty level. This is a particular group in public assistance, and we feel this is one way of going about solving that particular problem.

The second concern, as I mentioned, and we may be on some loose ground on this point, is that we feel the social security benefits which the older person earned and paid into, they should receive them in their older years, and what happens at the present time, these social security payments are figured in as the income, and if you will turn to page 7 of my testimony, you will note at the bottom of the page we

state that in 1969 the maximum total income that a person could have in Kentucky was \$70, and in 1970 it was \$74.

Now, Congress gave everyone who was on social security a 15 percent increase, which means the widow we are using here received in 1969 \$55, and she received an increase to \$64 in 1970.

The public assistance payment was \$15 in 1969 and was \$10 in 1970. The total monthly income of this one individual was only raised by \$4, and what really happened to the \$9 that they received in their 15 percent increase was that because of the maximum that was set by public assistance of \$74, actually the person who received both old age assistance and social security only received \$4 in total income, and actually the \$5 was passed on to the public assistance agency and not to the older person. We feel that Congress meant that they should have received their total 15 percent increase because when you are living on a total income of \$74 that extra \$5 would mean a lot. I cannot overemphasize this point that just a few dollars to the older person really does make a difference.

The social security benefits we feel they are entitled to because they paid in over this period of time, and this should be on top of public assistance.

The other point is that the fast-eroding fixed income exists because of inflation, and the proposed minimum of \$110 per month would not meet this, but if older people were entitled to the first \$60 of their social security benefits, which they have earned, then this would bring them up to the poverty level without changing the minimum income level.

Probably one point that I can stress is that the person who is over 72, and with whom I work, you know, they lived through a major depression; they have lived through two world wars and another war, and their wages were much lower in 1940 in the 40's and the 50's when they retired, and that is where the benefits are being paid today.

So I think we really penalize our older people for living too long. How do we solve that problem of a person who is now over 72 because they did not plan to live over 72 and I think we can solve this by giving them their social security benefits, which are small, but should greatly add to their public assistance benefits.

The third part of our testimony, as I have stated here, according to the revisions in the bill, the first \$60 of earned income was optional in the State, and according to the markup of the bill as I have it is now mandatory. But, as I pointed out before we feel that in section 1603(6), it gives optional the \$7.50 of any income, and we feel that this also, the word should be changed from "may" to "shall," that State agencies shall disregard the \$7.50 of any income.

If you will note on page 7 of my testimony, that in Kentucky 41 percent of the 64,000 people have no other income except old age assistance, and that 40 percent are receiving social security payments. In the United States 33 percent of the over 2 million who are on old age assistance have no other income except old age assistance, and in the United States—

The CHAIRMAN. Do you mean those people do not have social security?

Mr. BATZKA. Right. Their only income is from old age assistance and, as I pointed out before, this generally is the group which is over 72, and I think you can understand that from the past history of social

security why, if the husband did not work, and especially in Appalachia and in the rural areas of Kentucky where, you know, the economy and so forth, it was an agricultural society and that is where these people lived, and social security was not available for them, and they just did not make the incomes to raise them up at this point in their lives, so this is really the disadvantaged group, and this is what we are trying to figure out, how you can serve this particular group, which, by the way, you know, it is inevitable that we are all going to die, and this group basically will be dying off, so what do we do in the meantime with this group which is over 72.

Actually, people who are now retiring this is not a problem, and this is the point here.

Actually, I feel that probably I did not adequately state the case because the older people, I think, can tell their story of what it means to live on, you know, \$74 much better than I can. Statistics just do not dramatize the plight of the older person in our society. It does not measure the loss of pride, of dignity, of self-respect lost by the 2 million older Americans and, you know, there is a lag, older people actually wonder whether they are going to have enough income to last them to the end of the month so they will get through, and older people have a lot of time on their hands.

Yesterday—I won't go into it, but I had another story. Each day I run into an older person who goes through this long dissertation, if they only had adequate income, so they spend their time worrying and, to me, I think, this is cruel for our society and especially for the older person, living in the Appalachian regions. There are 28,000 in the 49 counties of eastern Kentucky. These are rugged mountain people who eat potatoes and beans and hardly any, very little meat because they cannot afford it. They live in substandard housing and very few clothes. Living is almost unbearable, and I have to ask this question: how cruel can we be as a society to let our older people suffer through their last days of their lives wondering whether they are going to have enough money to make it through the end of the month.

It is our hope that Congress will include a category for the single living unit of \$160 a month that they will change the earned income and allow social security benefits to be included as earned income, which it should be, and so they will receive that first \$60 which they are entitled to.

The thing that I want to stress here in my closing remarks is that the people we are talking about built this country. They are the people who built this country, the economy that we live on; they are the people who made this affluent society. As a young person, I plead that they have a fair share in their old age and that they will not have to sit out each month wondering whether there will be enough income to last.

The CHAIRMAN. Thank you, Mr. Batzka.

Any questions, gentlemen?

Senator ANDERSON. What is your organization, what does it consist of, several organizations?

Mr. BATZKA. The Kentucky Association of Older Persons?

Senator ANDERSON. Yes.

Mr. BATZKA. It is an organization which is made up, as I said before, of about 80 individual members who pay dues, and it is made up of of about 50 organizations, senior citizens clubs, church groups, retired

labor organizations, and it is an organization made up of older people from different types of organizations. It is about one year old. Our reason for existence is to attempt to bring attention to, not only Kentucky but to the problems, bringing to Congress, the plight of the older persons.

Senator ANDERSON. Thank you.

The CHAIRMAN. Thank you very much, sir.

(Mr. Batzka's prepared statement follows:)

TESTIMONY GIVEN BY DAVID L. BATZKA, BOARD MEMBER, KENTUCKY ASSOCIATION OF OLDER PERSONS AND DIRECTOR OF KENTUCKY INTER-FAITH AGING PROJECT

MAIN POINTS

1. Plight of elderly receiving Old Age Assistance in Kentucky.
2. Minimum Income level for single living units should be \$160 per month.
3. Earned Income should include O.A.S.D.I. benefits so that OAA recipients can receive a part of their Social Security benefits in addition to OAA payments.
4. State Agencies *should* disregard the first \$60 of earned income.

The Number One problem for people over 65 is the lack of adequate income. Nearly 30% of those over 65 (3 out of 10 people) are officially classified as poor by the Social Security Administration. Many of these people did not become poor until they retired.

The poverty and living conditions of rural and urban people have been well documented over the years. However, little is stated concerning the truly "forgotten American": the over two million persons over 65 receiving a small old age assistance (OAA) check each month. The average payment per month in Kentucky for over 64,000 persons is \$53.75 and in the nation \$71.35 per month. The proportion of population per 1,000 people over 65 in Kentucky is 191, Eastern Kentucky (49 Appalachia counties) is 355 and all United States is 100 receiving OAA payments.

We commend, in principle, the Congress for placing a minimum income level for older people. However, we recommend the following additional changes in H.R. 16311 Title II—Aid to the Aged, Blind, and Disabled:

(1) Provide a minimum income level for the single living unit at \$160 per month.

(2) "Earned income" shall include Old-Age Survivors and Disability Insurance (OASDI) benefits.

(3) Sec. 1603, 5 and 6, the word State agency "may" disregard changed to State agency "shall" disregard.

The reasons for the above necessary changes are simple. First, the most disadvantaged group is women who are widows living in their own homes. Secondly, the older person who receives a small OASDI benefit has it included as income in his total OAA payment.

I. Why should there be a special minimum income level for the single living unit at \$160 per month in the adult category?

The Task Force on "Economics of Aging Toward a Full Share in Abundance" for the Special Committee on Aging of the United States Senate spotlighted the special economic problems of widows: Six in ten widows and other aged women living alone are below the SSA poverty line. More of the aged in the future will be women, and most of these women will be widows. Women 65 and older already outnumber men by a ratio of 134 to 100 and this disproportion is expected to rise to 150 to 100 by 1985. (1)

Nearly two-thirds of the aged are women who receive OAA payments. Out of the 2,119,254 old-age recipients in the United States in 1965, 68.4% were female (1,449,000) and 31.6% were male (670,123). (2) In Kentucky 70.8% of the females were over 72 years old and in the United States 72.5% of the females were over 72 years old.

Widows on Public Assistance are a particularly disadvantaged group. In Kentucky 60.6% of the OAA females were widows and in the United States 66.1% were widows. The following chart for a single older person and a couple should help to explain why they are a disadvantaged group:

	Single older person		Couple	
	Estimated need	Public assistance pays	Estimated need	Public assistance pays
Food	\$40	\$31	\$80	\$58
Clothing	15	8	30	16
Rent	100	23	120	30
Utilities	25	14	25	16
Household supplies	8	4	16	8
Medical supplies	10	4	20	8
Incidentals	15	10	30	20
Total monthly	213	94	321	156
Yearly	2,556	1,128	3,852	1,872

The Bureau of Labor Statistics placed needed income in 1966 for a moderate level of living in a city for an older person living alone at \$177.50 per month or \$2,130. per year and in 1968 for a couple at \$370. per month or \$4,440. yearly.

Public Assistance payments for a single older person only falls short \$1,012. per year total income based on the Bureau's standard and for a couple only \$2,568. per year.

Many OAA recipients do not have adequate income to provide the essentials for a livelihood. People suffer from the lack of proper nutrition because they do not have enough money to purchase needed foods. Money problems cause health and psychological problems, so people end up in a state of depression and self-pity.

There is a widening gap between actual living cost and OAA payments. For a single OAA older person living in a rural area in Kentucky owning his own home, the maximum total income is \$74. per month. Many of the costs are fixed whether one or two people are living together. These fixed items including housing repairs, rent, utilities, household supplies, clothing, etc. We can not overly stress the high cost for one person living alone in his own home.

LIVING ARRANGEMENTS FOR FEMALE OAA RECIPIENTS

[In percent]

	In own home	
	United States	Kentucky
Total	66.6	68.3
Alone	39.5	32.8
With spouse only	12.3	16.8
With other persons	14.7	18.6

One important fact to remember is that *only 6.5%* of all OAA recipients in Kentucky lived in institutions (United States 8.7% of OAA recipients).

Older people wish to live independently even at the price of poverty. The major asset of most older people is their home. In Kentucky, 53.2% of OAA recipients owned or are buying their home with only 3.2% in Public Housing and 84.3% of the OAA recipients are living in non-metropolitan areas.

From the above facts, we concluded that OAA people tend to be older than other Americans, more likely to be women, to be poor, and living in rural areas. *One fact stands out: OAA recipients not only lack money, but things that money can buy!*

The poverty level has been defined in H.R. 16311 as \$1,920. for one person and \$2,460. for two persons. The \$110. minimum income per month (\$1,320. per year) does not bring an older person living alone up to the poverty level. They will fall \$600. per year short!

On the other hand, \$110. per recipient per month will provide a floor under the older couple. It is \$2,640. per year for \$180. over the 1969 poverty level. When the law goes into effect, the couple will be just at the poverty line while about 40% of all OAA recipients who are single living units will fall below the poverty level by \$600. per year.

Conclusion: A special minimum income level for the single living unit at \$100. per month is the only answer. Such older people receiving a minimum income of \$100. per month would bring them up to poverty level of \$1,920. per year.

II. Why should "earned income" include OASDI benefits in its definition?

OASDI benefits should be treated as earned income. Employees under the Federal Insurance Contributions Act paid 4.8% Social Security tax. This tax is based on gross pay. Thus the Social Security tax is considered a part of the earnings of an employee when withheld.

The basic idea of Social Security is a simple one: During working years employees, their employers, and self-employed people pay social security contributions which are pooled in special trust funds. When earnings stop or are reduced because the worker retires, dies, or becomes disabled, monthly cash benefits are paid to replace part of the earnings the family lost. (4)

The above statement was taken from an official Social Security Administration publication. The principle is one of deferred compensation. The employee has earnings withheld at one point with an equivalent returned at another date from a common fund.

We feel the government considers the social security tax as earned income because employee pays federal taxes on it as part of his gross income. Since social security benefits are based on past earnings, when the retired worker receives his benefits they must be considered deferred earned income.

We realize social security benefits as earned income does not fit the legal definition. However, for the following reasons we support OAA recipients receiving the first \$60. of their OASDI benefits.

First, we believe OAA recipients are entitled to receive their small monthly social security benefit to live adequately because they worked hard to contribute in the fund and should receive a fair share of their past earnings on top of Public Assistance payments.

Secondly, with inflation eroding a fixed income rapidly, the economic position of older people is deteriorating rapidly for the OAA recipient, unless they receive more than the proposed minimum of \$110 per month.

Thirdly, older people, particularly who are over 72 years old, had problems preparing for their retirement years because of two world wars, a major depression and wages earned were generally low. Older people should not be penalized for living at the wrong time in a nation.

Conclusion: Earned income should include OASDI benefits so the 45.2% of all OAA recipients can receive a part of their social security benefits on top of their OAA payments.

III. Why should State agencies disregard the first \$60 of earned income?

In Section 1603, the aged, blind, and disabled are combined into one category to make uniform requirements. Then an unfortunate distinction was made between the blind and disabled, and the aged. It is *mandatory* for states to disregard for blind and disabled earned income up to \$85. per month plus one-half of the remainder. However: (5) if such individual has attained age sixty-five and is neither blind nor severely disabled, the State Agency may disregard not more than the first \$60. per month of earned income plus one-half of the remainder thereof:

We feel this arbitrary distinction of the disregard should be changed to the *mandatory* requirement of disregarding earned income for all aged, blind, and disabled. The amount earned by 1.4% of OAA recipients in the United States that was not deducted from their OAA payment averaged \$12.24 per month. (5) More older people may be encouraged to work full or part-time, if they knew the first \$60 of their earnings would be disregarded.

We believe few states will choose the *option* of the disregard based on the following facts. Under existing law, a state agency may disregard the first \$20 of earnings of an older person and one-half of the next \$60 per month. In 1965, thirty-two states were not disregarding any earned income. Out of the over two million recipients, only 29,742 had earned income disregarded with 37,130 recipients not having the disregard. (6) In other words, 98.2% of all OAA recipients received no monthly disregarded earned income.

WHAT IS THE SOURCE OF CASH INCOME FOR OAA RECIPIENTS?

[In percent]

	United States	Kentucky
Total.....	87.7	94.2
No income other than assistance.....	33.6	41.0
OASDI benefits.....	45.2	40.6
Other cash income.....	7.5	10.8
Disregarded earnings.....	1.4	1.8

For many of the same reasons we support the *mandatory* disregard of the \$7.50 of any income in Section 1603(6). Older people who attempted to prepare for retirement should not have *all* their income included in their total OAA income. Older persons are entitled to a fair share of their small cash income.

Many of the older people receiving OASDI and OAA payments were looking forward to a 15% increase in total income. In the end, they received only \$4.00 per month increase. Kentucky chose to raise all recipients \$4.00 per month. Look what really happened to a widow, rural area, living alone in own home :

	1970	1969
Maximum total income.....	\$74	\$70
OASDI widow's benefit.....	64	55
Public assistance payment.....	10	15
Total monthly income.....	74	70

Actually the recipient did receive \$9.00 per month in social security benefits, of which \$5.00 was passed on the the Public Assistance Agency. The OAA recipient only received a \$4.00 increase. We believe Congress intended for the full 15% increase in Social Security benefits to be received by the older persons on public assistance.

Conclusion: State Agency *shall* disregard the first \$60. per month and one-half of the remainder of earned income and social security benefits.

IV. Why should Congress support the "truly forgotten American"?

Congress has begun to meet their health needs with Medicare and Medicaid, but it has a long way to go to fulfill the commitment it made to older people in the Older Americans Act of 1965:

Older people are entitled to an adequate income in retirement in accordance with the American standard of living.

The loss of dignity can not be dramatized in statistics. They can not measure the loss of pride, initiative, and self respect suffered by over two million older Americans. The "wait" or "wake" from month to month to see if the check will go to the end of the month continues!

The plight of 28,758 older persons on public assistance in rural Eastern Kentucky is even darker and hopeless. These rugged mountain people eat potatoes, beans, and little meat, live in substandard housing and wear clothes many years old. Living is almost bearable. How cruel can a nation be to just keep older people at the survival level? Older people need *Hope*.

Congress can help give that *hope* by including a category for a single living unit older person at \$160. per month and insure they will receive the first \$60. of their Social Security benefits and earned income.

The people we are talking about built this nation economically by their hard work. They helped to develop our affluent society. They should have a fair share in return.

Can we do any less?

FOOTNOTES

1. *Economics of Aging: Toward a Full Share In Abundance*, Hearings before the Special Committee on Aging, United States Senate, Ninety-First Congress, First Session, Part 1—Survey Hearing April 29-30, 1969: U.S. Government Printing Office, Washington, D.C. Page 154 and 185.
2. "Part I. Demographic and Program Characteristics", Findings of The 1965 Survey of Old-Age Assistance Recipients: Data By State and Census Division of Research Bureau of Family Services, Welfare Administration U.S. Department of Health, Education and Welfare, May 1967, Table 3.
3. *Ibid*, Table 9b.
4. *Your Social Security* Social Security Administration, U.S. Department of Health, Education and Welfare, SSI-35, February, 1970, Page 5.
5. "Financial Circumstances, OAA Recipients in 1965," Shirlene B. Gray, *Welfare in Review*, July-August 1969, Social Rehabilitation Service, Page 17.
6. "Part III. Financial Circumstances", *Ibid* (footnote 2) April 1968, Table 81.

The CHAIRMAN. I would like to call the committee's attention to the fact that tomorrow we will be hearing from the Governor's Conference panel, as well as various groups such as Mr. Clarence Mitchell for the NAACP, and representatives of the Council of State Chambers of Commerce.

Thank you very much, sir. We meet tomorrow at 10 o'clock.

(Whereupon, at 12:20 p.m. the hearing was recessed to reconvene at 10 a.m. on Thursday, September 10, 1970.)

THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, SEPTEMBER 10, 1970

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

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

Present: Senators Long (presiding), Anderson, Talmadge, Harris, Byrd, Jr., of Virginia, Williams of Delaware, Miller, and Jordan of Idaho.

The CHAIRMAN. The committee will come to order.

This morning we are privileged to hear from the National Governors' Conference. The committee is especially pleased to see that the Governors' Conference is represented by the Honorable Warren Hearnes, Governor of Missouri; the Honorable Robert D. Ray, Governor of Iowa; the Honorable Linwood Holton, Governor of Virginia; the Honorable Frank Licht, Governor of Rhode Island; and the Honorable Tom McCall, Governor of Oregon.

Governor Hearnes, I see you have taken the principal hot seat, and I see that you will direct the testimony of the Governors on this issue.

STATEMENT OF HON. WARREN E. HEARNES, GOVERNOR OF MISSOURI

Governor HEARNES. Thank you, Mr. Chairman.

If the Chair and the committee will agree, we would like to follow what has been suggested by your staff; that is, start off with a short statement, very brief statement, from each of the Governors, and then be subjected to your questions, whatever you wish to ask us.

Mr. Chairman and members of the committee, I am Warren E. Hearnes, Governor of Missouri, and chairman of the National Governors' Conference. It goes without saying that I do appreciate sincerely the invitation extended to myself and my colleagues to appear before this distinguished committee of the U.S. Senate and discuss the subject of welfare reform as embodied in H.R. 16311. However, in my brief opening remarks, I would like to present to the committee welfare policy positions adopted by the National Governors' Conference.

I say this, Mr. Chairman, if you would like to have one or two statements besides my own, and which may or may not necessarily reflect the position of the entire conference, we will do so.

Welfare in our Nation has been described as a mess, a failure, and a disaster. I prefer to look upon the present welfare system as a natural consequence of almost 40 years of piling rule upon rule, regu-

lation upon regulation, and law upon law; State and Federal. It is a jerry-built structure and it would appear that we have come to the end of the road with the system as it is, and there is general agreement that there must be a thoroughgoing overhaul of welfare as we now know it.

The Governors of the Nation, faced with runaway costs, day-to-day crises in welfare, and an administrative quagmire, took a long hard look at the problem through its Human Resource Committee just prior to the meeting of the National Governors' Conference in Colorado Springs in 1969. This conference adopted several policy statements regarding welfare reform which were reaffirmed at the meeting last month of the National Governors' Conference at the Lake of the Ozarks in Missouri. And while we disagreed on many other subjects, there was unanimity on what we believe should be done with the welfare system.

The policies adopted by the Governors are as follows:

1. Substitution, on a phased basis, of a federally financed system of welfare payments for the current Federal-State program for the aged, blind, disabled, and dependent children, and including also the general assistance programs now financed by the States themselves. Eligibility and grants would be determined by the Federal Government; the system would be State-administered under Federal guideline. The system should include realistic income exemptions to provide incentives for persons to seek employment. Adequate day care for children of working mothers and an expanded Federal job training program should also be assured. Some of these goals, Mr. Chairman, are suggested in H.R. 16311.

2. Increase in the present levels for all payments under the old-age and survivors disability insurance program, with a minimum payment of \$100 per month.

3. Transfer of the present old-age assistance, to the permanently and totally disabled and aid to the blind programs to the social security program, with payments being made from Federal general revenues to the social security trust fund to cover the increased cost.

4. Full Federal funding for the food stamp program so that welfare recipients and low-income persons in all States could be covered by the program.

Related directly to the welfare field was a policy adopted endorsing a national universal health insurance program, coupled with hospital cost controls as the primary method of keeping rising health costs from preventing people from receiving the medical care they need.

I mention this because H.R. 17550, which, I understand, will be considered by the committee next week, would, in our opinion, be a proper vehicle for Federal assumption of medicaid costs, or at least a greater percentage of Federal contributions toward the program.

We, as Governors, are not too concerned with the question of State versus Federal administration of the welfare system, but we are positive in the belief that there should be 100-percent Federal financing of welfare. This conclusion resulted from the following facts as we viewed them:

Welfare is a national problem and the freedom of movement or level of subsistence should not be arbitrarily limited by the artificial boundaries of State welfare programs. HEW Secretary Richardson

recognized this fact when he stated before this committee on July 21, "Poverty and welfare are national problems requiring national solutions."

The Federal Government does, in fact, control the growth and direction of existing programs, and, thus, should assume full financial responsibility as well.

I might digress just a minute completely off the subject, but I cannot be here next week. Our medicaid program is not here today, I know, but the Congress has written in the law that we cannot spend less than we did the year before. My distinguished members of the legislature thought in the best interests of our situation financially in the State that \$3 million must be cut from our contribution to the medicaid program, which resulted not only in the loss of the Federal part of it and our part but also resulted in a letter from the Secretary of HEW saying that the entire program was in jeopardy.

I have since asked him the definition of what he means by "in jeopardy," but this is just an example of what I am talking about.

The States and localities face a continuing and growing fiscal crisis, in large part due to welfare costs, for which Federal relief must be provided.

H.R. 16311 is a step toward the position supported by the Governors. However, it is not as positive as we would like to see and it definitely does not strike at the root of the problem, which is to try to bring about uniformity in application of the laws and the rules so that there can be equal treatment of the poor, irrespective of their geographic location. This can only be achieved by full Federal financing and full Federal direction.

Mr. Chairman, I have concluded my testimony regarding the welfare proposals of the National Governors' Conference. I will submit to the Senate committee a separate statement setting forth those sections of H.R. 16311, which, in my opinion, need the attention of the committee.

I would like to make one observation regarding this bill to the committee. I make this observation as the Governor of Missouri and not as chairman of the National Governors' Conference, since it is quite possible I may not reflect the views of some of my gubernatorial colleagues.

It occurs to me that the administration has simply picked a figure out of the air—some \$4.1 billion—and attempts to compress too many major and costly reforms into this figure. I would suggest that the committee delay the adoption of legislation at this time which would draw into the welfare system some 14 million citizens now in the ranks of the working poor or underemployed. I believe the money could be used to better advantage in shoring up other aspects of this bill.

For example, it is generally conceded that the \$1,600 guaranteed floor, plus some \$860 in food stamps, for an average family of four under the aid to families with dependent children program, which will be supplanted by the family assistance plan—FAP—is wholly inadequate. It is far below the established poverty level of \$3,720.

Another example of a sadly neglected group are the single persons and childless couples among the poor, unable to work or to qualify for welfare benefits, who have been completely overlooked as far as the

welfare reform measure is concerned. They should be brought under coverage in H.R. 16311.

Granting that attention should be given later to the working poor, it seems to me that welfare reform for the benefit of the present assistance recipients should be established and working before adding this vast new segment of the population to the welfare system.

Finally, the workability of the entire new welfare program is still to be proved. I agree with Senator Ribicoff's suggestion that the reform measure be thoroughly tested prior to placing it into effect. I understand that HEW is funding experimental projects in Seattle, Wash., and Gary, Ind., and another one on a statewide basis in Vermont.

This is a good start, but I would go further with the testing so that the plan could be tried in a number of States and communities, providing a diversity of problem areas, population groups, and administrative structures. After the testing period, the legislation could be placed into effect if positive results are obtained.

Certainly, we could create staggering disorder if we would move into a program as vast as that encompassed by H.R. 16311, until a thorough trial period has proved its value.

Two other short things which are not in my prepared statement. Let me say this, and I mean no criticism of your counterpart in Congress, but I think the House moved a little quickly in passing this bill, and I should hope that the Senate in its deliberations will give a great deal of time and study before it is finally enacted into law.

Thirdly, I leave you with this one parting remark: As Governor of the State now for 6 years, in the legislature for 10 years, secretary of the State for 4, we have had a great deal of problems fiscally with laws passed by Congress in the welfare field, but we have many, many times over problems created by regulations from HEW, and I would hope that the committee would give a great deal of consideration before it gives too much latitude to the Secretary of HEW in promulgating rules and regulations which affect our budget in a very thorough way.

Thank you, Mr. Chairman.

(A submission of Governor Hearnnes follows:)

RECOMMENDATIONS FOR AMENDING H.R. 16311, "THE FAMILY ASSISTANCE ACT OF 1970"

(Submitted by the Honorable Warren E. Hearnnes, Governor of Missouri)

1. \$1600 for a family of four is too low. The bill should include a plan for gradually increasing minimum assistance payments to the poverty level.
2. There is no provision in H.R. 16311 for single persons or childless married couples unable to work or to qualify for welfare benefits. This large group should also be given basic minimum assistance coverage.
3. Present bill does not provide adequate protection to the states against rising costs for Medicaid, emergency assistance, general relief, food stamps, and the provision of social services. The "hold harmless" provision should apply to the above, as well as to the maintenance payments.
4. Caseloads will probably continue to rise whether the family assistance program is enacted or not. A governmental public works program is needed when jobs are otherwise not available. To guarantee full employment the government must be the employer of last resort.
5. All mothers of school age children should not be required to work. In some cases the needs of the family and of society would be better served if the mother could remain in the home with her children.

6. There should be provision for unified administration of all income maintenance programs. There should be only one place to apply for family assistance benefits, supplementary payments from the states, general and emergency assistance, food stamps, and Medicaid. The potential for three-pronged administration of the family assistance program, namely, the basic floor under Federal administration, supplementary payments under State administration, and both under local administration with State supervision is in H.R. 16311 (Parts E and F).

7. The matching formula for supplemental payments for states making payments above the FAP benefits is set at 30% Federal and 70% State. This should be at least a 50-50 ratio.

8. There are far too many areas of discretion, which are left to the Secretary of Health, Education, and Welfare and/or the Secretary of Labor to define by regulation. Where possible, the major discretionary areas should be included in the bill.

9. Under the present AFDC program, recipients in 22 States receive payments which are less than full need as defined by those States. The House-passed bill assures that recipients in those States will receive no less under the bill than they would under their present laws. However, the Administration's revision would set State welfare payments based on the level paid to a family with no income. This will mean that thousands of present welfare recipients with outside income will either have their cases closed, or their payments drastically reduced. For example, in Missouri a family of four receiving the maximum AFDC payment of \$1566 per year with countable income of \$1000 per year would receive an FAP payment of \$600 per year. If this same family had countable income of \$1600 per year or more, they would not receive any FAP payment and would not be eligible for Medicaid.

10. The proposed Title XX, setting up a plan for individual and family services in each state, has several basic weaknesses:

(a) It provides for a completely separate system of social services in cities of 250,000 or more, under the direct administration of the city government. This could lead to great confusion and to differences in the type and level of services provided in various parts of the state, HEW would by-pass Governors and deal directly with Mayors.

(b) A state would be required to set up a program of "temporary emergency assistance," to provide immediate cash payments for a period not in excess of 60 days under Rules and Regulations prescribed by the Secretary of Health, Education, and Welfare. This could initiate another costly program to be financed 50% by the State, but over which the State might have little control.

(c) Apparently the administration is sponsoring a plan for a "closed end" appropriation for all social services, as is now present in child welfare services. If the states will be required to provide this type of service for the many new persons and families that will become eligible, the states would be unable to provide them in satisfactory quality and scope without greatly increased state costs.

(d) The Secretary of Health, Education, and Welfare will have the statutory authority to almost completely dictate the scope and content of a state's program of individual and family services. The state's program must "include a reasonable balance (as prescribed in Regulations by the Secretary) of such services and will conform to such minimum standards of performance as the Secretary may establish."

Governor HEARNES. If I may now call on Governor McCall of Oregon.

STATEMENT OF HON. TOM McCALL, GOVERNOR OF OREGON

Governor McCALL. Mr. Chairman and members of the committee, we have five or six points we would like to share with you, if you please.

First of all, we believe major reform in welfare is long past due. We believe the family assistance plan does have merit, and if it does have suitable amendments attached thereto, it seems to me that it will get Oregon's support.

1976

Some of the proposed changes that are suggested are the wrong solutions, in our estimation, for agreed upon needs.

I submit today a number of basic areas which, I think, do need changing, and a suggestion that would help in evaluating and achieving these changes.

Mr. Chairman, if I could, I would like to have the proceedings take note of two reminders, the submission we made to your committee in May, if you will recall, an analysis of the bill as originally written, and then our analysis of the bill with its proposed amendments, with many technical points contained therein which I won't comment on at this time and, Mr. Chairman, could we have these two documents made a part of the record, sir?

The CHAIRMAN. We will do that.

(The documents referred to follow. Hearings continues on p. 2046.)

**ANALYSIS
OF THE
WELFARE
REFORM
BILL
HR16311**



**TOM McCALL
GOVERNOR**

EXECUTIVE DEPARTMENT TASK FORCE MAY 1970

(1977)

1978

STATE OF OREGON

EXECUTIVE DEPARTMENT

TASK FORCE MEMBERS

Robert Davis	Assistant to the Governor for Human Resources
Cleighton Penwell	Deputy Director, Executive Department
Arthur Wilkinson	Principal Fiscal Analyst, Executive Department
Andrew Juras	Administrator, Public Welfare Division
Leo Hegstrom	Assistant Administrator, Public Welfare Division
Leonard Sytsma	Special Manpower Programs, Employment Division
J. N. Peet	Administrator, Vocational Rehabilitation Division

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PART I

HR 16311

COMMENTS AND RECOMMENDED AMENDMENTS

Title I, Part E - State Supplementation of Family Assistance Benefits

Section 452(a) provides that most sections of Part D are applicable to the state's supplementary payments. This causes the following technical and procedural deficiencies. (Sections in parentheses are in Part D):

1. Quarterly eligibility determination: A family's eligibility for and its amount of family assistance benefits shall be determined for each quarter of a calendar year based on an estimate of the family's income for such quarter. [Section 442(c)] The report of the House Committee on Ways and Means states [item (3) on page 2] that the bill provides "uniform, nationwide eligibility requirements and payment procedures, both for the basic federal family assistance plan and the state supplementary payments." The Committee states on page 4 that "Eligibility would be computed on a quarterly basis; payments would generally be made on a monthly basis."

The proposed bill states "Family assistance benefits shall be paid at such time or times and in such installments as the Secretary determines will best effectuate the purposes of this title." (Section 446) Section 452 (a) provides that supplementary payments shall be subject to the provisions of Section 446 "to the extent the Secretary deems appropriate."

Despite the Committee's intent, the bill provides for quarterly determination of payments. If payments are made for three months without change, it would result in numerous cases of overpayment due to increased income and numerous cases of hardship when estimated income is too high. Oregon's experience with fluctuating income of recipients clearly indicates that provision for monthly adjustment of payments is not only desirable but necessary to avoid excessive overpayments and hardship.

The bill also ignores the problem of seasonal employment in which a family's annual income exceeds the eligibility limits, but in certain quarters of the year eligibility would exist due to the seasonal nature of the employment. Seasonal employment is the nature of the first two major industries in Oregon - the lumber industry and agriculture. The bill needs to be amended to include a carry forward provision to apply excess of actual income above eligibility limits in the previous quarter (or preferably month) against the estimated deficiency in income for the respective quarter (or month).

2. Resource limitations: Eligibility is limited to families whose resources do not exceed \$1,500 fixed and liquid assets [Section 442(a)(2)] plus the home, household goods and personal effects

and other property which "is so essential to the family's means of self-support as to warrant its retention." [Section 444(a)] The proposed law would not permit retention of an automobile, except as a part of the \$1,500 resource or as essential for self-support. In view of the absence of adequate public transportation systems in Oregon, it is unrealistic to expect families to dispose of what is frequently the only transportation available. An automobile is also essential for many in Oregon to get to medical service. Excluding automobiles will result in increased staff costs to handle these problems and increased costs in our medical transportation budget.

3. Overpayments: "The Secretary shall make such provision 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--." [Section 446(b)] The quarterly eligibility determination and the payment procedure envisioned under this bill would result in numerous overpayments where there was no intent to mislead (e.g. estimating income). Recovery without "penalizing" is virtually impossible in most cases, so substantial increased costs would inevitably result from writing off the overpayments.
4. Furnishing of information by other agencies: "The head of any federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of family assistance benefits, or verifying other information with respect thereto." [Section 446(f)] The committee report (page 12) stated the advantage of determining eligibility quarterly was that it would facilitate verification of earnings through use of social security records, since social security earnings are reported on a quarterly basis. This would not be practical since current information would not be available. For example, social security records of an individual applying for assistance on March 25 would have no information subsequent to the prior December 31. Such records might be of value for subsequent identification of fraudulent claims but would be of limited value in determining initial eligibility and quarterly benefits.
5. Earnings Disregard and Standards of Eligibility: Section 452(b) provides for disregard of the first \$720 of earned income per year, "plus one-third of the portion of the remainder which does not exceed twice the amount of the family assistance benefits that would be payable to the family if it had no income, plus one-fifth (or more if the Secretary by regulation so prescribes) of the balance of the earnings."

The Committee Report (page 24) states that "the amount of state supplementation be sufficient to assure payment levels at least as high as those in effect in the state in January 1970, or the poverty level, if lower." The application of the earnings disregard referred to above requires state supplementation of income levels far in excess of the poverty level. The payment level in effect

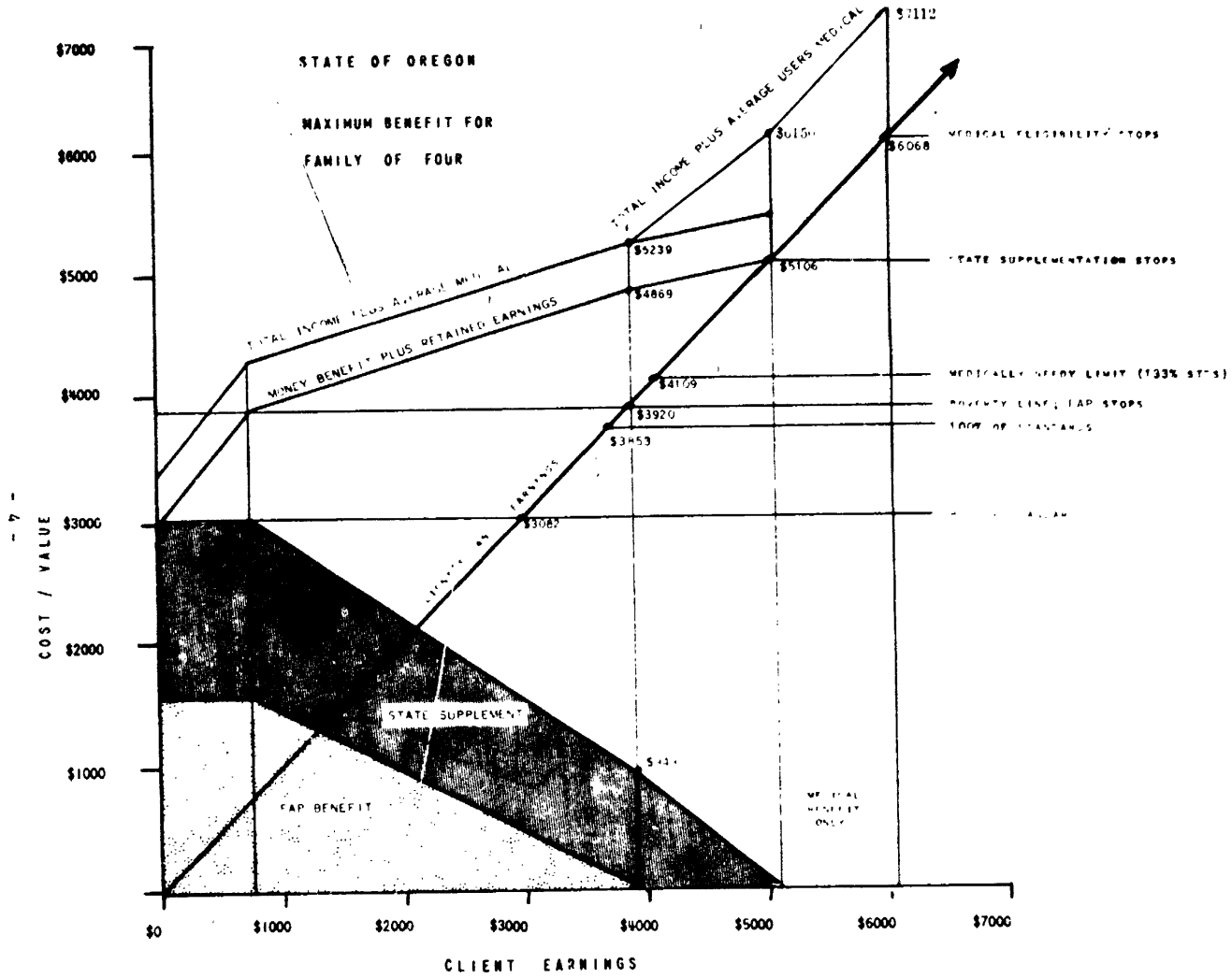
in Oregon as of January 1970, was 80 per cent of standard, amounting to a maximum payment level of \$257 per month for a family of four, or \$3,082 per year. Under the provisions of this bill, \$2,024 of earnings would be disregarded, providing a total income of \$5,106 when the family became ineligible for state supplementation. Therefore, any family of four with an income of less than \$5,100 would be eligible for state supplementation, and in addition eligible for medical assistance with an average value of \$370 per year, equivalent in total to a disposable income of \$5,400, which is 38 per cent over the poverty level.

Since January 1970, federal regulations have required that in determining the eligibility of the family, income must be measured against 100 per cent of standard. This requirement, when coupled with the provisions of this bill, which further requires that in determining eligibility the income disregard must be applied, has the effect of qualifying a family of four in Oregon with an income of less than \$6,068. Since the bill does not require the state to supplement beyond the level in effect in January 1970, those families with an income between \$5,100 and \$6,068 would only be eligible for medical assistance benefits which on the average amount to \$1,044 per year. Nevertheless, the bill has the effect of providing assistance in some form, providing an equivalent in total to a disposable income of \$7,112 which is 81 per cent over the poverty level.

The chart on the following page illustrates the impact of the provisions of this bill when applied to the standards of assistance existing as of January 1970.

The State of Oregon has not elected to implement the provisions of Title XIX for the medically needy. If the state were to elect to include under its Medical Assistance program the medically needy, it would be limited under present law to "133-1/3 per cent of the highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the state approved under Part A of Title IV of this Act." [Section 1903(f)(1)(B)(i)] Applying this provision of Title XIX to the maximum standard for a family of four, the medically needy limit would be \$4,109. The amendments to Title XIX, Section 304(13) modifying Section 1903(f)(1)(B)(i) appear to make no change in this limit.

Under the present law states are required to use 100 percent of standards in determining eligibility of the categorically needy for Medical Assistance under Title XIX, even though cash assistance is currently being paid at 80 per cent of standards in Oregon. The maximum income level of a family of four eligible for medical assistance under the present law is \$3,853. The application of the earnings disregard in determining initial eligibility for medical assistance under the provisions of this bill raises the income level of a family of four to \$6,068, which is 57 per cent over the present eligibility limit and raises the eligibility of the categorically needy \$2,215 over the medically



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needy limit. If the intent of this bill is not to force states to provide assistance at standards beyond the level existing as of January 1970, provision should be made in this bill to limit eligibility for the categorically needy under Title XIX to the payment level as of January 1970. If this were done eligibility for medical assistance would stop at \$5,106 at which point the state's supplementation would stop. It would also appear that the limit of the medically needy in Section 1903 of Title XIX would need to be modified.

Oregon's experience under the present disregard formula does not support the assumption that the earnings disregard encourages individuals to secure employment or increase their earnings beyond what incentive would otherwise exist without the disregard. It appears that the primary effect has been to prevent persons from going off assistance, since few persons are able to obtain an earnings level that exceeds the income equivalent to the standard of assistance provided plus the disregarded income. The State of Oregon supports the proposed earnings disregard to the extent that it enables the family to increase its income above the assistance payment level provided up to the poverty level. The earnings disregard formula under the state supplement should be changed so that state supplementation would terminate at the poverty level, which would coincide with the point where family assistance benefits terminate.

Title I, Part F - Administration

1. Agreements with states: Section 461(a) provides that the Secretary may enter into an agreement with any state under which the Secretary will make, on behalf of the state, the supplementary payments provided for under Part E, or will perform such other functions of the state in connection with such payments as may be agreed upon, or both. If the Secretary makes the supplementary payments, provision needs to be made for:
 - a. The Secretary to take action to recover supplementary over payments,
 - b. The Secretary to take (1) recovery action in the case of fraud, (2) responsibility for prosecution in the case of fraud,
 - c. The Secretary to take responsibility for determining eligibility for benefits under Title XIX,
 - d. The Secretary to take responsibility for determining eligibility for food stamps.

2. Obligation of deserting parents: Section 464 holds an individual who abandons his spouse or child liable to the United States for an amount equal to the total amount of the family assistance benefits plus the federal share of the supplementary benefits. It also provides that the amount of the obligation due the United States shall be collected in such manner as may be specified by the Secretary, from any amounts due him from the Federal Government. Provision should be made for:
 - a. The Secretary to collect the state's share of supplementation from funds due the individual from the Federal Government if the Secretary administers the supplementary payments.
 - b. The Secretary to take action to collect the federal and state shares of supplementary payments directly from the individual.

3. Eligibility for food stamps: Section 465 provides that family assistance benefits "shall be taken into consideration for the purpose of determining the entitlement of any household to purchase food stamps, and the cost thereof." The report of the House Ways and Means Committee (on page 30) states it "recognizes that present recipients now receiving payments larger than those provided under the family assistance plan would lose the privilege of purchasing food stamps without receiving a compensating amount of cash." The wording in Section 465 does not appear to make present recipients ineligible as the committee report states. Under present regulations "public assistance households" (all members receiving welfare) are eligible for food stamps. Taking the FAP payment into consideration would not change food stamp eligibility unless the income levels established by the state for nonwelfare families were applied to "public assistance households." Since these

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income levels are higher than Oregon's welfare payments, except for families of nine or more, eligibility would still continue until enough earnings were disregarded to raise the family's total income above the established levels. The question concerning eligibility needs clarification in view of the committee statement.

Title I, Part C - Manpower Services

1. Training for employment: Section 430 states the purpose in providing manpower services, training, employment and other services is to restore individuals to self-supporting, independent and useful roles in their communities. The extent to which this can be accomplished is questionable, as indicated below:

- a. Cost of meaningful training

A substantial portion of men on AFDC-UP lack even the most basic skills, such as reading or writing in English (or any language). A larger portion lack either a high school diploma, or the ability to obtain a G.E.D. without many months--sometimes years--of basic literacy training. Such training is demanded before entering training for skilled and/or unskilled trades. Even most unskilled work, e.g., janitor, waitress, or watchman, require basic literacy.

To expect meaningful outcome from mass training programs, a substantial investment in long-term training programs must be anticipated.

- b. Availability of jobs paying above family-size specific poverty levels

Available jobs in large quantities are concentrated into two broad classes. First, highly technical (and highly paid) jobs for which training at public expense may not currently be feasible. The second class is unskilled but low-paying positions requiring a minimum of skill and training. Training persons for such jobs may reduce the need for public benefits, but will not meet the problem of "under employment."

- c. In seasonal industries, such as forest products, it may be unwise policy to attempt to train those who are seasonally unemployed (and eligible for FAP and supplementation) for some other industry. To do so would seriously deplete the labor market for such industries.

These observations raise serious questions of public policy in the areas of creation of employment or the recognition of large-scale unemployment as a permanent condition.

2. Child care: Section 436 assures the provision of child care so individuals will not be prevented from participating in training or employment. The Ways and Means Committee Report (pages 36 and 37) expressed concern "that reasonable federal, state and local standards and licensing requirements have interfered with the provision of essential child care services, and may prove a barrier to the development and provision of the services essential to the success of the family assistance plan." The Committee Report also stated "Parents should have the option, too, of using baby-sitters of their choice, if they do not care to use, or do not have available, group child care facilities which are appropriate for their children."

We concur with the Committee's concern with unreasonable standards and recommend the federal regulations for day care be abolished and state standards be accepted. When state requirements do not provide standards, the Secretary could propose reasonable minimum guidelines defining good child care.

3. Supportive services: Section 437(a) requires that the state "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."

As written, this section can be interpreted rather broadly. For example, an individual registered pursuant to part D who is engaged in an employment plan may suffer a hernia while not at work. To continue employment may require hernia repair. If this is an example of health services required, the net effect is to extend medical care to the working poor. We recommend that health services provided be only those directly related to job performance, e.g., eye glasses needed for reading, prostheses necessary to permit the individual to perform tasks required, etc.

Title II - Aid to the Aged, Blind and Disabled

1. Minimum grants: Section 1603 provides that "each eligible individual, other than one who is a patient in a medical institution or is receiving institutional services in an intermediate care facility to which section 1121 applies, shall receive financial assistance in such amount as, when added to his income which is not disregarded pursuant to subsection (a), will provide a minimum of \$110 per month."

This provision ignores living arrangements which have a bearing on the amount of need. A large percentage of Oregon's adult recipients either own their own homes or live in households of two or more individuals. The payment of minimum grants without regard to home ownership or shared living arrangements is contrary to the concept of providing assistance based on need.

2. Federal administration of payments to recipients: Section 1605 provides that the Secretary "may enter into an agreement with a state under which he will, on behalf of the state, pay aid to the aged, blind, and disabled directly to individuals in the state under the state's plan approved under this title and perform such other functions of the state in connection with such payments as may be agreed upon. In such case, payments shall not be made as provided in section 1604 and the agreement shall also provide for payment to the Secretary by the state of its share of such aid (adjusted to reflect the state's share of any overpayments recovered under section 1606)."

This provision would relieve the state of administrative costs in connection with payments to recipients. It is intended to encourage states to turn administration over to the federal agency but it provides no assurance to the state that the federal agency will husband its funds or exercise the control to keep obligations of state funds within funds appropriated. It is reasonable to expect that the federal agency with an open-ended budget would not exercise the same restraint as the state which must function under a closed-end appropriation and as a result a substantial increase in assistance costs can be anticipated. It is assumed the increased assistance cost to the state would significantly exceed the 50 per cent saving in administrative costs if the state entered into an agreement for federal administration.

It is not clear why this bill provides a premium on federal administration when there is no federal system to locally administer the program, whereas the state and localities have been in the administration of these programs and have the staff, offices and delivery system presently functioning. Even if there were some grounds for expecting more effective administration by the Federal Government the abrupt conversion from a state and local administration to a federally-administered program would result in all probability in a chaotic situation.

Title III - Miscellaneous Conforming Amendments

1. Medical Assistance: Section 304 amends section 1902(a)(10) of Title XIX so that a state plan for medical assistance must "provide for making medical assistance available to all individuals receiving assistance to needy families with children as defined in section 405(b), receiving payments under an agreement pursuant to Part E of Title IV, or receiving aid to the aged, blind, and disabled under a state plan approved under Title XVI."

Section 405(b) states "and 'assistance to needy families with children' means family assistance benefits under such part D, paid to such families."

These provisions appear to require the state to provide medical assistance to the "working poor" who are covered under part D. While a fairly large percentage of the working poor would be eligible for state supplementary payments and medical assistance, the family with a fully-employed male would not be. It is the latter group which appears to be provided medical assistance under the cited provisions. These sections need to be amended if the intent is to exclude the working poor, who are ineligible for supplementation, from medical assistance under Title XIX. The inclusion of this group under Title XIX would result in a significant increase in state medical costs.

Title IV - GeneralSection 401, Effective Date

The bill provides for fully implementing these provisions effective July 1, 1971, except in those states who do not have a legislative session between the date the bill is enacted and July 1, 1971. Most states will have a legislative session in the intervening period prior to July 1, 1971 to obtain the necessary conforming legislation; however, there is serious question whether states can develop the necessary plans for implementing this legislation in the short intervening period following the enactment of state legislation and July 1, 1971. Serious doubts can be raised concerning the ability of the Federal Government to establish the necessary administrative structure to begin making family assistance payments effective July 1, 1971, especially where the state elects to contract with the Federal Government for administration of the supplemental payment program as well. In the latter event severe problems of job relocation of present Public Welfare personnel would result and to the extent that present state employees are absorbed on large numbers into federal employment, specific problems such as transfer of retirement credits, etc., would need to be resolved.

Usually there is a substantial period of time, frequently as much as a year following the enactment of Amendments to the Social Security Act, before the rules and regulations are developed by the Secretary for implementation of the legislation, and occasionally much longer. The magnitude of the change required by this bill makes it highly questionable whether the program could be implemented nationwide within one year following the enactment of this bill, and it is predictable that there will be substantial confusion resulting in hardship to present AFDC clientele. It is suggested that serious consideration be given to permitting the Secretary to establish a schedule with each state for implementation of the program, permitting phasing in the program in relation to the problems of implementation in each state. Consideration should also be given to authorizing the Secretary to contract with the state for administration of the program for a period of time until such time as the Federal Government can arrange for an orderly transition in those cases where the state elects to have the Federal Government administer the state supplementation.

Section 402, Savings Provision

1. "Your committee's bill assures that for two fiscal years after the year in which the supplementary payment provisions become effective a state's expenditures for supplementary payments and payments under Title XVI (from its own funds) would not, by reason of the requirements of this act, have to exceed its expenditures (nonfederal) under existing law for the same year. The bill provides that for these two fiscal years the Federal

Government would meet the excess of nonfederal expenses made necessary by the bill over what the nonfederal expense would have been under present law. States and localities would thus be guaranteed no required increase in expenditures for assistance payments as compared with what would have been expended under existing law for the same period. Since most states would not be required to incur additional costs as a result of enactment of this bill, this provision would act as a saving provision for a few states that would incur relatively modest welfare costs under the bill."

Acknowledging that this is the intent of the bill, provisions of the bill for accomplishing this result fail to assure this result. The major obstacle to achieving this result is the fact that due to the unprecedented deviation of caseloads and case costs since 1969, make it impossible to precisely establish what "expenditures would have been made" under the present law if it had continued in effect through June 30, 1973. The effect is that this bill only assures that the state and localities will not have to spend more than what is estimated would have been expended as determined by the Secretary.

The bill also provides that in determining the amount which would have been spent under the titles included in Title XVI, that in addition to the costs "as in effect for June 1971" there shall be included "so much of the rest of such expenditures as is required (as determined by the Secretary) by reason of the amendments to such title made by this Act." Therefore, the costs will be increased beyond what would have been spent under present law by including such provisions as the \$110 minimum standard. States who presently do not include children of unemployed fathers will not be "guaranteed no increase in expenditures for assistance payments as compared with what would have been expended under existing law for the same period" as stated in the Committee Report.

The savings provision fails to take into account the substantial increase in costs to the states and localities for medical assistance or administrative costs. Even if the provisions of this bill guaranteed no increase in costs to the states and localities for assistance payments, it would create a cost burden for medical assistance or administration that could not be absorbed by many if not all of the states and localities.

This bill also assumes that the states and localities would have been able to absorb the increase in costs under the present law extended into the two-year period covered by the savings provision without reduction in the payment level for June 1971, or the caseload covered. Oregon has projected an \$18.3-million deficit in state funds for the biennium ending June 30, 1971, and faces the necessity of significantly reducing costs. The major cause of this increase in the current biennium is the costs of the AFDC program. The projected increase for the 1971-73 biennium is a 47.7 per cent increase

in the costs of the AFDC program beyond the 1969-71 biennium, which already cannot be absorbed and will result in program cutbacks.

If the savings provision is to guarantee the states and localities no increase in cost, and if this provision is to prevent the states and localities from deviating from the Committee's intent in state supplementation, then the states' costs must be frozen and predictable so that the necessary funds can be budgeted and appropriated. One means of accomplishing this result would be to use a "maintenance of effort" provision, which has frequently been used by Congress in previous Social Security legislation, which would provide that the contribution of the states and localities be equal to their share of total costs (including cash assistance, medical assistance, and administrative costs), for the same program categories in a previous base year. Such a provision would not be subject to the discretion of the Secretary and would be sufficiently precise so that the nonfederal share could be accurately budgeted, and appropriated.

The authority and responsibility for creating this legislation rests exclusively with the Federal Government. Similarly, the responsibility for the legal and policy decision in recent years that have given rise to unprecedented increases in public welfare costs rests with the Federal Government. With that responsibility should go the burden of fully financing the cost, not only of the increased costs that are associated with the provisions of this bill, but the entire cost of the categorical aid programs, medical assistance to the categorically needy, and the related administrative cost.

It may not be economically feasible for the Federal Government to immediately assume the entire costs of these programs. However, coupled with a maintenance of effort provision to sustain the nonfederal contribution for the first two years under provisions of this bill, provision should be made to phase out the nonfederal share over a limited number of years. Such a provision would not only provide critical relief to the states and localities, but would also remove the economic necessity of the states and localities to reduce this cost burden by taking steps that defeat the intent of this legislation.

1994

PART II

HR 16311 SUMMARY OF FISCAL IMPACT - 1971-73 BIENNIUM OREGON

A. Title I - Family Assistance Plan

1. Section 101 - Part D - Family Assistance Plan

a. Costs relating to the provisions of this section are shown in the sections where state involvement is described.

2. Section 101 - Part E - State Supplementation of Family Assistance Benefits

a. Welfare

	<u>C O S T S</u>		
	<u>Total</u>	<u>Federal</u>	<u>State</u>
(1) Assistance (HR 16311)	\$158,841,367	\$100,612,040	\$ 58,229,327
Estimated Budget (Existing Law)	<u>-130,739,287</u>	<u>- 73,230,123</u>	<u>- 57,509,164</u>
Net Increase	\$ 28,102,080	\$ 27,381,917	\$ 720,163
(2) Medical In- crease	21,422,905	12,071,807	9,351,098
(3) Administration Increase	<u>9,315,832</u>	<u>5,589,499</u>	<u>3,726,333</u>
TOTAL INCREASE	<u>\$ 58,840,817</u>	<u>\$ 45,043,223</u>	<u>\$ 13,797,594</u>

3. Section 102 - Part C - Manpower Training, Employment, and Child Care Program

a. Employment

Referral/Registration & Training Costs (HR 16311)	\$ 41,148,708	\$ 37,033,837	\$ 4,114,871
Estimated Budget (WIN)	<u>- 1,874,500</u>	<u>- 1,499,600</u>	<u>- 374,900</u>
Net Increase	\$ 39,274,208	\$ 35,534,237	\$ 3,739,971

b. Vocational Rehabil- itation Increases	<u>12,983,400</u>	<u>11,685,060</u>	<u>1,298,340</u>
TOTAL INCREASE	<u>\$ 52,257,608</u>	<u>\$ 47,219,297</u>	<u>\$ 5,038,311</u>

1995

B. Title II - Aid to the Aged, Blind and Disabled

1. Title XVI - Grants to States for Aid to the Aged, Blind and Disabled

a. Welfare

	<u>C O S T S</u>		
	<u>Total</u>	<u>Federal</u>	<u>State</u>
(1) Assistance (HR 16311)	\$ 88,515,616	\$ 49,858,762	\$ 38,656,854
Budget (Existing Law)	<u>- 79,673,802</u>	<u>- 44,896,189</u>	<u>- 34,777,613</u>
NET INCREASE	\$ 8,841,814	\$ 4,962,573	\$ 3,879,241
(2) Medical Increase	1,204,428	678,696	525,732
(3) Administration Increase	<u>377,286</u>	<u>188,643</u>	<u>188,643</u>
TOTAL INCREASE	<u>\$ 10,423,528</u>	<u>\$ 5,829,912</u>	<u>\$ 4,593,616</u>

Summary of Increases

Welfare

Assistance	\$ 36,943,894	\$ 32,344,490	\$ 4,599,404
Medical	22,627,333	12,750,503	9,876,830
Administration	9,693,118	5,778,142	3,914,976
<u>Employment</u>	39,274,208	35,534,237	3,739,971
<u>Vocational Rehabilitation</u>	<u>12,983,400</u>	<u>11,685,060</u>	<u>1,298,340</u>
TOTAL	<u>\$121,521,953</u>	<u>\$ 98,092,432</u>	<u>\$ 23,429,521</u>

FEDERAL AND STATE COSTS OF PUBLIC ASSISTANCE
 BY PROGRAM
 (In Millions)

	<u>Combined Programs</u>			<u>Adult Programs</u>			<u>Family Programs</u>		
	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>
EXISTING LAW:									
HEW 1968 Actuals									
P. 45 Committee Report	31.0	18.1	12.9	10.9	6.9	4.0	20.1	11.2	3.9
Oregon Estimate									
1971-73 Target Budget Annualized	105.2	59.0	46.2	39.8	22.4	17.4	65.4	36.6	28.8
COMMITTEE BILL:									
HEW Estimate of Impact on									
1968 Actuals									
P. 45 Committee Report	33.8	26.1	7.7	12.8	9.3	3.5	21.0	16.8	4.2
Oregon Estimate of Impact on									
1971-73 Target Budget Annualized	123.7	75.2	48.5	44.3	24.9	19.4	77.4	50.3	29.1
NET CHANGE:									
HEW, P. 46	2.8	8.0	-5.2	1.9	2.4	-.5	.9	5.6	-4.7
Oregon Estimate	18.5	16.2	2.3	4.5	2.5	2.0	14.0	12.7	.3

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1996

C O S T C O M P A R I S O N
A I D T O F A M I L I E S W I T H D E P E N D E N T C H I L D R E N

	<u>Existing Law</u> <u>1971-73 Estimated Budget</u>			<u>HR 16311</u> <u>1971-73 Estimated Budget</u>			<u>Increase</u> <u>1971-73 Biennium</u>		
	<u>Assistance</u>	<u>Medical</u>	<u>Admin.</u>	<u>Assistance</u>	<u>Medical</u>	<u>Admin.</u>	<u>Assistance</u>	<u>Medical</u>	<u>Admin.</u>
Total	\$130,739,287	\$20,186,526	\$18,298,048	\$158,841,367	\$41,609,431	\$27,613,880	\$28,102,080	\$21,422,905	\$9,315,832
Federal	73,230,123	11,375,107	10,978,829	100,612,040	23,446,914	16,568,328	27,381,917	12,071,807	5,589,499
Non-Federal	57,509,164	8,811,419	7,319,219	58,229,327	18,162,517	11,045,552	720,163	9,351,098	3,726,333

FISCAL IMPACT OF HR 16311 - AID TO FAMILIES WITH DEPENDENT CHILDREN
 JULY 1, 1971 to JUNE 30, 1973

	C O S T S						
	Monthly Caseload	Monthly Case Cost		Assistance	Medical	Administration	
		Assistance	Medical			No. of Positions	Cost
A. Estimated Budget (Existing Law)							
ADC - Basic (Including Incapacitated)	23,599	\$170.00	\$27.07	\$ 96,283,219	\$15,331,798		
ADC - UN	6,968	158.85	27.07	26,565,304	4,526,970		
ADC - Foster Care	1,405	79.56	9.72	2,682,764	327,758		
Training Allowance							
Total Estimated Budget	31,972	\$163.31*		\$130,739,287	\$20,186,526	1,069	\$18,298,048
B. Program Changes - HR 16311							
(1) Resource Limitations Change Section 442, page 5				no substantial change			
(2) Unborn Child Cases, No Other Children Not a "Family" Section 445, page 11	(500)	\$ 56.35		\$ 676,200S - 676,200F			
(3) Change in Earnings Disregard Formula, Section 452, page 25	(4,585)	31.56		(-1,545,427S) (-1,927,435F)			
(4) Earnings Disregard-Eligibility Determination Section 452, page 25	a. 17,715	64.00	\$27.07	12,108,557S 15,101,683F 927,158S	\$11,509,081		
	b. 2,044	27.00	87.00	397,354F	4,267,872	544	9,315,832
	c. 2,704	-0-	87.00		5,645,952		
(5) Other Children Only Cases	a. (1,416)	26.65		905,674S - 905,674F			
Monthly Payments	b.			366,660S 473,340F - 419,982S			
ADC-INC Shift to AD	c. - 600	47.30		- 852,690F			
Total Program Changes	21,863			\$ 28,102,080	\$21,422,905	544	\$ 9,315,832
Total Estimated Budget and Program Changes	53,835	\$125.20*		\$158,841,367	\$41,609,431	1,613	\$27,613,880

*Excludes Training

1999

Estimated Fiscal Impact of HR 16311 on Aid to Families with Dependent Children as Compared to Existing Program

1. Resources: Eligibility exists for families whose resources do not exceed \$1,500 fixed and liquid assets, plus a home, household goods and personal effects and other property which (subject to limitations of the Secretary of HEW) is so essential to the family's means of self-support as to warrant its retention.

Oregon permits \$1,000 fixed and liquid assets, plus a home, household goods and personal effects, income producing property assets or equipment and burial plots, one operating motor vehicle, property contiguous to a home and life insurance with \$1,000 cash value for each person in the grant. The proposed change should have no substantial effect on Oregon's caseload.

2. Unborn child cases: The bill describes a family as an adult and a child.

Oregon now provides assistance under the AFDC program to pregnant women and couples who have no other children. Since these individuals do not meet the definition of a family in the proposed bill, there would be no federal participation in the cost of such cases. Oregon will have about 500 of these cases.

3. Change in earnings disregard formula: The bill provides for disregard of \$720 per year (\$60 per month), plus one-third of the portion of the remainder of earnings which does not exceed twice the amount of the family assistance benefits that would be payable if the family had no income, plus one-fifth (or more if the Secretary by regulation so prescribes) of the balance of the earnings. The bill also permits deducting child care.

Oregon now disregards \$30 per month, plus one-third of the balance of earned income. We also deduct child care, transportation, other work expenses, plus taxes and social security. The primary effect of the bill is to increase the monthly disregard from \$30 to \$60, but eliminate deductions for taxes, social security, work transportation and other work expenses. These latter deductions are substantially larger than the additional dollar disregard, and will reduce costs of these cases.

4. Earnings disregard - Eligibility determination: The bill provides that the earnings disregard shall be applied in determining eligibility.

Oregon does not apply an earnings disregard until after eligibility has been determined. The proposed law raises the income eligibility level from \$3,360 per year to \$5,468 for a family of four. It increases the universe at risk from 57,309 to 113,855. The state's

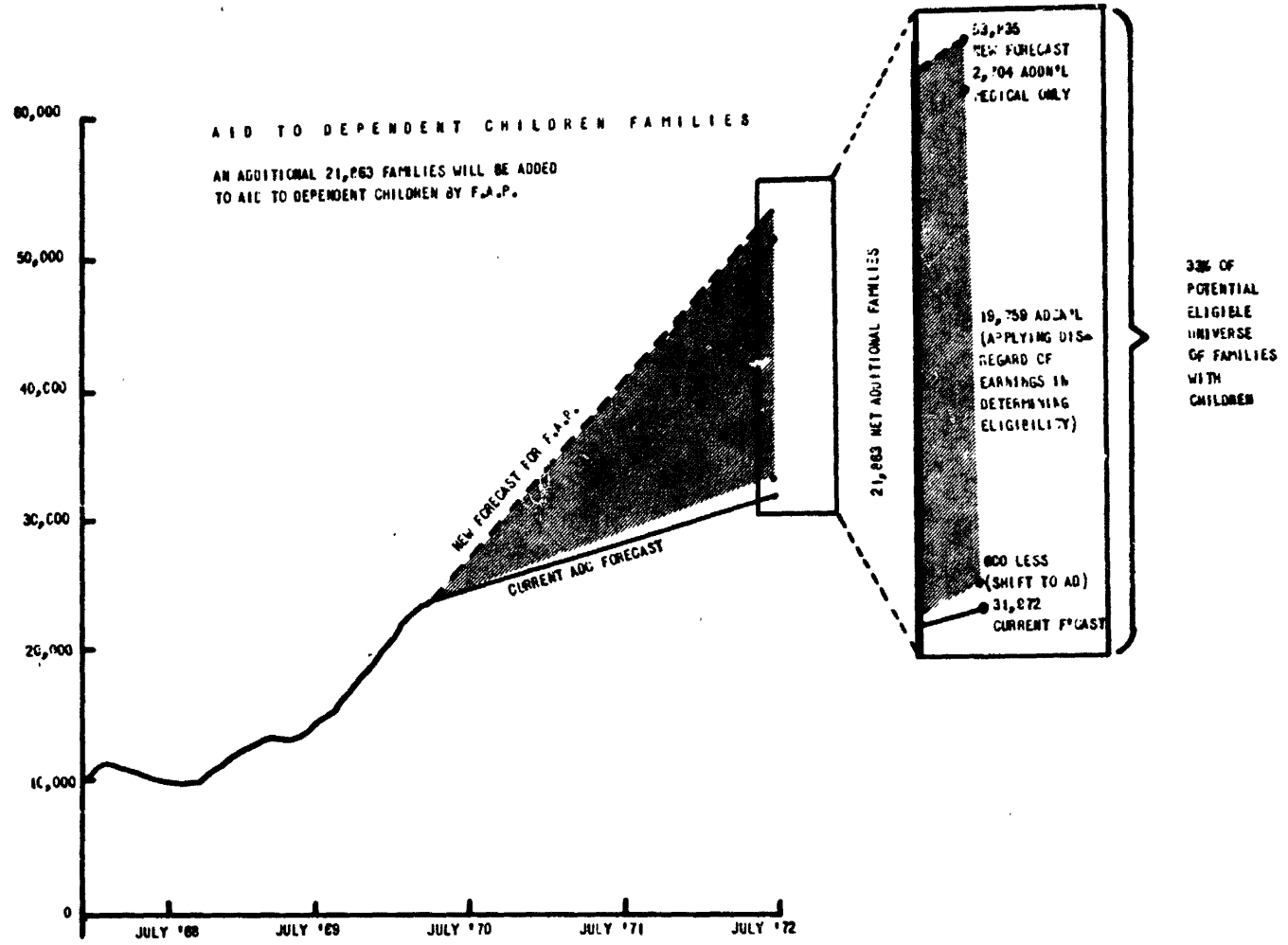
estimate decreases the percentage of participants from 54 percent of the universe at risk under the present program to a minimum of 33 percent under the Family Assistance Plan.

5. Children only cases: ~~The bill~~ defines a family as two or more related individuals who are living together. One of them must be a child in the care of or dependent upon another of such individuals. The proposed law further states that any adult whose income is not available to other members of the family "shall not be considered a member of the family for any purpose."

Oregon now provides assistance under the AFDC program to needy children who are living with self-supporting relatives. Since in these cases the income of the self-supporting relative is not "available" to the needy child, the self-supporting relative cannot be considered a member of the family. In these cases there would be no FAP payment and no federal participation in the supplementary benefits paid by the state. We expect to have 1 416 such cases.

Monthly payments: The bill and committee report clearly indicate payments will not be made more frequently than monthly. In Oregon payments under the AFDC and AD programs are made twice monthly. Fifty percent of the grant is paid on the first of the month and 50 percent on the fifteenth. The savings due to terminations of need which result in cancellation of the middle-of-the-month check are substantial. We have identified the savings under the present program as an added cost in our fiscal analysis.

AFDC-INC. Shift to AD: The minimum grants required in the adult programs will result in the shift of about 600 disabled individuals from family assistance to disabled due to the higher payment in the latter program. We have shown this as a reduction in the family assistance program and an increase cost in the adult program.



FISCAL IMPACT OF HR 16311 - MANPOWER AND TRAINING COSTS
 JULY 1, 1971 TO JUNE 30, 1973.

C O S T S

A. WIN Program (Existing Program)

- (1) Referral/Registration
- (2) Training (all types, including admin. costs)

Total Estimated Budget (1,874,500)
 Federal (1,499,500)
 Non-Federal (374,900)

	Partic- ipants	Cost Per Participant	Operating	Contracted Services	Allowances
(1) Referral/Registration	2,300	\$ 2	\$ 4,600		
(2) Training (all types, including admin. costs)	2,300	917	499,100	\$ 1,038,000	\$ 310,500
Total Estimated Budget		\$ 915	\$ 506,900	\$ 1,038,000	\$ 310,500
Federal		852	494,900	846,400	246,400
Non-Federal		163	101,200	211,500	62,100
B. <u>HR 16311</u>					
(1) Referral/Registration	45,418	\$ 3	\$ 136,254	- -	- -
(2) Training (all types, including admin. costs)	45,418	903	9,355,706	\$22,981,508	\$ 8,175,240
Total HR 16311		\$ 906	\$9,991,960	\$22,981,508	\$ 8,175,240
Federal		815.40	8,992,764	20,633,357	7,357,716
Non-Federal		90.60	999,196	2,298,151	817,524

2002

Estimated Fiscal Impact of HR 16311
on Manpower Services to Welfare
Recipients as Compared to Existing
Work Incentive Program

Oregon is presently operating a Work Incentive Program which, during fiscal year 1970, is funded for 1,350 slots. The most recent estimates of the Employment Division indicate that during the first year of operation the present WIN program will enroll about 2,300 individuals in these 1,350 slots.

The limited experience so far gained in the Work Incentive Program has been used as a basis for estimating costs of manpower services under HR 16311. It is not possible at this time to prepare accurate cost estimates because of the uncertainty of implementing regulations, etc. These estimates anticipate provision of all needed manpower services for all those eligible under HR 16311. However, two factors would probably decrease these estimates if and when the program becomes operational: (1) not all eligible individuals will need the full range of services, and (2) it is probable that budget limitation will result in a program smaller by far than that necessary to serve all of those eligible.

Because of limited funding, the present WIN program provides services for only a small portion of those eligible for referral to the program. It is very probable that the same situation would exist under an HR 16311 program; however, under HR 16311 more individuals would be eligible and, therefore, the cost of serving all of those eligible would be greater than under WIN.

Training programs can deal effectively with the problems of employment of those eligible for such programs only to the degree that the labor market can absorb those trained. If the number of individuals to be served exceeds the number which can be provided employment in the current labor market, it may become necessary to depend more and more on "special work projects" and other means of creating employment situations and costs may vary accordingly.

Training costs as shown on the attached table include costs of special work projects and, in fact, all costs except an estimated \$1 per participant, which would be the anticipated cost of registration with the Employment Service. It appears that HR 16311 would require all recipients appropriate for referral to register with the Employment Service, regardless of the availability of funds to provide other needed manpower services. The act of registration without the funding of resources to provide further services is of very little value. However, the registration itself will involve a cost. This cost has been estimated separately.

FISCAL IMPACT OF HR 16311 - VOCATIONAL REHABILITATION
 JULY 1, 1971 TO JUNE 30, 1973

C O S T S

<u>Program Changes</u>		<u>Monthly Caseload</u>	<u>Monthly Case Cost</u>	<u>Services to Clients</u>	<u>Administration</u>	
					<u>No. of Positions</u>	<u>Cost</u>
(1) Initial Incapacity Evaluations	Temp. Disabilities	555	84,006	\$ 679,200	17	\$ 1,358,400
	Permanent Disab.	189	47,257	226,300	54	901,200
	Denials	76	11,000	91,200	4	182,400
(2) Continued Quarterly Re-evaluations of Incapacity		1,507	75,357	502,300	24	1,205,600
(3) Rehabilitation Services	New Referrals	189)				
	New Plans	126)		3,628,300	84	3,560,000
	Rehabilitations	94)				
(4) Other	Accounting & Administration				15	440,000
	Additional Program Costs				4	107,000
Total Costs			\$12,983,400	\$ 5,228,800	202	\$ 7,754,600
Federal (90%)			\$11,685,060			
State (10%)			\$ 1,298,340			

Estimated Fiscal Impact of HR 16311 on
Vocational Rehabilitation Services to Welfare Clients

1. Initial Incapacity Evaluation: 19,933 clients have been identified as needing this evaluation for an average of 831 per month, of which 566 will have temporary disabilities, 189 will have permanent disabilities, and 76 will be rejected.
2. 1,507 is one-third of the total estimated number of 4,521 identified as requiring ADC-Incapacity services on 7/1/71. The federal regulations require a quarterly evaluation of each of these individuals and it is estimated that each evaluation will require two hours per month.
3. New referrals are the 189 adults with long-term disabilities shown in item 1 that will be referred for Vocational Rehabilitation services. New plans represent two-thirds of the referrals made to DVR will result in plans at a cost rate of \$1,200 a plan average for the biennium. The rehabilitations will be 75% of the new plans written, although there will be a delay in the number of rehabilitations because of the extensive rehabilitation program that a number of these clients will need.
4. Other: This represents the additional administrative costs for accounting and administration of this program to implement items 1, 2, and 3.

Additional Program Costs: These costs include the program review and evaluation program which is imperative to ensure that this program will be adequately evaluated to enable the agency to adequately evaluate the effectiveness of these services and develop ways to improve the delivery of these services on a systematic and statistical base. It would also furnish information for reporting of these services and characteristics of clients served in these programs.

- Background Material -

Mr. Keith Putnam, Director, Research Section, for the State Public Welfare Division, said that they anticipate on July 1, 1971 there will be 96,880 persons receiving ADC benefits. Of that total, one-third are adults. Mr. Putnam indicates that 14 percent of the adults receive ADC-Incapacity benefits; 4,525 adults on Public Welfare have qualified for ADC-Incapacity benefits as of July 1, 1971.

In addition, he indicates that there will be an average of 565 new ADC-Incapacity adults entering the roles of the Public Welfare Division for each of the 24 months, beginning July, 1971.

Mr. Wally Rosborough of the Public Welfare Review Team indicates that 75% of the ADC-Incapacity cases will be of a temporary nature, such as fractured legs, arms, backs, temporary disabilities, and other accidents, who will have little or no residual disability after they recover from that condition and have the necessary work skills to return to work immediately upon recovery. He also indicates that 10 percent of the persons who applied for ADC-Incapacity benefits were denied.

In summary, there will be 19,933 individuals (adults) who qualify for ADC-Incapacity benefits during the period July 1, 1971 through June 30, 1973. Of the 19,933, 10 percent will be denied benefits and of the remaining balance, 75 percent will have temporary disabilities and 25 percent will have permanent long-term disabilities.

All of these cases will need a medical assessment, as well as comprehensive review of their employment, education and other history to determine the nature and extent of their disabilities and other problems. It is estimated that the 75 percent who have temporary disabilities, as well as the 10 percent who are denied ADC benefits, will need a comprehensive medical development and work and social history to verify the problems presented, but also to identify his ability to return to work upon recovery from his alleged disability. The remaining persons will need a comprehensive work evaluation assessment in addition to the initial screening to assure that all of the problems initially presented and all of the residual abilities of these individuals are clearly identified.

This comprehensive work evaluation assessment will be similar to the work assessment evaluation now being performed in a demonstration project in Oregon.

Each month a total of 831 new cases need an initial evaluation and 1,507 cases will need a re-evaluation to meet the requirements of this portion of FAP.

For rehabilitation services there will be 189 new ADC-Incapacity cases each month through FAP, Two-thirds of them, or 126 cases each month, will result in extensive vocational rehabilitation programs. Seventy-five percent of these entering rehabilitation programs will go to work either in competitive employment or sheltered employment, either full or part time.

The cost of the program for the initial evaluation is estimated that for those people who are not eligible for incapacity benefits and those who have a temporary disability will cost approximately \$150 to provide the screening interview for the initial collection information, purchases of additional medical services, and a decision determining his eligibility for benefits.

The remaining 189 cases will require a comprehensive work evaluation assessment. The Oregon demonstration project on Work Evaluation Centers indicates that this will cost approximately \$250 each, including all of the necessary medical evaluation and the comprehensive work assessment to identify all of the disabilities and the residual abilities of the client.

The estimated cost for each plan to be written for this population will be \$1,200, which is 120 percent more than other rehabilitation costs of new plans for other agency clients. This is estimated on the basis that these people will have substantial and extensive psychological, social, and other problems which will require extensive work adjustment and/or skill training, as well as extensive medical restorative services far in excess of services presently provided for other vocational rehabilitation clients.

PERSONNEL ESTIMATES

For those cases who have temporary disabilities and the denials, it is estimated that an experienced evaluator can process approximately four cases per day, providing that the reporting and information requirements are somewhat less than the Social Security Disability - standards that are presently used. In addition, for clerical and management supervision, the equivalent of one person was added to the estimated evaluators needed for a total of 17. If the regulations are written to require approximately the same documentation now required as part of the Social Security Disability process, these staffing requirements would increase by approximately 20 percent.

For those cases who are found to have a disability of a permanent nature, resulting in potential employment problems, the staffing pattern was determined based on the experience in Oregon with the Work Evaluation Centers where an employee can process approximately 40 such clients in a year.

For the quarterly re-evaluations, it is estimated that an experienced evaluator could process six applications a day. This assumes that most of these re-evaluations would be a process of securing a minimum of individual interviewing and/or arranging and securing other documentation of the continuance of cessation of the benefits. This will be mostly a paper work process. Added to the 15 such evaluators, nine additional persons (secretaries and supervisors) make an overall total of 24.

For the rehabilitation services, it is estimated that a counselor will be able to write approximately three plans a month and continue supervising the existing ones. This resulted in an estimate of 42 people and experience indicates that there will be an additional 42 people, which includes aides, secretaries and supervisors, who will be performing other functions related to clients and to enable a substantial attack on rehabilitating this class of clients.

Program Costs: Staffing is estimated to require two research analysts, one research clerk, and one secretary to evaluate continuously the FAP program.

The accounting and administration is made up of two parts. The administration program will require a program manager for the total process and two assistants for the re-evaluation process, initial evaluation process, and the follow-up referral process. In addition, it will require two secretaries for a total staff of five for that function.

The accounting and data processing will require 10 additional personnel.

C O S T C O M P A R I S O N

ADULT PROGRAMS

	<u>Existing Law</u>			<u>HR 16311</u>			<u>Increase</u>		
	<u>1971-73 Estimated Budget</u>			<u>1971-73 Estimated Budget</u>			<u>1971-73 Biennium</u>		
	<u>Assistance</u>	<u>Medical</u>	<u>Admin.</u>	<u>Assistance</u>	<u>Medical</u>	<u>Admin.</u>	<u>Assistance</u>	<u>Medical</u>	<u>Admin.</u>
Total	*\$79,673,802	\$13,328,716	\$4,826,316	\$88,515,616	\$14,533,144	\$5,203,602	\$8,841,814	\$1,204,428	\$377,286
Federal	44,896,189	7,510,731	2,413,158	49,858,762	8,189,427	2,601,801	4,962,573	678,696	188,643
Non-Federal	34,777,613	5,817,985	2,413,158	38,656,854	6,343,717	2,601,801	3,879,241	525,732	188,643

*\$603,074 Collections Excluded

FISCAL IMPACT OF HR 16311 - FARE COSTS - ADULT PROGRAMS
 JULY 1, 1971 TO JUNE 30, 1973

	C O S T S						
	Monthly Caseload	Monthly Case Cost		Assistance	Medical	Administration	
		Assistance	Medical			No. of Positions	Cost
A. <u>Estimated Budget</u> (Existing Law)							
Aid to the Aged	9,268	\$ 63.68	\$15.02	\$14,163,787	\$ 3,340,929		
Aid to the Blind	537	121.80	19.41	1,569,752	250,156		
Aid to the Disabled	6,247	90.79	34.61	13,612,704	5,189,008		
Intermediate Care	9,245	229.54		50,930,633	4,548,623		
Total Estimated Budget	25,297	\$132.22		\$80,276,876	\$13,328,716	290	\$4,826,316
B. <u>Program Changes - HR 16311</u>							
(1) Disability Redefined, Section 1602, page 67	700	\$ 93.15	\$ 34.61	\$ 1,564,920	\$ 581,448	7	\$ 115,194
(2) Blindness Redefined, Section 1602, page 67			No Substantial Change				
(3) Change in Resource Limits, Section 1603, page 68			No Substantial Change				
(4) Children Excluded From Financial Responsibility, Section 1603 page 69				(603,074)			
(5) Earnings Disregard - AD, Section-a 1603, page 69	350	50.00	34.61	420,000	290,724	4	64,441
	b (103)	73.36		181,345			
(6) \$110 Minimum Grant for Adult Cases, Section 1603, page 70	-a 400	20.00	34.61	192,000	332,256	4	65,825
	b 600	63.00		907,200		8	131,826
	c (5,751)	36.03		4,973,275			
(7) Optional Earnings Disregard - Aged, Section 1603, page 70			No Substantial Change				
(8) Other							
Total Program Changes	2,050			\$ 8,238,740	\$ 1,204,428	23	\$ 377,286
Total Estimated Budget and Program Changes	27,347	\$134.86		\$88,515,616	\$14,533,144	313	\$5,203,602

2011

Estimated Fiscal Impact of HB 16311 on Aid to Adults as Compared to Existing Programs

1. Disability redefined: Eligibility will exist for individuals who are under a "severe disability, as determined in accordance with criteria prescribed by the Secretary" of HEW. The House of Representatives report by the Committee on Ways and Means indicates the intent is that severe disability "be determined to mean persons whose physical or mental conditions substantially preclude them from engaging in gainful employment of self-employment. It is also expected that the disability is one that has or can be expected to last for a period of 12 months or result in death." (This is comparable to social security requirements.)

Under Oregon law "disabled" means "having a bodily impairment that is both permanent and total." "A permanent disability is one likely to continue without substantial improvement throughout life or for an indeterminate period. A total disability is one which prevents performance of substantially all the ordinary duties of occupations in which a disabled individual is capable of engaging, having due regard to his training, experience and circumstances." The definition under HR 16311 will make many eligible who do not qualify under Oregon's present law. We expect the Oregon disabled caseload to increase by about 11 percent.

2. Blindness defined: The bill provides for assistance to individuals who are blind "as determined in accordance with criteria prescribed by the Secretary." The House Ways and Means Committee report indicates most states use essentially the same definition insofar as central visual acuity is concerned (i.e. less than 20/200 in the better eye with maximum correction). The committee indicated a uniform national definition was warranted.

Oregon law defines a blind person as one "whose visual acuity with correcting lenses does not exceed 20/200 in the better eye, or whose vision in the better eye is restricted to a field of vision which subtends an angle of not greater than 20 degrees, or who has an equivalent visual impairment. In view of the committee's intent, a definition by the Secretary is not likely to have a significant impact on Oregon's caseload.

3. Resources: Eligibility exists for persons whose resources do not exceed \$1,500 fixed and liquid assets, plus a home, household goods and personal effects and other property which (subject to limitations of the Secretary of HEW) is so essential to the family's means of self-support as to warrant its retention.

Oregon permits \$1,000 fixed and liquid assets, plus a home, household goods and personal effects, income producing property assets or equipment and burial plots, one operating motor vehicles, property

contiguous to a home and life insurance with \$1,000 cash value for each person in the grant. The change in resource limits should have little effect on our caseload.

4. Children excluded from financial responsibility: In the aged blind and disabled program "the state agency may not consider the financial responsibility of any individual for any applicant or recipient unless the applicant or recipient is the individual's spouse, or the individual's child who is under the age of twenty-one of is blind or severely disabled."

Oregon law provides that husbands, wives, fathers, mothers and children age twenty-one and over are legally responsible relatives and must contribute toward support of recipients according to an income scale set by law. The proposed law's exclusion of children from financial responsibility for support of parents would eliminate the source of about 98 percent of our collections under the Relative Responsibility Law.

5. Earnings disregard for disabled: The bill provides that \$7.50 of any income may be disregarded and that the first \$85 per month of earned income plus one-half of earned income in excess of \$85 shall be disregarded.

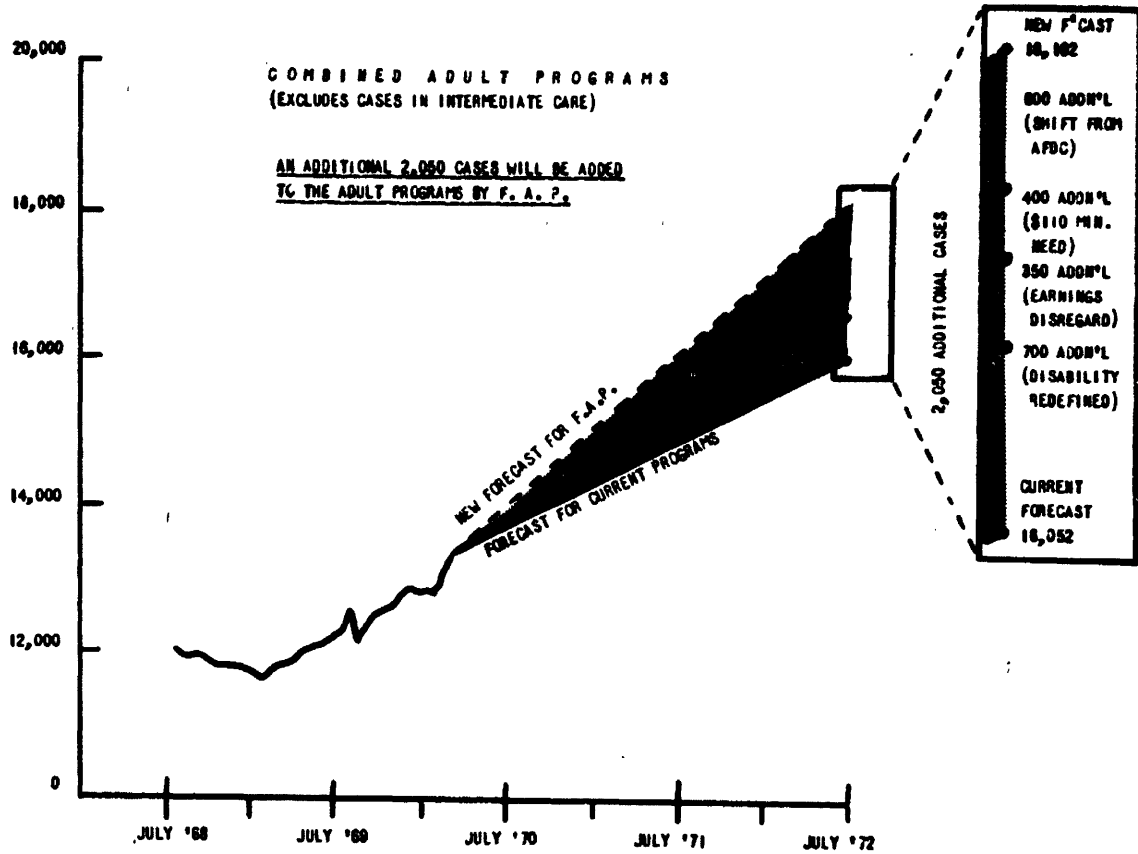
Oregon disregards \$7.50 of any income and provides an employment allowance up to \$30 per month, depending on earnings. The new law will increase case costs for those with earnings and continue assistance in many cases which would normally close.

6. \$110 minimum grant for adult cases: The bill requires a minimum grant (less disregarded income) of \$110 for each individual except those in institutions.

Oregon provides a grant which decreases as the number of persons in the household increases. All aged and disabled persons in households of two or more receive grants less than \$110 per month. Individuals in one-person households also receive less than the \$110 minimum if they own their own homes. The proposed change will result in the shift of about 600 disabled individuals from family assistance to disabled due to the higher payment in the latter program. An additional 400 individuals will be eligible due to the minimum payment and costs will increase in more than 5,700 cases.

7. Optional earnings disregard for aged: The bill permits a disregard of not more than the first \$60 per month of earned income plus one-half of the remainder. It also permits disregard of \$7.50 of any income.

Oregon disregards \$7.50 of any income and provides for disregard of the first \$10 of earned income plus one-half of the next \$40. (Federal law now permits disregard of \$20 plus one-half of the next \$60.) If the optional becomes mandatory, case costs will increase.



SUPPLEMENT TO

**ANALYSIS
OF THE
WELFARE
REFORM
BILL
HR16311**

**IMPACT OF AMENDMENTS
PROPOSED BY THE DEPARTMENT
OF HEALTH, EDUCATION, AND
WELFARE SUBMITTED TO
SENATE COMMITTEE ON FINANCE
JUNE 11, 1970**



**TOM McCALL
GOVERNOR**

EXECUTIVE DEPARTMENT TASK FORCE - AUGUST 1970

2015

STATE OF OREGON

EXECUTIVE DEPARTMENT

TASK FORCE MEMBERS

Robert Davis	Assistant to the Governor, Human Resources
Cleighton Penwell	Deputy Director, Executive Department
Arthur Wilkinson	Principal Fiscal Analyst, Executive Department
Andrew Juras	Administrator, Public Welfare Division
Leo Hogstrom	Assistant Administrator, Public Welfare Division
Leonard Sytana	Special Manpower Programs, Employment Division
J. N. Peet	Administrator, Vocational Rehabilitation Division

2016

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PART I

I. SUMMARIZATION OF OREGON'S POSITION.

The Nation is committed to a battle to eradicate poverty--a battle which must be won. The debate now is not on goals but on how best to achieve them....and at what cost.

The goals are clear: For each human being, enough to eat, a place to live, a chance for growth, a share of the good life.

To reach these goals society must help those who can't make it by themselves. It must care for the infirm and the helpless; it must offer all others the education and the opportunity to be productive citizens carrying their share of the load.

Most of all, it must see that services are available to avert disaster, so as to break the cycle of poverty and public dependency. It is not enough to merely pick up the pieces of broken lives when it's too late to do anything else.

These are the goals of the Welfare Reform Bill. They are goals which must be reached, for human reasons as well as for economic ones.

Oregon shares the goals. It presents here some proposals it believes are important in helping us get there.

- . There are tremendous needs for community work/projects, especially in the fight against pollution. There are public lands and roadways to clean, parks and recreation facilities to develop, streams to clear. Meaningful programs can be developed to meet the needs--now unfilled--of picking up, painting and planting. Oregon has been in the past a recognized leader in successful use of work projects which proved rewarding to the participants and popular with the taxpayers. We MUST restore the public works approach if welfare reform is to succeed at all.
- . Oregon urges strongly that Federal matching in State supplementation for unemployed fathers be restored and that unlimited earnings disregards be replaced by incentive systems that will get people on their own once they're above the poverty level.

Some people are on welfare because there are no jobs. Oregon is at this moment reeling from the shock of an unemployment rate that has climbed as high as 15% in some parts of the State. The provisions of the present bill, even as modified, do not adequately solve the problem of unemployment. No amount of training or schooling will get people to work in an economy where there are no jobs to be had.

Some people are on welfare because they have limitations, physical and emotional, that stand between them and full employment. Training and rehabilitative services can help but they are not the whole answer.

Some people are on welfare because they are functionally unemployable. Technological improvements and automation continue to eliminate jobs involving basic manual skills. Retraining to develop additional skills while important is a slow process. Often the age of the individual makes such training of questionable value.

Some people are employable but find ways to defeat the system: A poor attitude, sloppy dress, carelessness, absenteeism...Those who lack motivation can manage to lose any job provided for them.

Oregon believes that all those who CAN work SHOULD work. FOR THESE PEOPLE, THERE SHOULD BE NO ALTERNATIVE TO WORK. The only choice should be between work in the labor force and work in a community sponsored work project. Given these alternatives, most people find motivation to move toward private industry and higher pay as soon as jobs open up.

- Oregon strongly supports many of the concepts embodied in Title XX. This title is the real key to bringing social services together across agency lines so as to zero in on social problems before they get out of hand. However, Oregon questions whether there is provision for adequate funding to support the scope of the services that are needed and Oregon has grave concern with the possible lack of State control over programs that commit State funds.
- States desperately need Federal help in funding. Soaring caseloads and limited revenues have created intolerable burdens. Decisions made at the Federal level have added to the pressure on State funds. States have a limited ability to produce additional revenue. Program expansion imposing additional costs upon the States can result only in:
 - (a) total elimination of some existing necessary programs, or
 - (b) more thinly spreading available revenues over existing programs thereby further reducing their effectiveness.

Oregon strongly urges that the first step toward easing the States fiscal plight would be to modify the "hold harmless" provision so as to cover all State welfare expenditures in fiscal 1971. Also important, in the long range State funding should be gradually phased out until total costs are assumed by the Federal Government.

Unless States can be afforded more protection through such a modified "hold harmless" provision, Oregon finds itself unable to support the Family Assistance Plan.

- . Oregon agrees wholeheartedly with the general concepts of the Family Health Insurance Program but is of the opinion that all families whose annual income is less than \$4,500 (the first contribution level above the poverty level in the administration's proposal) should be covered without individual contribution and that the States be given financial protection through a "hold harmless" provision.
- . Oregon agrees that improvements in the benefits and administration of the Food Stamp Program are needed and that the total cost of this program should be borne by the Federal Government.

OREGON BELIEVES THAT WELFARE REFORM IS NEEDED AND NEEDED AT ONCE. HR 16311 REPRESENTS A COMMENDABLE STRIDE TOWARD THAT GOAL. SOME RECENT AMENDMENTS OFFER SIGNIFICANT IMPROVEMENTS. THE FOLLOWING PAGES REPRESENT OUR RECOMMENDATIONS AS TO WAYS IN WHICH WE BELIEVE THE REFORM PROPOSALS CAN BE FURTHER IMPROVED SO AS TO BRING US CLOSER TO DOING AWAY WITH POVERTY.

II. SPECIFIC COMMENTS AND RECOMMENDED CHANGES.

A. Family Assistance Plan

1. General Comments

Oregon supports the Family Assistance Plan but has reservation about some features:

The exclusion of the unemployed is inappropriate and unwise. We believe a better solution would be to complement the Manpower Program with community sponsored public work projects offering meaningful employment and to strengthen the incentive to start working by disregarding more earnings until total income gets up to the poverty level.

Those who can work--should. The community should offer public work projects for those who can't get and hold regular employment.

Ultimately the responsibility for funding must be placed with those who have the authority for spending. The State will participate little, if at all, in decisions on the extent and cost of the Family Assistance Program. Costs even under current programs are more than the State can sustain. THEREFORE, WELFARE REFORM MUST PROVIDE FOR SINGLE ADMINISTRATION AND SINGLE FUNDING.

2. Elimination of Federal Requirement for Supplementation of Unemployed Fathers

Section 451 and 453 (a) (1) are proposed to be amended: "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."

Program Impact

The expressed objective of including unemployed fathers and their families in ADC was to encourage these fathers to stay home. Before this program was created, fathers had to leave so their wives and children could qualify for AFDC. Eliminating State supplementation for families of unemployed fathers brings back the era when families had to separate to survive.

Eliminating State supplementation for unemployed fathers seems to be based on an assumption that these fathers are readily employable and that incentive to work is the only variable. Oregon's experience is that a substantial number of these fathers are functionally unemployable: They are the last hired and first fired. During times of high unemployment, Oregon has sustained many families throughout the

year because the fathers, although technically able to work, were in fact unskilled, undereducated and unwanted by employers. Others in the unemployed caseload were migrant workers facing seasonal joblessness and those who were without work in times of high unemployment when there weren't enough jobs to go around. Eliminating State supplementation does nothing to solve the problem of the functionally unemployable, or of the unavailability of jobs.

We are convinced that public work programs to assure that work is available are absolutely essential elements in the Family Assistance package. Without them, the entire package may well result in the same disappointments as our present welfare programs--all conceived by honorable men, but doomed from the start by built-in flaws. **WE CANNOT SUPPORT THE FAMILY ASSISTANCE PLAN UNLESS PUBLIC WORKS PROGRAMS ARE INCLUDED.**

The Federal Family Assistance Benefit for a family with no earned income is only about 45% of the poverty level defined by the Bill. This is simply not enough for a family to live in decency and health. Without State supplementation, families where the fathers can't get jobs will be forced to separate. This problem will be compounded if the steps taken by the Federal Government to control inflation result in continued high unemployment.

State supplementation at the January 1970 payment level does not remove financial incentive to obtain employment. In Oregon the January 1970 payment level was only 75% of the poverty level. State supplementation retains work incentive. State supplementation makes it financially possible for a family to remain intact and try to get whatever work is available, to get useful experience and know-how through public work projects if these were included in the plan or to take advantage of other manpower services or training. Elimination of State supplementation provides more incentive to separate than to work.

Fiscal Impact

The proposed amendments to the saving provision in Section 502 include in the computation of State expenditures for FY 1971, the State share of payments made to families of unemployed fathers. The effect of this provision is to require those States who provided AFDC to families of unemployed fathers to apply those State funds to the State supplementation of families other than unemployed fathers. The result is that if a State is to continue assistance to families of unemployed fathers, it must develop revenue totally beyond the amount it previously had expended for this purpose. States presently providing assistance to unemployed fathers will be forced to discontinue the program.

The Family Assistance Benefit is about as much as Federal financial participation in the existing AFDC program. A state such as Oregon could therefore continue to aid families of unemployed men if there is no requirement to divert these funds into other programs. However, retaining 30% Federal participation in costs of State supplementation for unemployed fathers is the only way States can keep payment levels in line with rising living costs.

Recommended Changes

Oregon recommends that:

1. The proposed amendments to exclude Federal matching in State supplementation for families of unemployed fathers be rejected, leaving those provisions as originally enacted by the House of Representatives.
 2. Public works programs be made part of the program for unemployed fathers to insure availability of work.
 3. If the proposed amendments are adopted, the saving provision in Section 502 be modified to exclude the non-Federal share of expenditures for families of unemployed fathers in subsections (a) (2) and (b) (2).
3. Modification of Computation of Earnings Disregard for Purposes of State Supplementation

It is now proposed that Section 452 (b) be amended to increase the disregard of earnings from one-fifth to one-third of the amount beyond the level FAP covers. This is basically similar to existing earnings disregard formulas.

Program Impact

This proposed amendment, together with the exclusion of amounts paid for Federal Income Tax, reduces the amount to be applied against the State supplement and in the latter case against the FAP payment. Its effect will be to qualify additional families for State supplementation and to raise the amount a family has to earn before leaving welfare rolls. It means more families will stay on welfare with income above the poverty level. This diverts State and Federal revenue which is needed far more to improve benefits for those with no earned income.

The concern previously indicated in Oregon's analysis of HR 16311 was as follows:

"It should be noted, however, that the earnings disregard and work incentive provisions in the bill substantially increase the number of persons who will qualify for State supplementation by the application of the disregard at the time the person applies for assistance.

Oregon's experience under the present earnings disregard formula does not completely support the assumption that the formula encourages individuals to secure employment or increase their earnings beyond the incentive that would exist without the disregard. The primary effect has been to discourage individuals from terminating assistance, since few are able to attain an earnings level that renders them ineligible. The major result of this may be to encourage the working poor to retain welfare assistance rather than strive for self-sufficient status. The disregard of earnings in determining initial eligibility will qualify thousands of the working poor in Oregon for State supplementation and medical assistance. It is doubtful that many will ever achieve a high enough income level to exceed welfare dependency."

Under the proposed amendments, a family of four in Oregon with income (after Federal Income Tax is deducted) up to \$5,652 would be eligible for State supplementation. If the value of medical assistance is added, the Bill has the effect of continuing assistance until a family's income reaches the equivalent of \$6,022 exclusive of Federal Income Tax. This is 38% above the poverty level set forth in the Bill and 91% above Oregon's payment level for a family with no income.

Oregon has repeatedly urged some limit to earnings disregards; families with earnings stay on assistance when income far exceeds the poverty level, while those families with no earnings are forced to subsist on grossly inadequate grants.

To exclude families of unemployed fathers from State supplementation and then increase the earnings disregard for families who do receive State supplementation is seriously inequitable: There is a very fine line between the incapacitated father and one who is functionally unemployable. Yet the family where the father is defined as unemployed would have to live on the FAP payment at only 45% of the poverty level while the families with an incapacitated father or no father at all in the home would receive State supplementation and a substantial earnings disregard besides.

Fiscal Impact

The increase in the number of families who will qualify for State supplementation and continue to be eligible with increased incomes will be relatively insignificant if the proposed increase in earnings disregard is coupled with the proposed elimination of State supplementation for unemployed fathers: Only 13% of the families in Oregon who fall within the income range involved are female-headed. However, if State supplementation is continued for families of unemployed fathers as Oregon is urging, the proposed increase in earnings disregard will substantially increase the number of families eligible. And costs will be much higher.

Oregon estimates an increase of eligible families under the proposed amendment of 2,569 at a cost of \$1.7 million, excluding unemployed fathers. Under the original Bill, HR 16311, approximately 20,000 additional families were estimated at a cost of \$28.5 million.

Recommended Changes

Oregon recommends that:

1. The earnings disregard, for purposes of State supplementation, be applied only up to the poverty level. Revenues which would otherwise be expended for payments to families above the poverty level could be used for more adequate grants to those who can't work or can't get jobs. One possible approach to this would be to permit States to disregard all earned income until total income (combined earnings, FAP payment and State supplementary benefits) reaches the poverty level; above that, earnings would be deducted dollar for dollar until there is no need for State supplementation. In effect, this means a family is encouraged to start earning money and to earn enough to bring the family's income up to the poverty level. From that point, income remains constant for a time. However, many families will have realistic hopes of raising their income to a point where they can be off assistance and from there on each dollar earned means an actual raise in living standards. (Note that our proposal does mean less income for families already receiving earnings disregards under present programs.)

It could be argued that this proposal doesn't offer enough incentive to continue increasing income after the poverty level is reached. (Between about \$1,000 of earnings and \$3,500 for a family of four, total income stays the same.)

We believe personal pride is as strong an incentive as the extra money once the habit of working is established. Besides, once we have public work programs in which able-bodied parents already work full time, the difference between \$1,000 earned and \$3,500 isn't in hours worked--it's only in the proportion of those hours spent in private industry.

However, much as we favor getting people up to the poverty level as fast as their own efforts can boost them up there, we'd be willing to go along with an alternative: If we disregard only half of all earnings until total income reaches the poverty level, they'll get there more gradually and reduce the span of earnings on which they face, in effect, a 100% tax.

Oregon's proposed provisions would:

- (a) Enable families to supplement the State payment level with earned income up to the poverty level.
- (b) Reduce the number of families eligible for State supplementation, including the families of unemployed fathers.
- (c) Further standardize the income level of families receiving State supplementation among all the States.
- (d) Make it possible to consider raising assistance benefit levels for all families.

This approach is consistent with the philosophy of terminating Federal income maintenance at the poverty level. State supplementation would stop at about the same level where FAP payments for the working poor already stop. This would greatly narrow the gap between the working poor and those eligible for State supplementation.

4. Title V, Section 502 - Saving Provision

The recommended changes would extend the "hold harmless" provision by making the guarantee against increases in State assistance payments permanent, and by providing a new method of calculating the extent of State liability for future assistance cost increases.

Interpretation

Under the original House Bill, the States were assured that, for each of the two years after the effective date of the program, they would not be required to spend more on welfare than the amount the Secretary estimated their projected costs would have been under current law. Quoting from Secretary Richardson's letter to Governor McCall, the Federal Administration now proposes:

"....to hold States harmless as to any expenditures required by the Bill in excess of their FY 1971 public assistance expenditures (not counting administrative costs), plus a cost-of-living factor. In other words, you would know that your State would not be required to spend more under its federally aided public assistance program in, say FY 1974, than it actually spent in 1971 plus a percentage factor equivalent to the growth in the Consumer Price Index between 1971 and 1974. This 'hold harmless' provision would not, of course, apply to any benefit increases which the State enacted at its own initiative. But it does assure that every State would have a fixed dollar ceiling for its

required public assistance costs above which the Federal Government will pay 100% of the bill. We feel this revision should be a very substantial help to the States in their financial planning...."

Fiscal Impact

The estimate of State expenditures in Oregon under existing law for the AFDC and adult categories during FY 1971 totals \$38.5 million.

Maximum expenditures by the State for AFDC and adult categories for FY 1972 under the "hold harmless" provision would be \$38.5 million plus a cost-of-living increase as determined by the Secretary.

After adjustments in caseloads and case costs for the new provisions for HR 16311 and applying the Bill's Federal participation formulas, it is estimated that the State's share of supplementation to family assistance and payments under the adult categories for the FY 1971 universe would be \$23.4 million.

Utilizing the Department of Health, Education and Welfare's method, the maximum savings to the State for FY 1972 would be the difference between \$38.5 million (existing law) and \$23.4 million (HR 16311) or \$15.1 million. Cost-of-living increases, normal growth of assistance rolls, additional persons eligible for assistance benefits under the new provisions, supplementation of the unemployed father segment, and other factors affect the potential fiscal relief to the States.

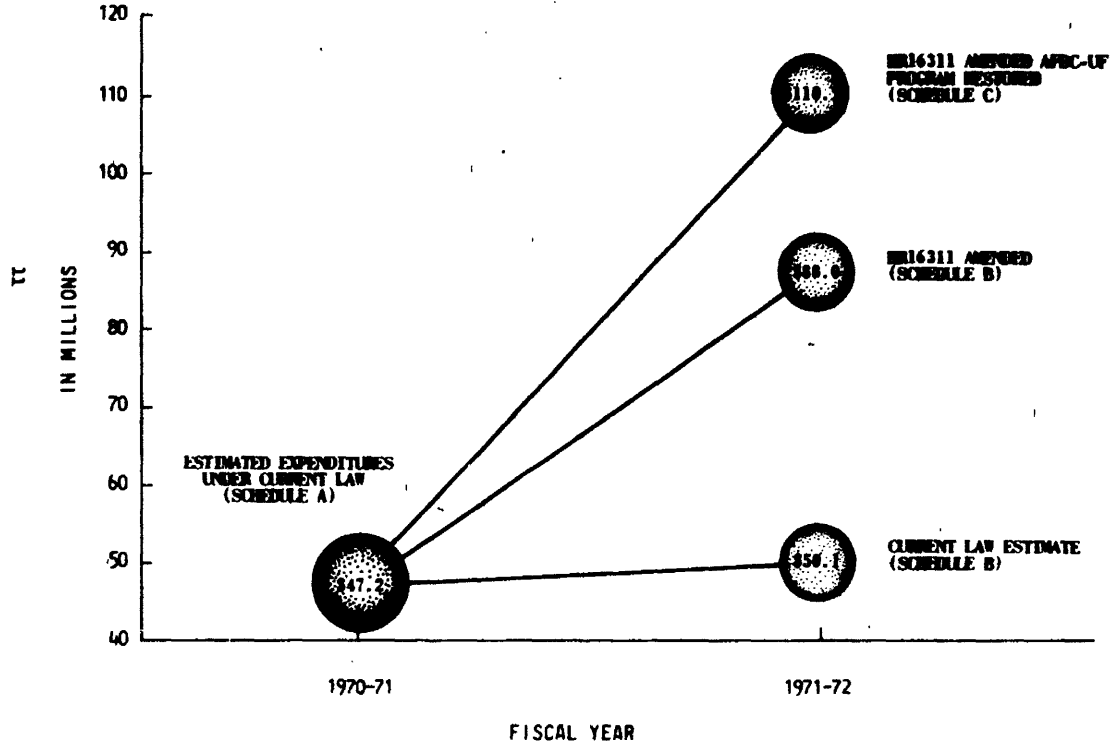
Further analysis (as detailed in Part II - Schedule B and C) shows that the projected expenditures under existing law for FY 1972 will total nearly \$41 million in State funds. Mandatory State supplementation of Federal programs, as authorized in the amended version of HR 16311 for the same period, are estimated to cost Oregon approximately \$27.4 million. Adding a State controlled AFDC program for families of unemployed fathers increases the costs to \$35.4 million in State funds for FY 1972. However, if the provision for State supplementation in the unemployed father program is restored to the Family Assistance Act, the number of eligible families is expected to substantially increase and the estimated cost to Oregon in State supplementation would rise to \$52.4 million. However, this amount of State supplementation exceeds the FY 1971 expenditures (including a cost-of-living increase). Therefore, the "hold harmless" provision would limit State expenditures to approximately \$40.4 million. This means the State of Oregon cannot expect any fiscal relief and is only protected from further escalation of costs by the "hold harmless" provision. STATES NEED MORE HELP THAN THIS.

Spiraling welfare caseloads and costs in Oregon for FY 1970 and FY 1971 exceeded appropriations by \$19 million in State funds. Only after extreme measures, all of them highly undesirable, were taken by the Governor's Office and the State's Emergency Board (nine members

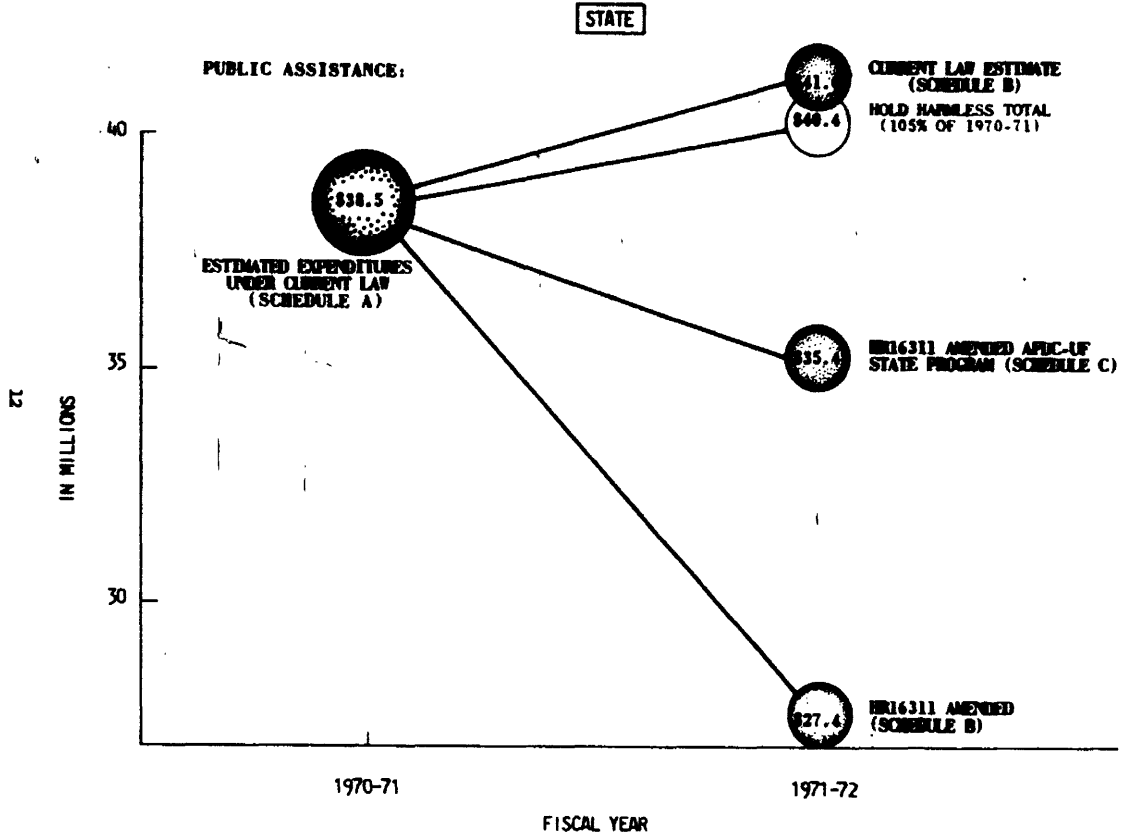
FISCAL IMPACT OF AMENDED FAMILY ASSISTANCE ACT (HR16311) IN OREGON - FISCAL YEAR 1971-72

FEDERAL (EXCLUDING WORKING POOR)

PUBLIC ASSISTANCE:



FISCAL IMPACT OF AMENDED FAMILY ASSISTANCE ACT (HR16311) IN OREGON - FISCAL YEAR 1971-72



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of the Legislature responsible for special appropriations between legislative sessions), was Oregon able to finance the overspenditure during this biennium. The State cannot hope to finance the increase it expects to face in the 1971-73 biennium without severely curtailing other vital State programs.

Oregon's insistence on more Federal funding help is more than just a desire to hold onto State funds: More and more decisions—decisions that cost State dollars—are made at the Federal level. In the last few years we have seen Federal decisions do away with durational residence requirements, terminate work programs, require us to disregard earnings far beyond the poverty level and forbid us to terminate payments while fair hearings are pending. The State has no voice—or choice—in these decisions. **BUT THE STATE IS FORCED TO PAY THE BILL.**

Recommended Changes

Oregon recommends that:

1. The Act be further amended so as to make the FY 1971 State expenditures, under existing law, the maximum amount of participation required by the States.
2. Commencing with FY 1972, reduce the "maintenance of effort" payment over a specified period of years until the State's share has been completely phased out and the program costs are completely assumed by the Federal Government: Funding responsibility should rest where decisions that cost money are made.

B. Title XX, Social Services

A full range of services for families, children and adults, regardless of assistance eligibility status, is proposed in lieu of existing services provisions in ADC, child welfare and adult categories. Services will be extended to all persons below the poverty level without cost and available for a fee to those above the poverty level.

Comment

Oregon sees the new social services provisions as a substantial improvement over the fragmented, compartmentalized services programs now in operation. By extending services to all who need them, government, for the first time, could play a meaningful role in preventing social problems.

Secondly, this plan offers, for the first time, the opportunity for broad services planning across agency lines.

Oregon sees these improvements as highly desirable with some minor modifications to include assurance that decision making authority and funding responsibility are not separated.

Program Impact

1. Strengthening Social Services. Extending social services to low-income families before the family disintegrates to the point where it needs public assistance is economically sound as well as humanitarian. Prevention is a far sounder approach to social problems than trying to patch up families and restore them to self-sufficiency once they have become dependant.

Presently Oregon provides social services to approximately 24,000 persons each month from the total of 120,000 who receive public assistance. Services are also provided to another 10,000 children from non-assistance families. The population of Oregon that falls below the poverty level is estimated at 300,000. This more than doubles the universe that would be potentially eligible for social services. If services are requested by a substantial number of this increased universe, without sufficient increases in the appropriation to serve this clientele, the effect of extending these services to the low-income families can only result in reduction in the quality and effectiveness of the services offered. Consequently, the appropriations for these services must be sufficiently increased if services are not to be adversely affected.

The provisions of the new service amendments also eliminate the mandatory requirement for services to AFDC recipients and make them optional. However, Section 437 of the Family Assistance Bill requires that the State provide social services to support manpower and training programs for all persons referred to the emergency services under Section 447. Since supportive services will be required and a substantial number of persons including the working poor may request service, a significant increase can be anticipated in the demand for services. If the proposed limitation in the allocation of funds based on the FY 1971 funding level is retained, and a sufficient balance is not available for apportionment on the basis of the State's poverty population, the effect can only be thinning out already inadequate services for an increased clientele.

The provisions of Title XX that establish and finance a government assistance program to strengthen the capacity of State and local chief executives to plan, manage, evaluate and coordinate social services across agency lines, for all citizens who need them, are vital to a stronger program. Social service programs can be far more effective with the provision of additional funds for training and technical assistance to the agencies administering such programs, together with the infusion of system analysis, program budgeting and management information systems.

The provisions of this bill that impose responsibility on the Governor of each State to assure that social service plans achieve the provision of minimum levels of service, that these plans comply

with statutory requirements, that there is a balanced program of services, and that there is coordination of all services to maximize the benefits of these programs, is highly desirable. The authority for the Governor of each State to submit a single consolidated plan for HEW programs further reinforces this objective. This should simplify the administration of these programs through a single Federal matching formula and avoid the distortion that occurs due to differences in matching formulas that do not necessarily relate to the priority of need.

2. Decentralization of Planning, Coordination and Administration. The Governor of Oregon has already established administrative districts and set up district coordinating councils to encourage local planning, coordination and participation in the State budgeting process. Therefore, the provisions in Title XX which make use of a similar structure to stimulate local internal planning and coordination have tremendous potential for Oregon.

The bill, however, provides that any major metropolitan area with a population of 250,000 or more may exercise a self-designation option to establish that city as a district service area and designate a local prime sponsor to administer the program.

Philosophically, Oregon concurs in extending local determination. However, we have grave concern about the fiscal responsibility of this provision: Local government is given authority to determine a scope of services to be provided; the Governor is left with no power to disapprove unless the local government hasn't complied with statutes; if the Governor doesn't approve, an appeal may be made directly to the Secretary of HEW. In Oregon no local funds are involved in administering social services. Yet State funding commitments could be determined by the mayor, HEW Secretary and Congress! The State must retain its authority to determine the scope of the social services program if it has to pay the bill.

If a "hold harmless" provision were added to Title XX in effect freezing the State's financial commitment to a base fiscal year prior to the effective date of this act, and if there were provisions for gradually phasing out the State's responsibility for financing these services, Oregon's objection to these provisions would be eliminated.

The provisions in Title XX which authorize projects to plan for the establishment of service programs to coordinate services from all sources in the State and to provide technical assistance, research demonstration, training and evaluation, offer further impetus to strengthening social services.

3. Separation of Social Services from Assistance Administration. The provisions of Title XX that completely disassociate social services from assistance administration are highly desirable.

Social services programs would be completely separate from eligibility criteria in deciding who should be served. A closer association and coordination among social service programs of private agencies, State agencies, and local government agencies will become possible. Any question about the State's providing protective services to people not receiving public welfare is removed. Each program can focus its administration exclusively on services objectives and can isolate services so that results can be identified and evaluated clearly.

Oregon's concern is that separating services from assistance administration must not result in any reduction in the services now provided to assistance recipients. We urge a provision that would require an umbrella agency to assure that services to assistance recipients not be diminished and to avoid duplicate administrative costs that might result from completely separating administration. As a minimum, State plans should encompass requirements that social services be continued to all persons receiving public assistance under existing programs who have a potential for rehabilitation and self-support. The bill should be modified so that States without an umbrella agency could submit an interim plan for social services prior to a mandatory date for complete separation from assistance administration.

Fiscal Impact

The basic appropriation for the individual and family services program and the support for private grants and contracts authorized under Part A is a closed-end appropriation which Oregon favors. Currently Oregon has to operate on a closed-end appropriation of State funding while the Federal Government operates on an open-end basis. Setting a limit on Federal funds allotted to each State on a formula basis enables the State to better plan its appropriation in relation to the scope of funding provided by the Federal Government.

Appropriations of specified amounts will also require the Secretary and the Department of Health, Education and Welfare to restrain their policies and objectives within the scope that can be financed by these appropriations. Previously Federal program decisions have too often been made without regard to the financial impact on States that must provide matching funds.

We favor the proposal to allocate the appropriation under Part A on a formula basis, in part based on the States expenditure in fiscal 1971 and in part on the poverty population in the State, provided that the basic appropriation is adequate to sustain the scope of the services required. Up to now the allocation of Federal funds among the States has been highly inequitable and dependent upon the ability of the State to raise State matching funds and to allocate costs to the service categories where there were premium matching formulas. Improved Federal matching for service in support of manpower activities and for

foster care will result in the Federal Government properly assuming an increased proportion of the costs of these services. The scarcity of funds available to the States and the limits on the capacity of the States to increase their revenues will ultimately make it necessary that the Federal Government sustain the entire cost of the services programs.

States must give priority in distributing their funds to those programs that have the clearest direct benefit to the population served. Thus, an adequate standard of assistance gets priority in Oregon and services suffer.

It is highly doubtful that Oregon would have heavily invested State funds in service programs were it not for the premium Federal matching associated with them. Title XX places the State in a position of a fiscal intermediary between administration of the program at the State level and funding of the program at the Federal level. If the intent is to decentralize the administration of the services program from the State to local service areas and the role of the State is largely to monitor programs to assure performance of a minimum level of service, then the States should be properly removed from the financing of the programs.

Recommended Changes

Oregon recommends that:

1. Title XX be amended to include a "hold harmless" provision, limiting State funding of these programs to the level of expenditure in FY 1971, with gradual phasing out of State participation within a reasonable time period.
2. If the State's financial participation in the cost of social services under Title XX is not limited, that the bill be amended to permit the Governor to disapprove an area plan at least to the extent that the scope of the plan exceeds the State's capacity to finance the non-Federal share.
3. The bill be amended to permit States whose social services are not administered in a separate agency from the agency administering assistance, or States that do not have an umbrella agency in which the separation could be made without administrative action, to operate with an interim plan until the next legislative session following enactment of this bill.

C. Family Health Insurance Program

In January 1971, the Federal Administration will offer legislation to establish a new Family Health Insurance Program which will cover all poor families with children. This program will require a contribution from participating families that is scaled to increase with their income. The plan will provide a Federal floor of national medical services which the States could supplement, similar to their role under family assistance.

Comments:

Oregon enthusiastically supports the concept of a health insurance program for public assistance recipients and other poor people. However, careful analysis should be made of the benefits such a program provides. Special attention must be given to limits of coverage, comprehensiveness, deductible and co-insurance levels and ceiling limits for certain parts of the coverage.

The average prepayment insurance plan offered by private enterprise today places specific limits on certain types of coverage. For example: deductibles of first and some subsequent physician office visits, dollar-per-day amounts for hospital care, limits of X-ray and lab. Few insurance plans cover total hospital costs, drugs or nursing home care of any duration. Unless the proposed Family Health Insurance Program covers all of the comprehensive items that are taken care of by the average public welfare agency, States will be forced to provide a supplemental health program. This will result in dual administration and additional costs. Oregon would generally endorse deductibles and co-insurance for families above the poverty level, and recommend that the Federal participation of persons above the poverty level be based on a graduated schedule.

Recommended Changes

Although detail is lacking, the implication is that the proposed health insurance program would only cover families. This would leave persons in current adult public welfare programs and childless couples without the advantages of such a prepayment program. Oregon therefore recommends that:

1. Persons other than those that meet the definition of a family under HR 16311 should be included in this program. If not, a supplemental program of some type will be administratively necessary to meet the health service needs of those excluded from the family definition.
2. A waiver of payment be granted to all participating families whose annual income is less than \$4,500. To raise the cut-off to this level would avoid a disincentive to work to supplement income.

3. The "hold harmless" provision should be extended to this Act and the Federal Government should accept the State's FY 1971 annual expenditures as the maximum level of participation. Further, State participation should be phased out within a specified time period.

D. Food Stamp Provisions

Section 465 is proposed to be amended to provide "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 national and local levels. It represents a step toward standardization for food and cash programs, and furthers the concept of the 'one window' approach to cash and in-kind programs."

Interpretation

The proposed amendment to Section 465 will enable beneficiaries of FAP payments and State supplemental payments to make a voluntary deduction from these payments for all or a portion of the food stamps to which they are entitled. This proposed amendment includes the working poor.

Comments

The transfer of the Food Stamp Program from the Department of Agriculture to the Department of Health, Education and Welfare, coupled with the proposed amendment which would permit families to invest only so much as it is possible for them to pay for food, will greatly increase the number of families who take advantage of this benefit. The revisions of the Food Stamp Program with the Family Assistance Act are desirable changes and tend to solve a number of the problems within the existing food program.

Transfer to the Department of Health, Education and Welfare clearly identifies food stamps as an assistance program. The proposed amendment permitting voluntary deductions so intermingles the administration of the Family Assistance Plan and food stamps that food stamps should be considered as a part of the Family Assistance Plan, with States insulated from the increased cost under the "hold harmless" provision.

Fiscal Impact

A substantial increase in cost can be anticipated because more families will participate and this in itself will increase administrative expense. Besides, the amount deducted and the food stamps to be provided will not be standardized. They must be determined for each family and individually stuffed in mailing envelopes. This means considerable manual effort and increased administrative cost.

Recommended Changes

Oregon recommends that:

1. The cost of the Food Stamp Program including both the bonus allowances and the cost of administering the stamp program be assumed entirely by the Federal Government.
2. The scope of the "hold harmless" provision in Section 502 should be broadened to include the cost of administering the Food Stamp Program in subsections (a) (1) and (b) (1).

E. Public Housing

The present U. S. Housing Act states "...income limits for occupancy shall be fixed by the Public Housing Agency and approved by the Secretary..."

Comments

Housing subsidies are not structured to decline as personal income goes up. This takes away incentive to work. A person loses eligibility for housing subsidy when his earnings reach a certain point. In many cases the loss of benefits more than offsets the gain in earnings.

Amendments to the Family Assistance Act correct this problem by proposing that a family with income under \$3,500 pay 20% of their income on rent, and that families above the \$3,500 income level allocate 25% of the amount toward rent. This means that as income goes up, the housing subsidy goes down. Benefits don't stop suddenly when a person earns an extra dollar.

Recommended Changes

Oregon recommends that:

1. This proposal, or any modification which will provide better work incentives than the present housing subsidy program, be adopted. The proposed amendment appears to eliminate the rent/income inequities so that all public housing residents, including those on assistance, pay the same proportionate rent based upon their income. (This should be more clearly defined.)

PART II

I. SUMMARY OF FISCAL IMPACT, Fiscal Year 1972

Fiscal impact to Oregon has been estimated in accordance with the Department of Health, Education and Welfare directive - Schedule A. The estimated savings of \$15.1 million (comparing estimated costs under current FY 1971 with what cost would have been if the Family Assistance Plan, as amended, had been effective in FY 1971) is an irrelevant and misleading figure.

A valid method of determining fiscal impact to the States would be to compare the estimated expenditures for 1972 under current law with those expenditures required by the States in FY 1972 as State supplementation under the amended Family Assistance Plan - Schedule B.

Oregon has maintained an ADC program for families of unemployed fathers for over eight years, and the needs of these families cannot be ignored. The alternative costs of providing assistance to these families under a State or Federal program are estimated in Schedule C.

SCHEDULE A
Part I
Impact of the Family Assistance Act on State
Public Assistance Programs in 1971
Oregon

I. Program Data Under Current Law, Fiscal Year 1971¹

<u>Program</u>	<u>Avg. Mo. Caseload² (Thousands)</u>	<u>Annual Payments (Millions)</u>	
		<u>Total</u>	<u>State</u>
AFDC (excludes ADC-FC)	24.8	\$50.4	\$23.1
OMA	9.1	18.9	8.3
AB	.6	1.0	.4
APTD	6.3	15.4	6.7
TOTALS		\$85.7	\$38.5

II. Changes in Caseloads and Payments Under HR 16311

<u>Program Changes</u>	<u>Changes in Avg. Mo. Caseload (Thousands)</u>	<u>Changes in Annual Payments (Millions)</u>	
		<u>Total</u>	<u>State</u>
A. <u>AFDC</u>			
Replacement of AFDC Payments with FAP and State supplemental payments ³	2.6	\$ 2.5	\$-6.4
Terminate AFDC-UF Program	-4.7	-12.2	-6.4
B. <u>Adult Categories</u>			
1. Payments to existing cases	xxx	1.7	-1.7
2. Payments to new cases:			
a. Due to \$110 standard	1.0	.5	+0.05
b. Due to national standard for APTD eligibility	.7	.8	+0.08
c. Due to earnings disregard	.4	.2	+0.02
C. <u>Federal "hold harmless" Payment to State</u>	xxx		

¹July 1970 estimate of caseloads and costs for Fiscal Year 1971.

²AFDC, FAP, and State supplemental cases are families; adult program cases are recipients.

³Assumes the State terminates its AFDC-UF program on the FAP effective date.

III. Program Data Under HR 16311, Fiscal Year 1971

<u>Program</u>	<u>Avg. No.² Caseload (Thousands)</u>	<u>Annual Payments (Millions)</u>	
		<u>Total</u>	<u>State</u>
Family Assistance	22.7 ⁴	\$25.5	\$xxxx
State supplementation of FAP	(22.7) ⁵	15.2	10.6
Adult categories	18.1	38.5	12.8
"Hold harmless" payment	xxxx	<u>xxxx</u>	<u>xxxx</u>
TOTALS		<u>\$79.2</u>	<u>\$23.4</u>

⁴Families receiving FAP and/or State supplemental payments; does not include "working poor" families.

⁵Families receiving State supplemental payments; included in Family Assistance caseload shown above.

SCHEDULE A
Part II

	<u>Cases</u> <u>(Thousands)</u>	<u>Payments</u> <u>(Millions)</u>
I. <u>State Maintenance Payments with Enactment of</u>		
<u>HR 16311 (as amended June 1970)</u>		
A. <u>Supplementation of Family Assistance:</u>		
1. For existing AFDC caseload eligible for FAP:	20.1	
a. FAP payments		\$24.7
b. State supplemental payments		13.5
2. For non-AFDC families with incomes between the State need standard and the new income eligibility line:	2.6	
a. FAP payments		.8
b. State supplemental payments		1.7
3. Total reimbursable supplementation of FAP		\$15.2
(sum of lines 1b and 2b)	xxx	
4. State share (70%) of line 3	xxx	10.6
5. Non-reimbursable supplementation		0.0
6. Total State share of supplementation		\$10.6
(sum of lines 4 and 5)	xxx	\$10.6
B. <u>Payments Under Adult Categories:</u>		
1. For existing caseloads at current payment levels		
- OAA	9.1	\$18.9
- AB	.6	1.0
- APTD	6.3	15.4
2. For existing caseloads - payment increases due to minimum income standard		
-- OAA	1.7	.8
-- AB	xxx	xxx
-- APTD	2.4	.9
3. For new cases resulting from minimum income standard and standard for definition of disability		
-- OAA	.4	.1
-- AB	xxx	xxx
-- APTD	1.7	1.4

	<u>Cases</u> <u>(Thousands)</u>	<u>Payments</u> <u>(Millions)</u>
B. <u>Payments Under Adult Categories: (cont.)</u>		
4. Total payments, adult categories	xxx	\$38.5
5. State share of line 4	xxx	\$12.8
C. <u>Payments under General Assistance:</u>		
1. Payments to FAP eligibles	0.0	\$ 0.0
2. Payments to State supplementation eligibles	0.0	0.0
3. Payments to adult category eligibles	0.0	0.0
4. Payments to all other GA recipients	3.0	2.7
5. Total payments, GA	xxx	\$ 2.7
II. <u>State Maintenance Payments Under Existing Law</u>		
A. <u>Total Payments:</u>		
1. AFDC (including AFDC-UP)	24.8	\$50.4
2. OAA	9.1	18.9
3. AB	.6	1.0
4. APTD	6.3	15.4
5. Total payments, existing law	xxx	\$85.7
B. <u>State Share:</u>		
1. AFDC	24.8	\$23.1
2. OAA	9.1	8.3
3. AB	.6	.4
4. APTD	6.3	6.7
5. State share, Federal categories	xxx	\$38.5
6. GA	3.0	2.3
7. State share, all categories (sum of lines 5 & 6)	xxx	\$40.8
III. <u>Federal "hold harmless" Payment to State</u>		
A. <u>State Payments Mandated by Act:</u>		
1. Supplementation of FAP (enter line I-A-4)	xxx	\$10.6
2. Adult category payments (enter line I-B-5)	xxx	12.8
3. Total payments mandated, State share	xxx	\$23.4
B. <u>State Payments in Base Year:</u>		
1. Total maintenance payments in fiscal year 1971, State share	xxx	\$38.5
C. <u>"Hold Harmless" Payment:</u>		
1. Subtract III-B-1 from III-A-3, and enter difference here	xxx	-15.1
2. "Hold Harmless" payment (enter 0 if line 1 is negative; otherwise, enter amount on line 1)	xxx	0.0

	<u>Cases</u> <u>(Thousands)</u>	<u>Payments</u> <u>(Millions)</u>
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IV. Impact of Family Assistance Act on Medicaid

A. Cost of new Medicaid eligibles due to:

1. Adult category caseload increases	1.5	\$.6
2. Extension of State supplementation to families not now eligible for AFDC because income is greater than need standard	2.6	.8
3. Total additional Medicaid cost	<u>xxx</u>	<u>1.4</u>
4. State share of line 3	<u>xxx</u>	<u>.6</u>

V. Impact of Family Assistance Act on Administrative Costs

If the "hold harmless" provision is effective in limiting the non-Federal cost, the State of Oregon anticipates contracting with the Secretary to administer State supplementation at total Federal cost.

SCHEDULE B

Estimate of Expenditures for Fiscal Year 1972

Current Law and HR 16311 Amended

Current Law

<u>Program</u>	<u>Caseload</u>	<u>Case Cost</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>
AFDC/Basic	20,988	\$174.23	\$ 43,880,871	\$24,726,871	\$19,154,000
-UF	4,973	242.00	14,441,592	6,917,523	7,524,069
OAA	9,146	63.25	6,941,814	3,911,712	3,030,102
AB	652	117.70	920,885	518,919	401,966
APTD	6,748	90.20	7,304,035	4,115,824	3,188,211
ICF/Home for Aged	1,480	118.00	2,095,680	1,180,916	914,764
Semi-Skilled	5,563	232.75	15,537,459	8,755,358	6,782,101
TOTAL	49,550		\$91,122,336	\$50,127,123	\$40,995,213

SCHEDULE B

Estimate of Expenditures for Fiscal Year 1972

Current Law and HR 16311 Amended

HR 16311 Amended

<u>Program</u>	<u>Caseload</u>	<u>Case Cost</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>
AFDC/Basic-Existing-FAP	20,988	\$102.50	\$ 25,815,240	\$25,815,240	\$ —
Supplement		74.08	18,657,493	5,597,248	13,060,245
-New Earnings Disregard-FAP	2,569	102.50	3,159,870	3,159,870	—
Supplement		74.08	2,283,738	685,121	1,598,617
AFDC/Basic Subtotal	<u>23,557</u>		<u>\$ 49,916,341</u>	<u>\$35,257,479</u>	<u>\$14,658,862</u>
AFDC/UF-Existing-FAP	4,973	\$107.33	\$ 6,405,025	\$ 6,405,025	
-New-FAP	<u>17,190</u>	107.33	<u>22,140,032</u>	<u>22,140,032</u>	
AFDC/UF Subtotal	<u>22,163</u>		<u>\$ 28,545,057</u>	<u>\$28,545,057</u>	
OAA-Existing	9,146	\$ 77.42	\$ 8,497,000		
-New, \$110 min.std.	400	20.00	96,000		
AB-Existing	652	117.70	920,885		
APTD-Existing	6,748	101.60	8,227,162		
-New Earnings Disregard	350	50.00	210,000		
-Disability Redefined	700	101.60	853,440		
-\$110 min.std.	600	63.00	453,600		
Adults Subtotal	<u>18,596</u>	<u>\$ 86.30</u>	<u>\$ 19,258,087</u>	<u>\$14,241,355</u>	<u>\$ 5,016,732</u>
ICF-Home for Aged	1,480	\$118.00	\$ 2,095,680		
-Semi-Skilled	<u>5,563</u>	<u>232.75</u>	<u>15,537,459</u>		
ICF-Subtotal	<u>7,043</u>		<u>\$ 17,633,139</u>	<u>\$ 9,936,274</u>	<u>\$ 7,696,865</u>
TOTAL	<u>71,359</u>		<u>\$115,352,624</u>	<u>\$87,980,165</u>	<u>\$27,372,459</u>

SCHEDULE C

Restoration of AFDC-UF ProgramAlternative 1 - State Program

	<u>Caseload</u>	<u>Case Cost</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>
HR 16311 Mandatory Total (Schedule B)	71,359		\$115,352,624	\$ 87,980,165	\$27,372,459
Continuation of Existing Program	<u>(4,973)</u>	\$134.67	<u>8,036,567</u>		<u>8,036,567</u>
TOTAL	71,359		\$123,389,191	\$ 87,980,165	\$35,409,026

Alternative 2 - Federal Program

HR 16311 Mandatory Total (Schedule B)	71,359		\$115,352,624	\$ 87,980,165	\$27,372,459
Existing AFDC-UF Program	(4,973)	\$134.67	8,036,567	2,410,970	5,625,597
New Cases	<u>(11,190)</u>	134.67	<u>27,779,728</u>	<u>8,333,918</u>	<u>19,445,810</u>
TOTAL	<u>71,359</u>		<u>\$151,168,919</u>	\$ <u>98,725,053</u>	<u>\$52,443,866</u>

"Hold Harmless" Provision (1970-71 Estimated) Expenditures x 105% = \$40,400,000)				<u>+12,043,866</u>	<u>-12,043,866</u>
				<u>\$110,768,919</u>	<u>\$40,400,000</u>

Governor McCALL. A note of prolog: The State of Oregon believes, as do most of the States, that those who can work should work.

Our first objection is related directly to the major premise, the one I just stated. The bill, as now written, it seems to us, assumes that people will be employed and, if not, we would encourage people to work by having them simply register at an employment office or have them undertake vocational training, and we feel this is totally inadequate because this dilemma of employment cannot be solved simply by registry for work.

Sending an applicant to an employment office or to a vocation rehabilitation training center simply is not enough.

Those who are in this category must be given no alternative but to work, and the family assistance plan will not succeed without the availability of jobs.

The only choice given those who can work should be the choice of working in the regular labor force or work in community-sponsored projects funded by the Federal Government.

We think there are tremendous needs for these community work projects especially, for example, in the fight against pollution.

But we feel very strongly that the "There is no alternative but work" premise is basic. We believe the welfare reform bill, and the whole welfare program, is doomed if we do not activate this particular premise, and unless we can innovate means and measures such as these, we feel the welfare reform bill offers no real reform, it is just a restatement of ancient problems from what you might call a newer perspective.

Our second suggestion is, and one that we made to the National Governors' Conference which endorsed it last month in Missouri, that the Federal Government now begin to assume gradually the full responsibilities for funding welfare programs.

We insist on more Federal funding help, not just from the desire to hold on to State funds, but more and more decisions, decisions that cost State governments, are made at the Federal level, and we have no choice and no voice in these decisions.

We recommend in this area, first, that the act be further amended to make the fiscal year 1971 State expenditures for all welfare programs the maximum amount of participation required by the States; and, second, that commencing with fiscal year 1971 the maintenance-of-effort payment should be reduced over a specified period of years until the State's share has been completely phased out.

The whole spectrum of change, ranging from this bill to the complete Federal takeover of welfare costs, poses potential problems of job security for those employees in the welfare program, and we urge that the bill guarantee employees protection against a worsening of their position with respect to their employment.

Also we feel strongly that the earnings disregard formula must be modified. The formula now contained in the bill would permit those welfare recipients who work to retain too much money. This formula allows persons to get on welfare rolls at too high an income level, and once on the rolls there is too little incentive to get them off.

The bill goes far beyond the poverty level in requiring State supplementation. For example, a family of four in Oregon, with income up to \$5,600, would still be eligible for State supplementation, and if you

added in the value of medical assistance, the bill has the effect of continuing the assistance until the family's income reaches \$6,022, and that is 62 percent above the poverty level and 91 percent above our average payment level in Oregon.

On the other hand, the family assistance benefit for a family with no earned income is only about, as you know, 45 percent of the poverty level.

In view of the joblessness in our State, we also would like to take issue with the point of fathers who are in the home. We have been one of those States which has continued to support these fathers, and we think it is vital that this philosophy be maintained.

We also recommend that the State of Oregon go with the other States in the point that the earnings disregard for purposes of State supplementation be applied only up to the poverty level.

We are convinced that the unemployed father program in Oregon has saved many, many people from want in this year of high employment. We are the third highest in unemployment rate of all the States in the Union, and in view of the joblessness in our State there are many able-bodied fathers on welfare, who are not shirkers, who are not afraid to work if we have the work for them and, of course, it has been a policy of the Federal Government for 10 years to encourage the States to provide this kind of benefit, and eliminating the State supplementation for families of unemployed fathers goes back to the era when families had to separate to survive.

Well, those are the points, gentlemen, we wish to raise from the State of Oregon.

On the amended version of the President's welfare reform bill, and as far as Oregon is concerned, they have to be taken care of before our State can support the legislation.

Then, in closing, I would like to make this one proposal. We are an amazingly exact microcosm, the State of Oregon, of the entire United States, and we feel we could be, and prove to be, an illuminating testing ground for the matter of experimentation that was mentioned by Governor Hearnese on welfare reform.

Oregon has been recognized as having the administrative capability, the creative flexibility, to accept such an assignment, to plan it, to man it, to direct it, and complete it, and report it for the benefit of the 50 States.

In closing, what a microcosm we are is proved briefly by these statistics. We are 1 percent of the national population. Our population, studied in percentage detail, matches the national population in birth rate, death rate, age distribution, employment profiles, urban versus rural distribution, ethnic breakdowns, years of completed schooling, and the industrial wage scale.

By whatever test you apply, Oregon establishes itself clearly as an ideal pilot State for this study.

We think the whole package should be given a test. We would hope that the package would include our recommended changes and the test would use our State as a pilot model.

Thank you very much, Mr. Chairman, and gentlemen, and we join you in good faith in the search for true, lasting, and equitable welfare reform.

(The prepared statement of Governor McCall follows:)

STATEMENT OF TOM MCCALL, GOVERNOR OF OREGON

Oregon believes strongly that welfare reform is long past due. The Family Assistance Plan has considerable merit and, if suitable amendments are included, will get Oregon's support.

We must find a way to break the deadly cycle of poverty and public dependency. The time is now and the need is essential.

It is our opinion, however, that the proposed changes are—in several instances the wrong solutions for agreed-upon needs.

The American people have always been willing to help the helpless, the young, the aged, and the infirm. But people object to providing benefits to those who should and can help themselves.

Before I submit to you four basic areas which I think need changing—and a fifth suggestion which could help achieve and evaluate these changes—I would like for these proceedings to note the following two reminders:

We did, in May, submit to this committee a complete analysis of the bill as originally written.

In August, we submitted an analysis of the bill with its proposed amendments. Many technical points are contained therein which I will not take the time to comment on at this time.

I now ask that these two documents be made a part of the record.¹

And one other note of prologue: Oregon believes—as do most of the states—that those who can work should work. That premise is central to our thinking on this entire issue.

Our first objection is related directly to that major premise. The bill, as now written, seems to assume that people will be employed; that if not, we will encourage people to work by (1) having them register at an employment office, or, (2) having them undertake vocational training.

This is totally inadequate.

Welfare's world contains many employable people who have failed and will continue to fail. It also contains the voluntary poor, the under-achievers, the unmotivated. It contains employable persons who find ways to beat the system via a poor attitude, sloppy dress, carelessness, and absenteeism.

There also are always employable people involved who—because of age, ability, physical or mental condition—cannot handle normal competitive work situations. They are at the bottom of the employment ladder and are projected to remain there.

This dilemma of employment cannot be solved by registry for work. Sending applicants to employment office or vocal rehabilitation training centers is an inadequate solution.

Those who are in this category must be given no alternative but to work.

The Family Assistance Plan will not succeed without availability of jobs. The only choice given those who can work should be the choice between work in the labor force or work in community sponsored projects funded by the Federal Government. Given these alternatives, most people find motivation to move toward private industry and higher pay as soon as jobs open up.

And there are tremendous needs for community work projects, especially in the fight against pollution. There are public lands and roadways to clean, parks and recreation facilities to develop, streams to clear. Meaningful programs can be fashioned to meet these needs. We must restore the public works approach if welfare is to succeed.

The public is entitled to some kind of a return from its big investment to maintain humane standards. If the public could see a substantial return—through community-enriching projects—their support for the welfare structure would be encouraged and revived.

This no-alternative-but-work premise is *basic*. We believe the Welfare Reform Bill—and the whole welfare program—is doomed if we don't instigate this premise and activate it.

And, unless we can innovate means and measures such as these, we feel the Welfare Reform Bill offers no real reform—just a restatement of ancient problems from newer perspectives.

Our second objection is embraced by a suggestion we made to the National Governors' Conference which endorsed it last month in Missouri: that the fed-

¹ See pp. 1977 and 2014.

eral government now begin to assume gradually the full responsibility for funding welfare programs.

In the last three to five years, overwhelming changes in federal policy, in legislation, in HEW directives and procedures, and in federal court decisions have resulted in spiraling welfare caseloads and costs—in Oregon as in all the states.

Oregon's insistence on more federal funding help is more than just a desire to hold onto state funds: more and more decisions—decisions that cost state dollars—are made at the federal level.

In the last few years we have seen federal decisions do away with durational residence requirements, terminate work programs, require us to disregard earnings far beyond the poverty level, and forbid us to terminate payments while fair hearings are pending.

The state has no voice or choice in these decisions. The other partner makes all of the decisions, while our side of the operation must still pick up its partner's share of the tab.

We recommend two changes in this area :

First, that the Act be further amended to make the fiscal year 1971 state expenditures for *all* welfare programs the maximum amount of participation required of the states, and :

Second, that commencing with fiscal year 1971, the "maintenance of effort" payment should be reduced over a specified period of years until the state's share has been completely phased out and the program costs are completely assumed by the federal government: *funding responsibility should rest where decisions that cost money are made.*

States desperately need federal help in funding. The States are straining now.

The whole spectrum of change—ranging from this bill to a complete federal takeover of welfare costs—poses potential problems of job security for employees in the Welfare program. We urge that the bill guarantee employees protection against a worsening of their position with respect to their employment.

As for our third objection we feel strongly that the earnings disregard formula must be modified. The formula now contained in the bill, will allow those welfare recipients who work, to retain too much money. This bill allows persons to get on the welfare rolls at too high an income level. And, once on the rolls, there is too little incentive to get off.

The bill goes far beyond the poverty level in requiring state supplementation. A family of four in Oregon, with income up to \$5,652, will be eligible for state supplementation. If the value of medical assistance is added, the bill has the effect of continuing assistance until a family's income reaches the equivalent of \$6,022.

This is 62% above the poverty level and 91% above Oregon's average payment level.

On the other hand, the Family Assistance benefit for a family with *no* earned income is only about 45% of the poverty level defined by the bill. This is simply not enough for a family to live in decency and health. This problem will be compounded if steps taken by the federal government to control inflation result in continued high unemployment.

The State of Oregon recommends that the earnings disregard for purposes of state supplementation be applied only up to the poverty level.

Termination of assistance to families with incomes above the poverty level would: (1) enable families to supplement the state payment level with earned income up to the poverty level; (2) reduce the number of families eligible for state supplementation, including the families of unemployed fathers; (3) further standardize the income level of families receiving state supplementation among all the states; and (4) make it possible to consider raising assistance benefit levels for all families.

This recommendation is consistent with the philosophy of terminating federal income maintenance at the poverty level.

Our fourth objection is directed at the proposed elimination of federal requirement for supplementation of unemployed fathers.

The State of Oregon is convinced that the unemployed father program during the last year in Oregon has saved people from want.

We can trace case histories to fathers who had—prior to this pinch—been steadily employed.

We know that in many cases, all of their unemployment benefits had run out, and that—without this program—they would have been hard put to keep body and soul together.

In view of this present situation in our state, you cannot say that the only able-bodied fathers on welfare are shirkers who refuse to work.

For 10 years it has been federal policy to encourage the states to provide this kind of benefit. The wording of the present bill in question is a complete reversal of this policy.

Eliminating state supplementation for families of unemployed fathers brings back the era when families had to separate to survive.

We are convinced that public works programs to assure that work is available are absolutely essential elements in the Family Assistance Package. Without them, the entire package may well result in the same disappointments as our present welfare programs—all conceived by honorable men, but doomed from the start by built-in flaws. *We cannot support the Family Assistance Plan unless public works programs are included.*

Those are the four objections we wish to raise regarding the amended version of the President's proposed welfare reform bill.

I would like to close this report with a proposal which I am convinced could—if put into action—benefit the entire nation and strengthen the future and the justice of the welfare program.

Oregon is an amazingly exact microcosm of the entire United States. It would prove to be an illuminating testing ground for the cause of welfare reform.

Subject to legislative approval and other functional details, I offer you the State of Oregon as a field-test area for this program.

The special conditions and qualities of Oregon make it an excellent site for a pilot study.

The project could be undertaken at low cost and with a high promise for national application.

I say this because Oregon has been recognized as having the administrative capability and creative flexibility to accept such an assignment, plan it, man it, direct it, complete it, and report it for the benefit of all 50 states.

When I say Oregon is a microcosm of the entire nation, it is not a metaphorical statement. It is factual, borne out by statistical data.

Oregon represents 1% of the national population. Oregon's population—studied in percentage detail—matches the national population in birth-rate, death-rate, age distribution, employment profiles, urban versus rural distribution, ethnic breakdowns, years of completed schooling, and industrial wage scales.

By whatever test you apply, Oregon establishes itself clearly as an ideal pilot state for this study.

We think the *whole* package should be given a test. We would hope that the package would include our recommended changes—and that the test would utilize our state as a pilot model.

We submit these objections and recommendations in good faith—joining with you in the search for true, lasting, and equitable welfare reform.

Governor HEARNES. Mr. Chairman, Governor Ray of Iowa.

**STATEMENT OF HON. ROBERT D. RAY, GOVERNOR OF IOWA;
ACCOMPANIED BY JAMES N. GILLMAN, COMMISSIONER, DEPARTMENT OF SOCIAL SERVICES**

Governor RAY. Mr. Chairman and members of the committee, there has been a lot of conversation and conjecture, and certainly an abundance of theories about public welfare, its causes and its effects, but the truth of the matter is that there is little valid information about the factors which lead families into dependency.

It seems incredible that in a program in which the spending exceeds \$10 billion a year, less than one-tenth of 1 percent has been spent for research to enable professional social workers and political leaders alike to have hard factual information upon which to base their present and proposed programs. This particular program that we are all interested in today, that we are talking about, is one that we do not really know how many people will be eligible if it is adopted.

As a matter of fact, HEW has found that we would have 283,000 recipients in the State of Iowa, and yet our department of social

services have computed these on what they describe as conservative estimates to be in excess of 316,000.

I think all of us as Governors will agree, and certainly the two who have already spoken have mentioned this, that it is apparent that the present welfare system is archaic and unsatisfactory. It was designed for a bygone era, not to meet the complex problems of today. We are presently tied to a program that perpetuates the welfare cycle from generation to generation. The program is attacked by taxpayers and recipients alike because it satisfies neither of them in their expectations and tends to create a vicious polarization of Americans.

President Nixon's family assistance plan provides payments for income maintenance to all families with children with incomes below stipulated amounts. The family assistance plan has as one of its primary advantages the strengthening of family life, particularly in those States which do not have the unemployed parent program. It has been demonstrated repeatedly throughout our Nation that the problems of children in two-parent families tend to be resolved more easily and more lastingly than those children who have only one parent to assist them in the very difficult task of becoming an adult.

The work-fare approach in the family assistance program is highly commendable and we most certainly favor this, but the emphasis on this element of the program leads us to believe that there will be expectations of the training and employment sections of the act which will not be fulfilled because they tend to be somewhat unrealistic.

While we believe that FAP will be of considerable benefit to those eligible families in upgrading skills and in job placement, we would hope that this committee, and all Americans, would realize that this is a long-range program, and that it is unrealistic to expect that many thousands of people will be immediately removed from the welfare rolls.

We realize that poverty is a condition related to a lack of money, and that one way to have money is to be employed; but employment statistics do not parallel welfare statistics. It is estimated that, nationally, only about 5 percent of all public assistance recipients are employable in the labor market.

In Iowa, a department of social services survey shows that 19 percent of the ADC mothers in Iowa are presently earning some income working full or part time.

We further believe that the family assistance plan will be of benefit to our Nation because it provides a social service program which includes rehabilitative, supportive, and protective services to individuals and families. These services are important in strengthening the family.

Title XX of the Family Assistance Act creates a consolidated program of individual and family services. They are specifically designed to prevent dependency from family breakdown, to promote child development and child care while especially protecting vulnerable groups of children and adults, and enabling aged and infirm persons to live in their own homes instead of institutions. The use of the manpower programs, family planning, homemaker service, child care, family and marriage counseling, and temporary emergency assistance in times of crisis are all tools to enable us to achieve these goals.

A key element of this proposal is a complete separation of the services program from cash assistance eligibility and administration.

Our present combination of cash assistance and social services supports the client's suspicion that the reason he needs the money is solely attributable to his own inherent deficiencies, rather than social and economic factors over which he has no control, no matter how willing he is to work and making him incapable of earning enough to support a family.

Combining service with the assistance grant often results in a superficial cooperation which masks the fear of losing the money. Real change is rarely produced with false motivation. Services would now be offered as a matter of choice—except for certain protective services—to all citizens, with fees charged to those able to pay. This is seen as a progressive step in eliminating the present division of the Nation into two classes—welfare recipients and taxpayers.

While we have strong convictions in support of the Family Assistance Act, there are areas of considerable concern. While they deal essentially with money, it should be apparent to the committee that the real effect of any increased cost to the State for the total program could force the reduction of the State supplemental aid or the reduction or even elimination of desirable services.

It is imperative that the "hold harmless" provision be broadened to protect against any unpredictable costs that might result. This would assure the States that they could responsibly, within their financial ability, participate in programs related to the income maintenance aspects of the family assistance program.

The narrow use of the "hold harmless" provision, by relating it only to the income maintenance aspect, leads many States to genuinely believe that they could be expected to expend considerably more money on the total program than they would save on the improved income maintenance portion.

- While the question of the "prime local sponsors"—cities of over 250,000—is not applicable to Iowa, we feel it is important philosophically; we think HEW has in the past believed, and we agree, in the concept of integration and coordination of HEW programs. We believe it is important that there be continuity; therefore, it is more important to have one program even though there might be variations in the program.

An area of concern that does have impact in Iowa relates to those families who have earned income. I have already indicated that Iowa has approximately 19 percent of the mothers in the ADC program with earned income. The income that is not disregarded and is used to reduce the grant is initially subtracted from the basic FAP grant, which is the portion totally federally funded. This is indeed discouraging to the State, and provides them absolutely no advantage or little advantage to get people to work and get them to train if the nondisregard came off the federally supported part of the grant.

This would, in effect, be a disincentive for the State to develop work-incentive programs when the direct benefit would inure totally to the federally funded portion. That part of the income not disregarded, we believe, should be divided on a pro rata basis of the total grant with the Federal Government and the State sharing on the pro rata percentage.

For example, while Iowa must pay 70 percent of the supplemental aid to bring the grant to \$2,916 per year—the present ADC grant for a family of four in Iowa—our share of the total grant would be ap-

proximately 32 percent. It would seem fair to receive 32 percent of the nondisregarded income that is deducted from the grant.

The prime elements for success in the family assistance plan are dependent upon each other and all must, in most cases, be performed successfully in order for the others to be achieved. Adequate day care is an absolute necessity in order to encourage the mother of a one-parent family to leave her children to go into training. The training is an absolute necessity in order to improve her skills sufficiently to insure her independence. And lastly, appropriate job opportunities and job placement are an absolute necessity to assure adequate income and fulfillment of the training goals.

Perhaps one of the reasons we feel so strongly favorable to the family assistance plan is because Iowa has had an exceptionally good experience with the WIN program. While the program is still in the early stages, we feel that the opportunities provided for recipients to become skilled employed workers and the recipients' participation in the program have demonstrated that the training and job placement portion of the family assistance plan is workable.

Although a small program—1,000 allocated slots as of July 1969—we have already been able to place 263 people in productive employment through the WIN program. More than half of these have now been employed for longer than 6 months.

Training and placement of able welfare recipients is a wise investment in human resources, and I certainly agree with the Governor, Governor McCall, when he says those who are able to work should work, and it is up to us to provide whatever program we have with ways in which we can get those people to work.

In addition to helping the taxpayers and society in general, the accomplishment of caring for and supporting one's family gives new hope for the future and self-reliance and confidence to the worker, which I consider an excellent investment.

Thank you very much.

Governor HEARNES. Mr. Chairman, Governor Licht of Rhode Island.

STATEMENT OF HON. FRANK LICHT, GOVERNOR OF RHODE ISLAND; ACCOMPANIED BY JOHN AFFLECK, DIRECTOR, DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES; JAMES REILLY, ASSISTANT DIRECTOR; AND JOHN MURRAY, BUDGET OFFICER

Governor LICHT. Mr. Chairman and members of your committee, I am Frank Licht, Governor of the State of Rhode Island, and I am grateful for this opportunity to present my views on H.R. 16311, the family assistance plan of 1970.

I am accompanied today by Mr. John Affleck, director of the Rhode Island Department of Social and Rehabilitative Services; Mr. James Reilly, assistant director; and Mr. John Murray, budget officer for the State of Rhode Island.

As you already know, the whole subject of welfare reform is a major priority of the National Governors' Conference, which for 2 consecutive years has called for "substitution, on a phased basis, of a federally financed system of welfare payments for the current Federal-State programs for the aged, blind, disabled and dependent children,

and including also the general assistance programs now financed by the States themselves.”

I wholeheartedly concur with this call for massive reform, and I would like to address myself to the seriousness of the issue and the importance of meaningful action.

First, there can be little doubt that the present welfare system established over 35 years ago has not achieved its goal. It has not succeeded in breaking the cycle of poverty in any part of our Nation. It is, in short, a failure.

Second, there can be little doubt that a new system is required, one that is national in both scope and approach. This means recognizing that welfare is a Federal responsibility, a fact acknowledged by the national administration in its introduction of this proposal.

Third, from a very practical point of view, the States cannot remain viable and still meet the expanding welfare costs. And of this, too, there can be little doubt. Today, we find it more and more difficult to meet our welfare responsibilities, and still live up to the commitments we have made in other equally important areas—areas such as education, health, transportation, natural resources, and urban affairs.

Let me give you my own State's experience. Rhode Island has a comprehensive, State-administered public assistance program. If a person in need does not qualify under a Federal program, he may receive assistance from our general public assistance program, which is 100-percent State financed. I might also point out that Rhode Island, in 1942, became the first State to abolish a residence requirement, and in July 1961 the first to adopt the AFDC program for unemployed parents.

Rhode Island has consistently tried to meet its human resource obligations, and I believe that our national rank demonstrates our sense of responsibility. For the fiscal year ending June 30, 1969, Rhode Island has an expenditure per inhabitant for public assistance payments of \$66.30—fifth in the Nation. This includes an expenditure of \$19.50 per inhabitant for AFDC—third in the Nation, and an expenditure in general public assistance per inhabitant of \$4.30—second in the Nation.

Moreover, in the past 5 years Rhode Island has almost tripled its disbursement for direct aid, which has risen from \$13¼ million in 1965 to almost \$38 million this year. Generally, including medical assistance, welfare costs today account for one-quarter of our total State budget.

While these figures indicate the measure of our efforts for the citizen in need, they also indicate the measure of the drain on our State's resources. And this is a drain that we cannot long afford to sustain. For us, therefore, the need for meaningful reform is not imminent; it is immediate.

It is in this light that I would like to examine several of the proposals contained in the family assistance plan.

First, the proposed financial commitment and what it would mean to Rhode Island: Today, a Rhode Island family of four is eligible to receive approximately \$2,800 to \$3,000 a year. Thus, the \$1,600 floor, even with the amendment providing 30-percent Federal participation in State supplementation, will do little, if anything at all, to help Rhode Island.

The Federal Government has projected that Rhode Island would save \$4.4 million in State funds if the family assistance plan were enacted. Our most optimistic estimate, however, is a possible savings of only \$800,000. And, there is the very real chance that there may be no savings at all.

This is due, among other things, to the medical costs that were not even estimated by the Federal Government. And if pending amendments to the medicaid legislation, as embodied in H.R. 17440, were enacted, they could easily more than cancel out any potential savings.

Second, the question of incentives for an improved State program: As written, there are in the family assistance plan no incentives whatsoever for a State to increase its public assistance standards above those of January 1, 1970. This means that the cost of any improvement in standards would be borne entirely by the States. And this also means that, in a time of spiraling inflation, there is no provision for a cost-of-living factor.

Third, the question of a Federal role: There is no indication that the present proposal is the initial phase of a federally financed system of welfare payments. Unfortunately, with the bill before us, there is no plan for raising the basic payment standards so that they meet even the minimum poverty level by the middle of this decade.

When the President addressed the Nation on August 8, 1969, and presented his welfare reform proposals, he said and I quote:

The present system creates an incentive for desertion. In most States, a family is denied welfare payments if a father is present—even though he is unable to support his family. * * * To make the children eligible for welfare, he leaves home, and the children are denied the authority, the discipline and the love that come with having a father in the house. This is wrong.

In homes where the unemployed father is present, current provisions make the floor of \$1,600 also a ceiling. For the Federal Government to participate in State supplementation, the father must leave home. Thus, instead of encouraging family unity, the revised plan actually fosters family separation.

In this regard, I should like to mention our own experience with unemployed fathers. Rhode Island is one of the few States which supplements fully employed parents through our general public assistance program. We also extend the Federal work-incentive disregard to this group.

Despite the national economic decline, this program has decreased in Rhode Island, and shows almost a 100-percent caseload turnover each year. When the father is present in the home, our staff have the opportunity to work with him and with a total family, and help improve their living situation. However, when the father is absent, the common characteristic in AFDC, our experience shows that chances of reuniting the family dwindle and dependency soars.

I believe, therefore, that a national plan should not be based on categories but should be available to all persons who are now recipients of our State general public assistance program, and that payments should include both childless couples and single persons.

The written testimony which I have submitted for your consideration is a more detailed comment on the specifics of this bill, but I do not feel I should take much more of your time for oral testimony.

I would, however, like to make one final point.

As a Governor, I am not and could not be unmindful of the concern in government at any level with the expenditure of public money. Still, I must suggest that to recognize a national responsibility without meaningful standards and without sufficient funding is simply to espouse another ideal without giving it substance and without assuming an obligation to carry it through.

Thank you very much.

Governor HEARNES. Mr. Chairman, to conclude the testimony, Governor Holton of Virginia.

STATEMENT OF HON. LINWOOD HOLTON, GOVERNOR OF VIRGINIA

Governor HOLTON. Mr. Chairman and gentleman, I would like to handle my testimony just a wee bit differently. I do not have any comments on any specific suggestions about amendments, but in the limited experience I have had with the welfare program, I find complete accord in Virginia with the statements by the Governors, and by everybody, I am sure, who has been here to the effect that the rate of increase in the costs of the present welfare system is something that cannot be tolerated by the States.

We cannot continue to pay these bills. Our cities particularly, even in the smaller cities such as we have in Virginia, are almost against the financial wall. The city of Richmond is an outstanding example.

The rate of increase in Virginia has been 30 percent a year for the last 4 years. Therefore, the alternative is not, as I see it, among several proposed pieces of legislation, but rather something new that has built into it some hope for cutting down the rate of increase over a period of years as opposed to one we know that is out of hand.

Now, I also believe, and this has been supported by experience in Virginia with the work-incentive program and with an older program that was operated under title V of some act, that people, lots of these people, the ones who are physically able, would like to go to work and would like to get off of welfare. I think that is a basic part of the approach that must be taken to this thing.

You have legislation now in existence which encourages fathers to leave so that their children can be supported on welfare payments, and this is bad.

You also have a piece of legislation now on the books that encourages people who are working to quit working and go on welfare because they can get more money from welfare than they can get from working.

I do not say that the legislation proposed by the administration, or the legislation passed by the House of Representatives, or the legislation as it now exists in your committee, is perfect, and I do not think you are going to ever get perfect legislation, but the legislation that can be passed now, I think, if it gets to the floor, is an improvement because it does remove the incentive to quit work and go on welfare.

It substitutes incentives to work and train and get better jobs and make more money.

It also encourages people to keep the family unit together. By far, the major portion of the expense that we are faced with in welfare is the support of dependent children, and certainly keeping the family

together is one of the ways that will be helpful in breaking the poverty cycle by getting the children off welfare.

Now, these elements are in the proposed legislation, the legislation that can be passed. None of these elements is in the existing legislation.

We have an intolerable situation, becoming increasingly intolerable. I am perfectly willing to suggest or to accept the suggestion of Senator Ribicoff about trying it for a year. But, frankly, I would like for my State to be one of the places where it will be tried if it is tried. We will do everything we can, and we think we have the kind of a State where there basically are employment opportunities available. We think we have experience with the work-incentive program that will enable us to show that this thing can be successful in getting people back to work, and we would like to try it, and we would like to try it with you and for you.

But I think the critical thing that is facing this committee is to report out a bill and get something passed, because Governors are faced with a situation where we have no means to handle it, and that is the financial bankruptcy of our cities and some of the rural areas.

So my testimony, my emphasis here, would be: OK, nitpick it all you want to. It certainly has been debated, it has been considered, it has been studied. The suggestion is to test it some more; OK, but please do something. The situation with our States, the financial condition of the States and cities, is of crisis proportions, and it requires immediate attention.

Thank you, Mr. Chairman.

Governor HEARNES. Mr. Chairman, that concludes our testimony.

The CHAIRMAN. Thank you very much, gentlemen.

As one member of this committee, I want to express my appreciation for the fact that your statements indicate that you do have some idea of what this bill is all about, which I cannot say for all those who comment on this bill, especially some of the reports I have read about it.

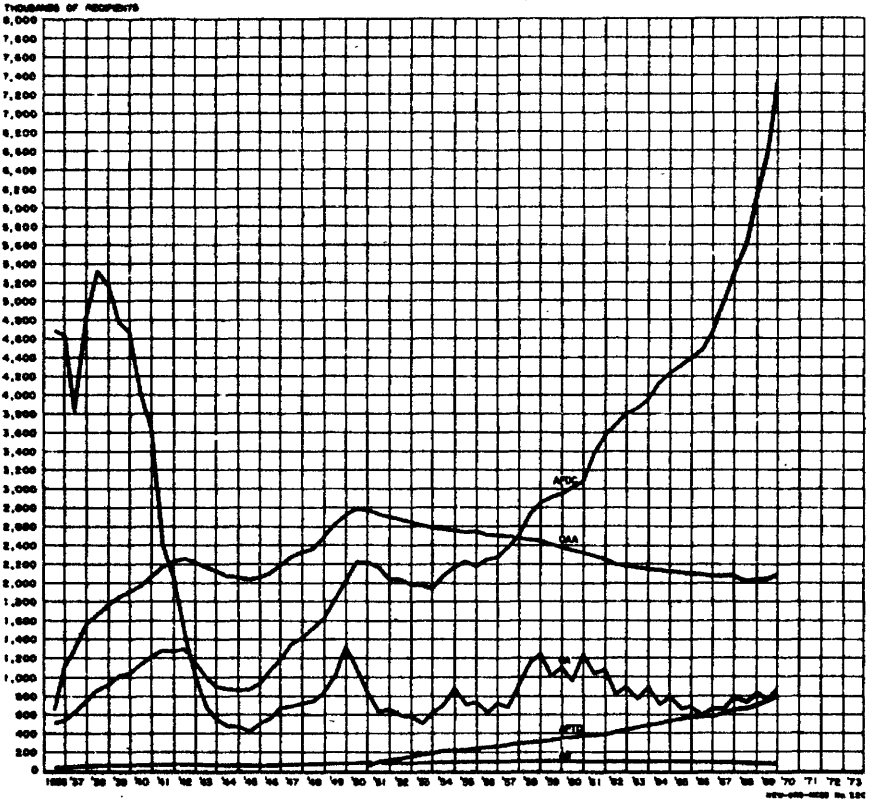
Now, in the first place, everybody likes to talk about reform. Well, of course, most people think of reform as something where you correct or improve on what you have.

Some of us challenge whether this bill improves on what we find wrong with the program, or whether it is simply a case of doubling up the rolls without correcting what is already wrong with the program.

Here is a chart that, I assume, some of you are aware of generally. If you have not seen the chart, here is what has been happening to our welfare rolls. Here is a chart, and if you look at about 1958 you see what the trend has been. The program of aid to the aged has gone down, and I think that program is well under control.

(The chart referred to follows:)

NUMBER OF PUBLIC ASSISTANCE RECIPIENTS OF MONEY PAYMENTS BY PROGRAM,
JUNE AND DECEMBER OF EACH YEAR, 1936 TO DATE



The CHAIRMAN. We have improved the payments, and we are taking better care of the aged. We can do more, and that is one we gradually can take off of the States. The rolls have declined from about 2,400,000 to 2,100,000, and the social security bills we have been passing have helped to do that.

There has been an increase in the new program that we provide for aid to totally disabled persons. That has gone up from about 300,000 to 800,000, by no means out of control, although we might improve on that. Aid to the blind has declined very slightly.

But look what has happened to aid to families with dependent children; that has gone up from 2,700,000 to about 7,300,000, and now we have before us a welfare bill which projects an immediate jump to more than double those rolls.

Now, that gives us some cause for concern, especially if we do not see where the improvements occur that we think need to be done.

Now, one of you, at least two of you, spoke of the fact that there is no assurance in this program that these people would be put to work. I would like to ask you, Governor Hearnese, or those associated with you, are you aware that, despite our efforts to make the work-incentive program work, we have examples—for example, in California, where of the 8,000 people who were supposed to have been taken off the welfare rolls because they either declined to work or take the training, only 200 people actually were taken off the rolls?

Governor HEARNES. I can understand that, Mr. Chairman.

I know that Senators always agree and never disagree, but Governors are different: they sometimes disagree. I take the position, I differ from Governor Holton. I do not want just a bill out of this committee because I think it could—he is speaking, addressing himself, to a financial crisis, with which I agree 100 percent. But I think the wrong kind of bill could increase rather than decrease our particular problem in the financial situation.

When you get to addressing myself to your particular point there, if you have a situation where a recipient of ADC can say to the proper authorities, "Well, I can't come to work at 8 o'clock, but I will be glad to come to work, I can only come to work at 10 o'clock in the morning," or any other qualifications like that, and the employer says, "I can't use somebody who comes to work at 10 o'clock in the morning," if you give them that type of latitude, and this is kind of in line with what Governor McCall was saying, you are not going to get them off of the welfare rolls and into the work force.

The CHAIRMAN. Well, of course, New York does not have that same showing. They just fix it up so that none of these people have to go to work anyhow. In that way, they do not have to turn them down. They just wrote State regulations so that nobody is required or expected to go to work. They probably have 100 percent going on relief declining to work.

You can see predictions about things to come by seeing what things are happening in the District of Columbia.

Are you aware here that first this week our District welfare agency came up with a new decision that a mother who comes to Uncle Sam with her illegitimate child does not have to name the papa? Here is Uncle Sam sitting in the position of being a reluctant grandfather, you might say, of this child so instead of presenting the child to the father,

as the old-fashioned precedent would dictate, this mama presents this child for Uncle Sam to support, and Uncle Sam, who would just like to know who is the parent of this child, who is the father, saying, "If I am going to be the grandpa and support the child, tell me who is the papa of this child," and now we see the District saying that that mother no longer has to identify that father in order to qualify for welfare.

For all we know that father might be well able to support that child. Can you explain to me what logic there is in that?

Governor HEARNES. Well, if this were a regulation from HEW, as I understand from the chairman, this again would conflict with Missouri law, wherein Missouri law requires disclosure, although if they say they do not know, there is nothing you can do about it, and it is possible to not know.

The CHAIRMAN. It just occurs to me you could ask them for their best guess. [Laughter.]

Governor HEARNES. Mr. Chairman, you know the old saying that when you have run through the brush, you don't know—I won't go into that. [Laughter.] But the point I am trying to make is that even if they disclose, Mr. Chairman, and we require disclosure to the prosecuting attorney as part of our law, it still is just a routine. I am not arguing that they should not do it, please do not misunderstand me. But even if they are required, we do not get what we would like to get out of it, which would be, what is it, the Uniform Dependents So-and-So Act, where we can extradite from another State and bring him back in and make him pay; we do not get that because there is so much of it that the prosecuting attorney's office does not follow through.

The CHAIRMAN. Governor, if the majority of us on this committee had our way about it, we would use the long arm of this Federal Government to reach out and grab these runaway fathers wherever they go, no matter whose State they go to, even in foreign countries, we would undertake to get them; and, if need be, we would cut off the importation of products to this country from adjoining countries, if this Senator had his way, until they return some of these runaway fathers to us, to help make them take care of their children.

Now, your State, I think wisely, would like to know just whose child we are supporting, and if you can find out you ought to.

Now, based on the trend of recent court decisions, when this welfare department here in the District of Columbia undertakes to put into effect a regulation which is contrary to what Congress intended, next in line you can expect a State like Missouri to be told, that has a condition of receiving Federal aid, the Federal court is going to make you put people on welfare and support those families even though you have the right to know who is there who is refusing to support his own child before you go to work supporting him and asking your taxpayers to support that child.

Governor HEARNES. Of course, Mr. Chairman, I might add this is just added evidence and proof of the fact that we think it ought to be a federally financed program because we have taken, there has been taken away from us so much of the responsibility—I forget the exact legislation where that was required—but we were required from HEW

on some regulation, and it is almost every session, that we are required to enact new laws to conform with their regulations.

In this particular case, there was a special session of the general assembly, so we thought we were being very intelligent about submitting to them ahead of time to be sure that the legislation was correct in form and was exactly what they wanted, and they OK'd it.

We brought it back, introduced it and passed it, and it cost us a couple or three or five million dollars to pass it. After we passed it, they said it still had not conformed after they had approved it before we started.

These things are very exasperating for the Governors and the legislatures to try to stay not only within the intent of Congress but with what Congress has evidently done and given to HEW so much power to promulgate regulations.

In the last session I established a legislative body, five Senators and five Representatives, just to stay on top of regulations promulgated by HEW to see how we can conform to our legislature.

The CHAIRMAN. I am familiar with some of that, and I certainly can appreciate your plight, both you and the other Governors who recognize this.

My personal thought, as one member of this committee, is that before we double the size of this program we ought to see if we cannot correct some of the things that are wrong with it, and if we can, I will try to do something about it.

Governor HEARNES. Mr. Chairman, I think the medicaid was the greatest lesson Congress could learn about too fast and too quick—not medicare but medicaid—and the costs that came from that, and that should be the red light for this particular piece of legislation.

The CHAIRMAN. Senator Anderson.

Senator Talmadge.

Senator TALMADGE. Governor Hearnnes and distinguished members of the Governors' Conference, I would like to welcome you here. I think your testimony has made a very valuable contribution to the deliberations of this committee.

I may say that five members of this committee are former Governors, so we are aware of some of the problems that confront you.

As I saw it from the tenor of your testimony, practically all, if not all, of you thought this bill needed considerable amendment.

I particularly concur with the views of the chairman of your conference, Governor Hearnnes, that before we increase our welfare rolls from some 10 million to 25 million we ought to know what we are doing before we leap too fast through some sort of trial program which would be advisable in this area.

All of you spoke about the necessity of work incentives. I share that view. But this bill actually reduces the work incentives that the Congress wrote some 3 years ago.

The only incentive in this bill now is that they must register, and if they fail to register, the only penalty is the loss of \$300 for the entire family. It illustrates how deficient the bill is in work incentives.

It has been demonstrated by the experts and the charts here that a family of four in New York City, if they lived in public housing and had medicare, which they would have if they were on the welfare

rolls there, and they drew the State supplements, plus the benefits that this bill would entitle them to, they would have an income in money or an equivalent kind of \$6,210 per year.

Now, if a member of that family—and I think it would be far beyond the imagination to assume a welfare family or some members of it—would get a job immediately earning \$7,000 a year, do you know what the equivalent income would be? One dollar less than their welfare benefits, \$6,209 per year.

I think it would be catastrophic if the Congress immediately leaped into passing legislation of that kind. It would be such a disincentive to work rather than an incentive.

This bill has been carried to the American public as a work-incentive program. It is really just the opposite, because it repeals legislation that is actually stronger in the work-incentive area.

As the chairman pointed out to you, the real problem that we are confronted with here is the tremendous and enormous increase in aid to dependent children. Yet this bill does not even provide for family planning services. It repeals some of the present laws on family planning.

Don't you gentlemen concur that we ought to have some provision, if we pass anything, that would accentuate family planning so that we would not be faced with a continuous skyrocketing increase in aid to dependent children? You share that view, Governor Hearnest?

Governor HEARNES. Yes, sir. And, Senator, I am not sure about the exact wording of the bill, but the President's terminology, if I remember the speech, he talked about suitable employment. Well, I take the viewpoint that, if you are out of work, I do not know what work would not be suitable if you need work.

Senator TALMADGE. That is the old-fashioned theory in Georgia. If you do not have any work you get any work that you can, where you can exist. But the new theory seems to be that you have got to, to have a certain status before you take that work.

Governor HEARNES. If the word "suitable" is still in the legislation, if they even talk about that, I just think it would leave us a lot of problems to define.

Governor HILTON. They deleted that.

Senator TALMADGE. I would like to say one word further. I know of the enormous problems that States and local governments have in financing their burdens with Government now. But everyone has the idea that Uncle Sam is fat. Our projected national deficit next year on an administrative basis is somewhere between \$20 and \$25 billion. So any additional burdens we would assume we would have to either pay the amount of the deficit or else we would have to raise taxes in order to do so.

I think your contributions have been of great value to this committee and I personally appreciate your appearing before us to share your views and your expertise with us. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

For your information, gentlemen, Senator Williams, who was here during your presentation in chief, the ranking Republican member on this committee, found it necessary to attend a Republican conference which is going on right now to discuss the scheduling of this bill, as

well as the social security bill and other bills that we hope to act on before Congress adjourns.

I think the same conference explains the absence of certain other Republican members. Usually our Republican members have been very diligent in their presence. That is one reason why some of them are not here at this moment, they are attending that conference.

I will call on Senator Miller.

Senator MILLER. Thank you, Mr. Chairman.

Governor Licht, referring to page 4 of your testimony, you state that the family of four in Rhode Island is eligible to receive approximately \$2,800 to \$3,000 a year. How is that broken down? What are the elements of that?

Governor LICHT. I would like Mr. Reilly to be able to answer that. He is in charge of that. Mr. Reilly.

Mr. REILLY. Sir, approximately one-third of the payment is shelter, and about two-thirds of it go in the direction of basic living essentials; that is, food, clothing, and personal incidentals.

Senator MILLER. Is that State supplementation? What are the elements? I do not mean how do you determine what the money goes for, but how do we get \$2,800 to \$3,000 a year? Where did that come from?

Mr. REILLY. Under the law, sir, the State established its standard of need, and we have been making adjustments in the so-called standard of need over the years. We measure a person's eligibility by that standard of need. The Federal Government participates 51.7 percent.

Senator MILLER. How much?

Mr. REILLY. 51.7 percent is the expenditure in AFDC.

Senator MILLER. This is just roughly half State money and half Federal.

Mr. REILLY. Yes, sir. We are advised that the rate of Federal participation will diminish next year. A new formula will be applied to us.

Senator MILLER. Your point is that the \$1,600 family assistance plan, plus 30-percent Federal matching, would leave the State about where it is, possibly worse off?

Mr. REILLY. Sir, we expect that because of increased caseloads and a probable increase in medical care costs that there is real danger that we might end up with more expenditures rather than less.

Senator MILLER. Does that \$2,800 to \$3,000 a year include the State's share of medicaid costs?

Mr. REILLY. No, it does not, sir.

Senator MILLER. Well, if we are looking at a family of four, what would be the total benefits that family would receive? As I understand it, you are talking about cash from the Federal Government of about half, cash from the State government of about half. We would have medicaid benefits on top of that.

Mr. REILLY. Yes. That runs approximately \$600 per family per year, and it is increasing.

Senator MILLER. Yes.

Mr. REILLY. We find that our expenditures for medical care with poor families are higher, higher than we would find with the average member of the community.

Senator MILLER. How much of that \$600 of medicaid would be the State's?

Mr. REILLY. Again it is 51.7 percent Federal.

Senator MILLER. All right. Then we have food stamps on top of that, do we not?

Mr. REILLY. Yes, sir.

Senator MILLER. That would be \$840 or thereabouts?

Mr. REILLY. I think it would be less than that in our instance. I think it would probably be in the vicinity of \$600 to \$700.

Senator MILLER. Well, let us say \$600.

So by the time you take this cash, let us say, of \$3,000 a year plus \$600 in medicaid benefits, plus \$600 in food stamps, you are up to \$4,200 in benefits.

Mr. REILLY. Yes, sir.

Senator MILLER. And that is far above the poverty level.

Mr. REILLY. It is above the poverty level of \$3,700. It is below the level recommended by the Department of Labor for the New England region, based upon workingmen's budgets which run in the vicinity of \$5,500 and upward, depending upon the nature of the family.

Senator MILLER. But, of course, if you bring it up to the workingmen's level, then there is no incentive.

Mr. REILLY. I would agree, sir.

Senator MILLER. I just wanted to get into this so that we get a picture of that family, because I think one thing that has caused a great amount of concern, in the committee and in the general public, is that we have been talking about a family assistance plan of \$1,600 plus State supplements, and everybody knows that that is not enough, but that is not the picture in this ball game. The ball game is the total package of benefits. That means family assistance, State supplement, medicaid benefits, and in many cases public housing benefits.

Governor LIGHT. Could I, Senator, attempt to break this down a little bit further, and that is that we estimate that with the enlargement of those who come into the program under the present bill, as amended, we would have, perhaps, a saving of \$1,600,000, and the increased medical costs look to us like they would cost about \$2 million, so we end up with a loss of about \$400,000.

Then we have a loss in the family care collections because, at the present time, we share 50-50 with the Federal Government, and they want to take that off. Considering this, we end up with a minus of \$800,000. We do get a break on the aid to aged, blind, and disabled, about \$1,700,000 plus increased medical costs of \$100,000 for a total of \$1.6 million. So we end up with a net of about \$800,000.

The difficulty, of course, is these are estimates and we are not sure just whether they are absolutely correct. But we have a feeling that the problem is not one that can be solved by \$800,000.

The increases in costs are such that, if we are not to be drained of our resources, what we are looking for is some kind of recognition by the Federal Government of its Federal responsibility in the area of social welfare to the point where on a phased basis the Federal Government is going to take over the responsibility.

Now, the point is the program suggests that it is an income maintenance plan, and recognizes it as a national plan, and if that is so, I believe it to be a national responsibility, and somewhere along the

line we ought to be able to see when there is going to be a Federal take-over of this.

You can have a national standard, you can have built into this thing those incentives that you think are necessary to help break this vicious cycle. But my main concern with the bill, and my purpose really in coming here is, that, recognizing the problems of Federal financing as well that we Governors recognize in this social welfare program, as I think Senator Long indicated, this spiraling gets to the point where the States are not able to continue to support this kind of an effort, and yet to do the other things that we have to do in the areas of the human resources.

So my main thrust here today is to indicate to you the great difficulty we have, as we view this rising spiral of costs.

Senator MILLER. I think your point is well made. But one response to that could be that if, under your program, you've got this family of four receiving, in fact, actual benefits of around \$4,200 with a poverty level of \$3,800, and if, indeed, we are going to try to provide incentives for people to work, perhaps your eligibility standards are higher than they should be compared to some other State.

Let us take another State that has a different system, and take the people on the welfare rolls. By the time you take into account food stamps and medicaid, they are up to \$3,800. Now, it would seem discriminatory as between that State and your State for the Federal Government to help finance that excess over the poverty level if that is going to be our approach.

So, perhaps, in exchange for this \$1,600 or, perhaps, it should be increased to \$2,000, we might say, "We will make it \$2,000 instead of \$1,600 but don't count on the Federal Government for any matching on State supplements."

Governor LICHT. Well, now, Senator, if you went to \$2,000, and you permitted us to operate our own welfare program, again you would have one system in Rhode Island, you would have another system in Massachusetts. I do not want to be held to this, but I would think that the total figure in Massachusetts and Connecticut would be higher than the amounts that we pay for social welfare. You would have another system somewhere else. It looks to me that where we ought to go is to have a Federal plan which recognizes your Federal responsibility, as I think this purports to recognize.

You are going to get variations. The way it developed in Rhode Island, of course, it did not occur overnight. It has been the area of increasing standards over a long period of time.

For example, the Federal Government now does not participate with us except once on special needs, and that is an emergency need, and those are very serious financial drains upon us. But the fact of the matter is that while it may be easy to say, "We are going to cut off," when the fuel is not there or when the lights are turned off, and they come in again and again and again, and the Federal Government only participates once, we do provide the additional supplemental or emergency funds for special needs; that may, of course, be different in other States.

But the point remains, we do not have a Federal or national plan with respect to these matters.

Senator MILLER. Well, believe me, I can only speak for myself, but I think the sentiment here is all for Federal standards on something like this.

But in achieving those Federal standards, I think we have to be careful in the case of a State legislature which goes beyond that. If they wish, they can take State money and appropriate it so there is a higher standard of living for people on welfare than some other States, but I question that the Federal Government ought to help participate in that if it goes beyond our Federal standards.

GOVERNOR LICHT. I do not want to persist in the dialog because there are other Governors, and I do not want to abuse my privilege here, but to respond quickly to that by saying if, in fact, the family assistance plan here was at a level higher than the \$1,600 and did not, for example, participate with us on the supplementation of 30 percent but on a higher basis, and if, in fact, the Federal Government did not require that the father be out of the house to participate in the supplementation at all, and if there was a meaningful participation with a look to the future for Federal takeover then, of course, we could see some meaningful results out of this bill.

But I cannot come down to this Finance Committee and say to you that I will support a bill—not that you need that from me—but what I am suggesting is that I cannot say that knowing what our welfare costs are, and knowing that when you put this bill into effect it is not going to be meaningful for Rhode Island at all.

Senator MILLER. I appreciate that response very much. You put your finger on one of the problems that several of us have here with the bill as it now stands.

Governor Hearnese, did I understand you in your statement to suggest that, looking down the road, payments on old age assistance might come from the Social Security System?

GOVERNOR HEARNES. This was the policy position of the National Governors' Conference from their committee which is a counterpart of HEW, with the proviso that it not come from the social security actuarially, but supplemented by Federal general revenues, what we call general revenues.

Senator MILLER. In other words, what you are talking about are appropriations out of the general funds of the Treasury to social security to administer the funds.

Governor HEARNES. Yes, sir.

Senator MILLER. I think you made a statement which was to the effect that the present coverage of our welfare recipients, the law with respect to that, ought to work before adding to the coverage.

Governor HEARNES. Yes, sir.

Senator MILLER. But I understand the point made by HEW is that it is not going to work unless you expand the coverage to include the working poor.

Now, that is what troubles me about your statement. I think that offhand I would be inclined to agree with you that where we have so many people covered now let us see if we cannot make the law right with respect to them before we start adding on. Then I run into people from HEW saying that it is not going to work because you have got to cover the working poor, and that this is the heart of the family assistance plan.

GOVERNOR HEARNES. Senator, I guess that is why they call Missouri the "show me" State. That is the only answer I can give you. I just cannot see why—I think theirs is an ideal which all of us would love to achieve, but it just seems to me that the commonsense, sort of pragmatic viewpoint would be that all of these doubts that have been raised could be erased if they started slowly and it was shown to everyone that it will work, that the work incentives, whatever we call them, and so on and so forth, are going to get these people off of welfare, and so on and so forth, that all of the things that have been promised will work, and also the money, we have got to always remember that they could be wrong.

Every once in a while HEW is wrong. They could be wrong in the amount of money that they say that is necessary to finance this. I think that this type of experiment would show us, it would show Congress, as to the cost of the money, which is still a very important factor to the Senate and to the House.

Senator MILLER. Well, looking at the figures we have been presented with, I must say I am persuaded that, if we are going to create an incentive to break out from the nonworking employable population, some assistance to the working poor is indicated.

But, speaking of "show me," I think this is the essence of the Ribicoff proposal, that they have a year of testing, and the Governors are all in favor of that.

Governor McCall, I believe you said to the committee that the fiscal 1971 State costs should be a high-water mark, and after that let the Federal Government take care of the problem. That sounds reasonable offhand, until I think that there may be some States which might be called low-water mark States, and they are not doing anywhere near what they can compared to other States.

So I wonder about making those States' present fiscal 1971 costs the high level for that.

Governor McCALL. Senator, I was speaking simply as Governor of Oregon and saying what my position was insofar as the State was concerned and what the impact would be insofar as our State was concerned.

I was simply trying to give you an indigenous point of view that you would not have unless you had the Governor from Oregon here. I mean, I am going to leave that problem with you and leave it to the Senate to figure out.

Senator MILLER. All right.

Then you made a point which has troubled me, and that is over the earnings disregards. I suppose you are thinking of the \$720 earnings disregard.

Now, it seems to me that to say to somebody who is not working, "Go on out and earn \$1,000 and \$720 of that is disregarded," that that is preferential over somebody who may be earning \$4,000 with the same \$720 disregard.

It seems to me that another inequity could arise where in Portland, for example, a person who is regularly employed making, say, \$3,000 a year, has transportation costs, bus costs, and things like that, and \$720 is disregarded, but in a small town he will walk to his job and \$720 is still disregarded. There is some inequity there.

Are you getting at that in your comments?

Governor McCALL. Well, we simply on one point when we talked about \$3,720 in the supplementation there, it was our point that we ought to get as many people as possible up to the poverty level rather than having to have the supplementation go on beyond that and covering too broad a market, have the steep contribution to get them up to this level, not adequate, but it is a living kind of condition.

On the earnings disregard, we were simply saying that in our State the people in a family of four would have \$6,022, including medicaid, before they pinched out on the taxpayers' supplementation, and this was the point that seemed to me, since it was 91 percent of where our payments would go, this ought to be looked at so far as the State of Oregon is concerned. They are allowed to stay on starting at too high a level, allowed to stay with too much money to still be receiving a public subsidy.

Senator MILLER. I think your point is very well taken.

The last question I would like to direct to my own Governor.

You gave us some figures on the total ADC recipients now, and how many were forecast by HEW and how many your own department of social welfare forecast. Could you give those to us again?

Governor RAY. Well, Senator Miller, we have approximately—I will give it to you rather accurately: 92,300 recipients presently.

Senator MILLER. These are ADC recipients?

Governor RAY. ADC; on ADC.

Senator MILLER. On ADC.

Does that include other welfare recipients?

Governor RAY. I am sorry, that is the total number, not just ADC.

Senator MILLER. Well, we have used those. The total number of welfare recipients in Iowa is 92,300.

Governor RAY. Presently.

Senator MILLER. How many did HEW indicate?

Governor RAY. They estimated 283,000.

Senator MILLER. And your own Department's estimate?

Governor RAY. 316,000.

Senator MILLER. 316,000.

The 92,300 are actual recipients?

Governor RAY. Right.

I might add that that has increased, or our ADC rolls have increased, by about 100 percent or double, they have doubled, in the past 5 years, so our experience is the same as, I think, the other Governors have experienced.

Senator MILLER. Now, we have 92,300 actual recipients in Iowa; HEW estimated 283,000 as being eligible. Do you have any idea of about how many of these 283,000 eligible would become actual recipients? I ask this question because this is one thing that has caused the committee a great amount of concern.

We have been given figures on how many are actual welfare recipients, and then we get figures on how many would be eligible under this bill, and then we get estimates of how many of those eligible will, in fact, become recipients, and it is pretty fuzzy.

Do you have any idea of, for example, how many are eligible in Iowa now, of whom only 92,300 are recipients?

Governor RAY. This is part of what I mentioned earlier that I think little or almost no research has been done in this area. We do not know. Commissioner James Gillman of our social service department is sitting by me, and I would certainly like to refer the question to him.

I do not know how many would actually become recipients if this program were adopted, and we do not know how many are out in the field right now who could qualify today but who do not.

Mr. Gillman.

Mr. GILLMAN. Senator, it is my understanding that from a very small survey that we made in Iowa that about half of the people who are eligible for the ADC rolls today have not made application for them, for whatever reason. We do not know whether it is because they feel some punitive problem with ADC as a program or they object to being on welfare or they are able to survive on a very small amount of money at the present time or what the reasons are, but it would appear there are about half the people who are eligible for ADC are presently on our rolls.

Senator MILLER. Then, would you estimate on that basis that since we now have roughly 184,000 eligible, of whom only 92,000 are recipients, of that HEW estimate of 283,000 eligible, we would have half of that, 140,000, participating.

Mr. GILLMAN. Senator—

Senator MILLER. Yes; about 140,000 would be recipients?

Mr. GILLMAN. I think a lot of it will have to do with how the program is handled. If it is considered as, if the people accept it as, a welfare program, something they should not be on, something that is shameful to be on, not as social security, for instance, they won't go on. There will be numbers of people who won't go on.

In our State we had a situation which existed a year ago last February where we had to reduce our effort in the title XIX program. We had approximately 18,000 people, these are total people of all ages, who were eligible for the medical only under the title XIX program.

We had to cut the medical only off because of the expenditures we were running.

When we cut these 18,000 people off, 4,000 of those people immediately applied for old age assistance. They were not on old age assistance but were eligible for medicaid, and when they were no longer available for medical assistance they just could not exist, and they applied for it.

They did not apply for it because they did not want to be known as someone having old age assistance. They looked on welfare as not being a way of life that they wanted to be involved in.

The point is that 4,000 of the 18,000, and that included all people of all ages, immediately went on old age assistance rolls within the next few months, which resulted in—which they had to do in order to get the medical assistance.

Now, they were forced in this case to do so, so we know there are lots of other people who were eligible for old age assistance at that point who simply were not choosing to take it, and we think the same thing is true here, and we think the same thing would be true of the working poor. There are a great many of the working poor who would not take it even if it were offered.

Senator MILLER. My time is up. I would like to ask one more question, just for a figure, Mr. Chairman.

Can you, Mr. Gillman, tell us how many in Iowa are presently eligible to receive food stamps and how many are actually receiving them?

Mr. GILLMAN. No, sir; I do not have that information with me. I did not come prepared to supply it. We have about 50 percent of our public aid people who are receiving food stamps presently. The exact number I do not know.

The CHAIRMAN. I would suggest, Senator, after we have made the rounds of the other Senators, if you have not the information you would like, you might ask the Governor of your State to meet with you, and I will try to provide you with a reporter to get you the additional information you want for the record.

Senator Harris.

Senator HARRIS. Thank you.

I won't take up more time with questions. I will simply say to you, Governor Hearnese and the other Governors, that we are pleased to have you here.

You have made a meaningful contribution to our consideration of this bill. I am particularly impressed with your statement concerning what I agree is the necessity for the total federalization of the welfare program.

I do not believe the States can bear up under the twin and increasing burdens of education and welfare. I think we need a uniform system, and if we are going to make the decisions here, and if there are not going to be residence requirements—and agree with that decision—why, it seems to me, it ought to be a Federal system.

Second, I am particularly impressed, also, with the suggestion made by Governor McCall, in particular, about the necessity of coupling in here expanded work opportunities. It won't do any good just to talk about putting people to work when, as a matter of fact, we have unemployment going up in this country and there are reduced numbers of jobs available to people.

So, I think we really ought to be serious about the suggestions that have been made in this committee and elsewhere for expanding employment; that needs to be done.

I appreciate very much what you all have had to say.

Governor HEARNES. Thank you.

Senator HARRIS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. Thank you, Mr. Chairman.

Governor Hearnese, and Governors, I want to express my appreciation to you for the contribution you have made to our testimony here. I think it has been substantial and constructive.

First of all, reports came out from your Governors' conference to the effect that the Governors' conference endorsed the family assistance plan, that they endorsed the present legislation, but by your own testimony it seems to me that you have as many misgivings about the present bill as do we as members of the committee.

As I listened, and I listened very intently to all of your testimony, it seems to me I detected a common denominator running through all the testimony. No. 1, I think, we are all agreed—you are all agreed—that the present welfare system is very bad. We do need

reform. I think that was the No. 1 characteristic of all of the testimony we heard.

The present rate of increase is intolerable, some of you said, and statistics do bear that out. Under the present system the welfare load is going up at an intolerable rate.

Most of you said that we should move toward federalization of the welfare program because of the need for uniformity and the fact that the Federal Government stays in the driver's seat and calls the signals and gives the directions. I call your attention to the fact that there is no provision in the present legislation that calls for a complete Federal takeover.

You have all agreed, I think, that the employables, however they are to be identified, should have no alternative but to work. I think several of you stressed that, that we must not completely discard the work ethic which has stood for the growth of this country for so many years.

I think you agreed, as I detect from your testimony, that we should have some trial runs on certain aspects of this legislation before its complete implementation. Governor Hearnnes was especially vocal in this respect.

Now, some of you have said that, perhaps, we should go very slow and we should not implement the inclusion of the working poor at this time, but that we should concentrate on the existing caseload of people on relief to see what we could do there.

Several of you mentioned that we are going too fast too quickly. Since the time I was Governor, and you are here today as Governors, I see that the general problems have not changed.

You said that Governors have many problems with HEW in the promulgation of the rules that they send out to you, that you find it very difficult to live within those rules, and that sometimes you cannot find whether the rules are bottomed on the legislation—I do not think you said that, but I draw on my own experience for that.

I am not going to put any questions to you directly but I would pose one question, because I got the impression, as I said, that you do not altogether agree with the press accounts of your endorsement of the present legislation.

Governor Hearnnes, could you tell me how many of your Governors would vote, if they sat up on this side of the table, for the House-passed legislation with full implementation now?

Governor HEARNNES. Well, Senator, I think those who would read the bill would not be for it in its entirety.

It is a little unfair question to me to speak for all of them because immediately someone says, "Why are you speaking for me? I would." and so on and so forth, but I cannot believe that a Governor who has been Governor very long, who has wrestled and grappled and fought and clawed and everything else with the financial problems that we have in our State, and read the bill in its entirety, I do not believe would vote for the bill, as we see it, at this particular time.

Governor McCALL. Senator, may I speak on that?

Governor HEARNNES. You see, he already said I was wrong, but you asked for my opinion.

Senator JORDAN. Yes, Governor McCall.

Governor McCALL. Mr. Chairman, we had a very concrete example which proved what you said is right, Governor, because we made an exhaustive analysis of it and talked to some other Governors in the West, and we are going to have a meeting in Sacramento on the weaknesses and deficiencies and miscalculations that were present in that bill, and we had every Governor, after he saw our release, say, "I wanted to send my team over there," and the president of the National Governors' Conference said, "Go ahead and make it 50 States," so I think on the bill that passed the House, very likely, as you say, Warren, a Governor who had a good look at it, probably every Governor, would not have accepted it for immediate implementation, and there were people who raised the first point, it was a great charge, that we were a stalking horse for Governor Reagan getting rid of Mr. Finch, which was not true at all.

We just did our homework and found out it had these deficiencies that were too great.

Senator JORDAN. I think you did your homework, it is evident here today, and it is a compliment to you for doing it.

Governor HEARNES. Senator, to sum it up, if you would have read the newspapers you would probably have been for it. If you read the bill, you probably would have been against it.

Senator JORDAN. That is a very succinct analysis.

Tell me then, most of you have agreed that we need some trial runs. Two of you have volunteered your States as guinea pigs for trial runs, and I suspect others would have suggested it if it occurred to them, and they would have made the same offer.

Tell me, how many of you, if given a choice, would vote for it now and test it later, and how many of you would test it first and vote for it later?

Governor HEARNES. Well, you know my position. I would test it first.

Senator JORDAN. And would go for it later?

Governor HEARNES. I do not know. That is according to how the testing goes, whether I would vote for it.

Senator JORDAN. Well, you would consider it later.

Governor HEARNES. Yes, sir.

Senator JORDAN. Who else wants to speak to that question?

Governor HOLTON. Senator, I would like to say—

Senator JORDAN. Governor Holton.

Governor HOLTON. I am Linwood Holton. I would vote for it if I were up there, and I have the only alternative you describe; that is, the House-passed version or nothing else because it does have some of the incentives built in.

It does, I think, have the overall trend. It would help the overall trend of increasing costs to come down. In this area of aid to dependent children our experience between 1966 and 1970 was an increase of 176 percent under the present law. That is what I am worried about, that increase, that rate of increase, has got to be reduced, and I think that the House-passed version has those work incentives.

I am sorry Senator Talmadge has gone because I do not quite understand what he means by saying that the bill does not have work incentives.

It picks up new people, which I happen to think is proper. It picks up the working poor; it has a 50-percent tax as opposed to the present 100-percent tax on any private earnings. That would apply to any of the people who are not now employed, who are simply on welfare, and if they got into the work-fare part and started making some earnings that incentive would apply to them.

For every dollar they earned from private sources, they would get 50 cents of it. Today they do not get any of it because it is taken right out of welfare.

Also I would not vote for putting it into effect pursuant to what I understand is Senator Ribicoff's amendment, and considering it later. I do not see that you are precluded, by passing it now, from considering it later.

You look at the test, and if you want to make the amendments, you can do it at that time.

I think, Senator, that it is critical that we get a bill. I am not willing to take any bill.

Senator JORDAN. I am glad you corrected that because you left that impression that you would take any bill.

Governor HOLTON. Well, Governor Hearnnes said that; I want to correct that. I am not willing to take any bill. I do think the present bill, as passed by the House, and if you gentlemen could amend it further to provide more work incentives for those who are not presently employed, that is where your lack of incentive is, the only incentive there is to register, and if you can figure out some way to create some incentive there for those who are able to work, then, fine.

But you are looking at a relatively small category because those who are able, according to the statistics, are small. Many of them are mothers. I think they would like to work. Their problem is day-care centers and there you may want to beef that up some.

Governor LICHT. Senator——

Senator JORDAN. Yes.

Governor LICHT (continuing). I do not want to interrupt, of course. Implicit in your question is that we either have this bill or no bill at all.

I would like to believe that that is not the case. Moreover, I would like to take the position that the Governors have never supported, as I understand it, the President's proposal at the Governors' conference.

The position of the Governors which they have taken, the position that I urge upon the Senate and the House, is that built into this bill should be a more realistic floor or ceiling, however you put it, plus an eventual recognition of a phased takeover by the Federal Government, and if you were to say to me, is this bill the bill you want, I, by all the best figures I can determine, feel that it would not be very meaningful or helpful to the State of Rhode Island, but I would not like to leave here suggesting there is no other alternative.

I would like to believe that the arguments that the Governors have made out of years of painful experience would make some kind of favorable impression upon you so that you would look toward a better floor; if there has to be one, and an eventual takeover.

Senator JORDAN. That is why we are getting the benefit of your valued experience here. But if the merits of this bill, as it came from

the House, are so fragile that it won't stand another trip around the track, and if we have got to grab it and grab something now, maybe we had better take another look, and we had better test it before we implement it.

Governor HEARNES. Senator, medicaid—I keep coming back to the same thing—is the best experience that a Governor could have had where medicaid was rushed into, and then Congress wanted to take another look, and it is not as some would like to propose, that you can back up after a bill is in effect and people have had a taste of a certain part of welfare, to come back and say that you cannot have it any more.

I talked to Governor Rockefeller many times on the corrections he had to make in New York on this medicaid provision, and it is just not that easy. I would rather for them not to have it than to have it and then take it away from them, is what I am trying to say.

Governor McCALL. In answer, Senator, and Mr. Chairman, to your question, so far as Oregon is concerned with the suggestions we made for amendment, if those were met, and those problems were met, maybe not in the precise way we suggested, why, then, we would take a position we would vote for the bill.

But we are still saying we have enough doubts that were raised that, perhaps, the pilot experimentation plan might be a way of getting in so that we go in with our eyes open and move along instead of buying a pig in a poke. I am not sure.

Senator JORDAN. Of course you understand our problem: if we went into conference incorporating every suggestion you made here, we still confront an adamant House dedicated to the bill they passed, so it is consequently going to end up with a compromise someplace in between.

I have a signal that my time is up. I would like to hear from the Governor of Iowa, please.

Governor RAY. Senator, since I think your question was directed to all of us, I would like to comment by saying that I think all of us have had some catastrophic experiences with the medicaid program, as Governor Hearnese says, but it was a new program.

Welfare is not a new program. We now all agree that the rate we are going at right now we are going to bankrupt the States, we are going down the wrong direction and it has to be turned around.

If we wait until we find a bill that is satisfactory in all respects in this complicated area to all of us, satisfactory to everyone, we will never have a bill, and it would seem to me that our purpose in appearing here and our purpose in taking your time to listen to us is to find ways in which the bill which is before you might be altered or changed or modified so that it would be a workable bill.

I think all of us would agree, as the President, I think, has said, if it can be done on a trial basis this made some sense. But in any event, I think it is terribly important that we start the change that comes about, whether it be through this bill or some other bill. This seems to be the one right now that has the momentum.

The CHAIRMAN. I would just like to document what Governor Hearnese said, he may not have the figures at hand. That medicaid amendment was sold to us in 1965 on the theory that it would cost another \$238 million a year; that is, Federal money, that would be the Federal costs.

This year, and mind you, every amendment we have put on there has been not to increase the costs but for the purpose of holding them down ever since that time, and this is the year 1970, and in this year the costs are \$2,650,000,000, and the States are having to match that money. I see the Governor nodding.

Governor HEARNES. We do.

The CHAIRMAN. That is the kind of thing, if I were you as a Governor, I would sort of be careful about—coming in here and asking for a program where it looks as though you are going to get some help, and by the time you get through having to match all of this, with the courts telling you you must put people on the rolls you do not want to put on, where it is costing 10 times what it is estimated to cost.

Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

I want to join with the committee in welcoming the Governors this morning.

I think it has been a most helpful session. I was most interested in Governor Hearnese's testimony and in the questions put by Senator Jordan. Many of the questions that Senator Jordan directed to the witnesses are questions which came to my mind, so I will not repeat them, but I would like to say to Governor Hearnese that his testimony is a breath of fresh air to the Senator from Virginia.

I have been listening to testimony on this bill before this committee for 4 or 5 months, and I think Governor Hearnese is the only person who has ever mentioned the importance of the cost factor, and I think that is a vitally important factor.

Until this morning, most witnesses considering this bill had neglected that aspect of the bill entirely. So, Governor Hearnese, I want to commend you for focusing attention on what I think is a vitally important factor.

I think it is well at this point that the record show that the Federal costs for welfare for fiscal 1970 were \$4.4 billion. It is estimated by the Department of Health, Education, and Welfare that if this bill is enacted in its present form the costs for welfare, Federal costs for welfare, for fiscal 1972, will be \$11.8 billion.

Now, the Senator from Virginia has not made a decision on this bill, and I am keeping uncommitted on it.

I think our present system must be changed; it is outdated, it needs to be modernized. But in any changes that we make I think it is very important that they be for the better and not for the worse, because this country must live for a long time with whatever legislation this Congress adopts in regard to welfare.

I was interested also to learn this morning that the Governors' conference, as I understand it, did not specifically endorse H.R. 16311. I am correct in that, am I not, Governor Hearnese?

Governor HEARNES. Yes. Let the record show I am saying, "No, they did not. I am shaking my head and it is hard to show on the record.

Senator BYRD. I thank the distinguished Governor.

I notice that Governor Hearnese says on page 4 of his statement that workability of the entire new welfare program is still to be proved, and most certainly that is an accurate statement.

Then I think there is a great deal of merit, Governor, in your feeling that a testing period would be helpful, and after the testing

period the legislation could be placed into effect if positive results are obtained.

As I understand it, you feel that before embarking on a program which the Secretary of Health, Education, and Welfare, Mr. Richardson, stated before this committee would be, is both imaginative and costly; before that it would be well to have a pilot project and to do some testing to be certain that we are on sound ground; is that basically your position?

Governor HEARNES. Yes, sir; and I do not know how the test would be undertaken, but I would hope that it would be overseen by people who, either the staff of the Senate or the House—in other words, they have had tests from HEW which they said worked in other States, with which I disagreed and said they would not work in my State, and yet they said it worked, so I am not up here as an anti-HEW; please don't get me wrong on that, Mr. Chairman. I just believe there is a viewpoint in one place that is not always shared in another is what I am trying to say in as nice a way as I can.

Senator BYRD. I want to say again that I have not made a decision on this bill. I want to work with the committee.

We hope that some reasonable program could be developed to modernize our present welfare system. I think the testimony of the Governors this morning has been most helpful, and I thank you for being here.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Gentlemen, I appreciate your statements here today. If this thing is to be tried, if we are to try this, or some alternatives to it, I believe it well to keep in mind that there are certain people who, in all probability, will do all they can to keep a good man from working.

We had the National Welfare Rights Organization in here a year or so ago pulling a sitdown strike in this committee room protesting against the proposal that people be asked to accept work or training, and I assume any plan whereby we try to put people to work will have their active effort to see that it does not work, to try to make it unpopular.

That group in some cities, such as mine, I am told, passed the word that people were not to be counted for census purposes and not to cooperate with the census takers.

They would go all out for this program, I would assume. They will do whatever they can to defeat any effort to put welfare recipients to work.

But some of us are concerned about the proposed costs. In addition to this Senator, even though I must say it is not the \$4 billion that shakes this Senator up as much as some of the alternatives. For example, we will be offered a proposal to raise that \$1,600 to \$3,600. That would put 76 million Americans on the welfare rolls, and we will be offered the welfare rights proposal before this is over with to raise that \$1,600 to \$5,500. I am told that would put approximately 50 percent of the people in the United States on the welfare rolls.

I would like to ask you, Governors, if you are in support of those two proposals.

Governor HEARNES. Well, I might in 1973, Senator; I will be out of office then; but right now, no, sir. I do not think any—seriously, I do not believe any—Governor would be thinking in terms of those figures.

Governor RAY. I was just going to say, Mr. Chairman, which might be digressing for a moment, that in our State we do have a requirement that mothers identify the fathers, but I just wanted you to know, being one who believes that daddies ought to support kiddies, if you have any proposed legislation that will help in this regard, I want to support it.

The CHAIRMAN. Thank you very much, gentlemen.

Well, now, if any of you, as you may very well want to, would like to provide something to add to questions or answers that have occurred while you were here, we will be glad to have that for the record.

I would like to point out that the last appearance of a panel from the Governors' conference was on the tax reform bill which was on the proposal of taxing State and municipal bonds. The first vote in the committee on that bill was, I believe, a unanimous vote to go along with you, or almost unanimous, to accept the recommendation of the Governors' conference in that regard. So that where the conference was unanimous, I think you received an almost unanimous vote of approval of the committee.

I do not think that you are completely unanimous in what you are recommending today, but I think you have given us some very fine ideas and some very fine suggestions, and we very much appreciate your appearance here today.

Governor HEARNES. Thank you, Mr. Chairman.

Governor McCALL. Thank you, Mr. Chairman.

Governor LICHT. Thank you, Mr. Chairman.

Governor HOLTON. Thank you very much.

Governor RAY. Thank you very much.

The CHAIRMAN. In view of the fact that our Republican members are obliged to attend a party caucus to discuss the scheduling of this legislation as well as other legislation for the remainder of this session of Congress, and in view of the fact that they should be available to us this afternoon, hopefully, I am going to conclude this morning's session and stand in recess until 2 o'clock this afternoon.

(Whereupon, at 12:05 p.m., the committee recessed, to reconvene at 2 p.m. this same day.)

AFTERNOON SESSION

The CHAIRMAN. The hearing will come to order.

Is the Honorable Sam Gibbons here?

Mr. GIBBONS. Yes, sir.

The CHAIRMAN. Representative Gibbons, we are proud to hear you.

STATEMENT OF HON. SAM GIBBONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. GIBBONS. Well, thank you, Senator Long. It is a pleasure to be here and I shall be short in deference to your time. I know that you have a lot to do and I would like to leave with you for the record a formal copy of my statement. I have a brief summary, Senator Long. I wanted to go over.

I am not here, as the previous witnesses, to either condemn or condone a House-passed bill. I voted for it. I had some reservations about it. I am going to talk about one facet of it, and only one facet, one that I think that the House could have done a better job on, and I hope that when the bill goes over in the Senate you will take the opportunity to make the change that needs to be made.

I urge you to change the food stamp program from what I call a "funny-money" program, Senator Long, to a cash money program.

The food stamp program is a welfare program. It is now running to the tune of about \$1 billion a year. It is growing very rapidly, it has increased about three or four times in the last year. The Senate has already passed a bill authorizing it to go to \$2 billion at the end of this fiscal year. The House Agriculture Committee has reported an authorization bill that is wide open, allowing it to be such amount as the Appropriations Committee may enact. It is really a "no-holds barred" food stamp program.

The food stamp program has many problems in it. The main problem is it has a high administrative cost. The food stamp program, when stripped of all of its trimmings—and let me say I voted for the food stamp program every time—is better than not having a program, and I would continue to vote for it, but I think Congress can do a better job with it. We can save money, particularly administrative money. We can save administrative harassment.

The food stamp program is very broad. It gives to the Secretary of Agriculture the power and discretion to change the amount of benefits that all of the States would receive.

As I say, without further congressional enactment other than lifting the ceiling on the program, the program has jumped from just a few hundred thousand dollars to over \$1 billion now.

It is growing very rapidly. There are over 6 million people who participate in it. In fact, the perimeters of who can participate in the food stamp program are very broad. They are much broader than the family assistance program. For instance, under present guidelines a hippie commune could participate in the food stamp program. I do not know that they participate but they probably do.

I read of a college fraternity that tried to qualify and could not quite meet the needs test, but they met the other tests of the bill.

I think that you ought to take the food stamp program and make whatever criteria you put in the family assistance program the same as the food stamp program and distribute the money to the people that way.

The CHAIRMAN. I do not know whether you are aware of it, and I am not here to comment on it one way or the other to say it is a good or bad idea, but I know in my hometown where there was a recent widespread strike, the food stamp people set up a special window for the strikers to collect their food stamps while out on strike. To some extent it was a substantial item in helping the strikers who were already receiving relatively high wages to prevail on their demands for even higher wages.

Of course, everyone likes to see the working people obtain that, providing management can afford to pay it, but I am not sure we intended the food stamps to be in effect a strike fund.

Mr. GIBBONS. The food stamp program is a very good program, but it is a very broad program as far as feeding the hungry is concerned. It will feed them, but it will feed a lot of other people, too. I think whatever criteria you put in the family assistance program ought to be the same criteria for the food stamp program. The money they get is really "funny money." I do not know whether you have seen any of it or not.

You know when I went into the service and perhaps about the same time I was in Alexandria, La., we used to pay the troops off about \$21 a month and they used to get a lot of this kind of junk when we paid them off except this was to go to the canteen and buy what they needed or to go to the picture show, and I asked one of the Army why they still were paying that way and they said, if you give them cash they will just throw it away.

Well, I remember back there in Alexandria when they paid them off, and you got the canteen books and picture show books, you would see a whole line headed for the latrine and about an hour later the crowd would have broken up and the crap game was over and they would gamble off the laundry books and canteen books and picture show books, and some fellow would have won them all and then put them in the black market and if you stayed there long enough you would have gotten all the books, but I do not know whether the same thing happens to the food stamp books, but the same thing could happen.

Of course the average family of four will end up with more food stamp money than they will end up with cash, and they have to pay the lights, the rent, and the other bills that they have, and I think it is ridiculous that we run two parallel welfare programs, one run by HEW and one by the Department of Agriculture, with very high administrative costs with this funny money.

They have to keep these food stamps in banks. The welfare recipient has to go to the bank and buy these stamps after he has gone through a qualification procedure which is an experience of harassment. He must first wait in long lines to get his food stamp qualification papers. Then he has to go to the bank to buy the stamps.

Local governments have to pay the administrative costs of issuing these stamps, which run about 5 percent of the program just to do that. It costs the Federal Government about 10 percent of that billion dollars to administer the program. These "funny money" stamps have to be picked up, run through the banks, back through the Federal Reserve System and destroyed as if they were cash. There are already counterfeitings and pilferage is rampant in the food stamp program. I think it should be converted to a cash program as a part of the family assistance program.

I presented my amendment to the Ways and Means Committee. It lost by two votes. We did not consider it very long, Senator Long, but we were worried about the jurisdictional problems with the Agricultural Committee. I think with your broad jurisdiction over here, and the fact you really want to reform some of these programs. You could make a tremendous reform by taking the food stamp program and merging it into the family assistance program, and then doing away with all other vestiges of these welfare programs that are run

by the Agriculture Department that deal with these commodities and so forth.

The CHAIRMAN. I have had some discussions about ways that we could achieve part of your objective and I would hope, insofar as this food stamp program is given to welfare clients, that we can do just this.

I was impressed by the fact that when Senator McGovern sat right where you are sitting, right there testifying for food stamps, I asked him why do we not just give them the cash, these people on welfare, and he said that was all right with him. If that is generally expressive of the way the food stamp advocates would feel about it, that they would be just as satisfied to have the people have the dollars, and I think that is better.

I think you know that there are a lot of parts of this country where they are trading, where the people are selling their food stamps for money.

Mr. GIBBONS. Surely.

The CHAIRMAN. And then using the money to buy whatever they want—wine, whisky, marihuana, anything else.

Mr. GIBBONS. That is right.

The CHAIRMAN. But they would be better off if you would give them the money directly because they obviously, when they sell their food stamps, do not get value received.

Mr. GIBBONS. That is right.

The CHAIRMAN. If the food stamp approach is worth \$2, they just discount it. What is your impression of the going rate of discount for someone buying the food stamps?

Mr. GIBBONS. I do not know. It depends on how tough you are. [Laughter.] It is kind of like that crap game. I know they are going pretty cheap. Toward the end of the month they are getting a little higher.

I was going to say, I did not hear Senator McGovern's statement, but I understood it just as you repeated it there from what I had read.

Let me say that, as I understand the statements of the President of the United States, he agrees with this. He just says that is something we are going to do eventually but Secretary Hardin, and former Secretary Finch, have both advocated that the program be turned into a cash program as rapidly as possible.

The CHAIRMAN. My understanding is that the administration favors your objective, but they doubt that it is politically feasible. They question whether it is something that can be done as a practical matter, and my impression offhand is, how would you know if you had not tried it.

So far as I am concerned, I expect to vote for something along that line.

I think the main problem for them is money. In the recent food stamp program, the sky is the limit. The Secretary of Agriculture has enriched the food stamp program substantially since last year and, as I say, he can walk down the street without taking any testimony and change the whole food stamp issuing program, and the only thing he has to worry about is getting enough money out of the Appropriations Committee.

The CHAIRMAN. Well, the people over at HEW complained that under these liberal matching laws they are not the master of their own destiny because all a State legislature has to do is meet and vote a new program or to put more money into a State program and the Federal Government has to match it, in some cases \$4 to \$1 of State money.

Mr. GIBBONS. That is not the case here though.

The CHAIRMAN. It is not the case here.

Mr. GIBBONS. This is all Federal except local administrative money.

The CHAIRMAN. But based upon the votes that have been going in the United States Senate on this program, there is no way to control it, it can get completely out of hand, as you know.

Mr. GIBBONS. Yes. Well, thank you very much.

The CHAIRMAN. Thank you, Congressman Gibbons.

(Prepared statement follows:)

STATEMENT OF HON. SAM M. GIBBONS, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman and Members of the Finance Committee, I appreciate the opportunity to be here today. I intend to talk about only one aspect of H.R. 16311—I want to talk about the food stamp program. I intend to be brief and to the point.

Mr. Chairman, I submitted additional views on this subject when this bill was reported by the Committee on Ways and Means. I urged that the food stamp program be merged with the family assistance program with all the benefits being paid in cash. My amendment was narrowly defeated in Committee. The changes which the Administration has suggested to you in the food stamp program, while in the right direction in some respects, has not changed my position. I voted for the food stamp program and I know many of you did. But, I now urge that it be merged with family assistance. I urge your Committee to take this step for the following reasons:

(1) The food stamp program has unconscionably high administrative costs. The administrative costs under the present food stamp program are running at a rate of almost 15 percent. For every dollar spent under that program, only 85 cents is spent on food stamps and some of that doesn't benefit the people for whom it was intended. For example, to disperse \$228.8 million in food stamp bonuses in fiscal 1969, the Federal Government had to expend \$22.2 million. In addition to those millions, there were administrative costs at the local level of many more millions of dollars. The local costs are incurred by the welfare departments and the banks that sell the stamps. The costs are high. For example, some banks which are used to hold the stamps and sell them to eligible people have been known to charge up to 90 cents for every coupon book they sell to participants. These administrative costs would *not* be incurred under my proposal and there would *not* be any increase in administrative costs under the Family Assistance program.

(2) The food stamp concept has inherent disadvantages that cannot be overcome by tinkering with the present system. Food stamps, or "funny money" as some people call them, are just the same as cash money and they have to be guarded and kept in vaults just like cash. Therefore, it should come as no surprise that some people who get food stamps turn around and sell them for cash, or in some cases, will obtain the food and then sell the food.

And, despite the high administrative costs, the food stamp program has had low participation rates—many otherwise eligible people don't sign up because of the way the program works. Some recipients have had to line up at the outdoor windows of banks even in cold weather to wait for their stamps. In the grocery store the items which can be bought with stamps have to be separated from the non-food items. The individual is labelled as poor for everybody around to see. It is no wonder then that as of just two months ago the Agriculture Department reported that only 6.3 million people were using the food stamp program out of the 24.3 million who were in poverty. To put it simply, the food stamp program has not carried out its purpose—it does not reach the people who need it.

So far I have been generalizing, so, let me illustrate some of these problems as they might affect an actual family. Take the example of a widow with three

young children living in Alabama. Under H.R. 16311, she is eligible for \$134 a month in family assistance payments. Under the food stamp program, she would have to spend \$36 of that money to get food stamps worth \$106. Let's suppose that everything is just ideal. She can go into the FAP office and get her cash and then go next door to the bank and get her stamps. She walks out of the bank with \$98 in cash and food stamps worth \$106.

Now, from the standpoint of this widow, what the Government has told her was that she had to spend more on food than all of the other items in her budget. The rent, clothes, the gas bill, the electric bill—all these must come out of the \$98 in cash. If this woman followed her Government's dictates, she might wind up eating caviar by candlelight in a cold room. But we all know that people are more sensible than the Government.

She has essentially three choices, all bad. She can forfeit the stamps, in which case she would have to live on \$134 to meet all of her expenses. She could wait in line for the stamps and then sell them, illegally and probably for something less than their face value. Third, she could buy the food with the stamps and then sell the food, probably for less than she paid for it. Gentlemen, I just don't believe the Congress of the United States should do this to people in the name of welfare reform.

I should like to point out, Mr. Chairman, that when I urge that the food stamp program be phased out and combined with the cash assistance, I am in good company. In his Message to Congress in August of 1969, President Nixon said: "For dependent families there will be an orderly substitution of food stamps by the new direct monetary payments." In September of 1969, Secretary of Agriculture Hardin said before the Senate Select Committee on Nutrition and Human Needs: "When the President delivered his message of May 6, he made it clear that it was time to go ahead and reshape the food stamp program and make it workable, available and attractive." Former HEW Secretary Finch said on the same day: "For several reasons our ultimate goal over the years should be to move toward a wholly cash income support system and away from in-kind multiple programs. This Administration believes that over the years cash assistance would eventually be substituted for food stamp programs in a way which leaves the individual at least as well off in total benefits." The President's Commission on Income Maintenance Programs made a similar recommendation.

Mr. Chairman, I have followed with interest your Committee's concern with the relationship between the proposed family assistance plan and other programs designed to help the poor, such as public housing, Medicaid, and food stamps. My suggestion simply is to merge the food stamp program with the family assistance program so that families will have their income in cash and spend it in ways that best suit each individual family. This will avoid completely any notch problem raised by the food stamp program.

I am not suggesting that the family assistance program be enlarged or that we spend any more money than would otherwise be spent. My suggestion can be financed with the money which would be spent on family assistance plus the money which would be spent on food stamps if everybody eligible for them collected them. In fact, it could be done for less money since it is clear that millions of dollars in administrative money would be saved.

Mr. Chairman, the American people may have come to believe, with good reason, I am afraid, that once we enact a program it can never be taken off the books. The Congress has a great chance to show this is not so. Real welfare reform needs to be enacted, not halfway measures. Personally, I am pleased that your Committee is looking at all these programs for the poor regardless of committee jurisdiction or executive branch jurisdiction. That is legislative statesmanship of the highest form. I am confident that when your study of the issues is completed you will conclude that the proper thing to do about the food stamp program is to get rid of it and add it to the Family Assistance program.

The CHAIRMAN. Now, our next witness, if he is here, will be the Honorable Phillip Burton, Representative from California.

Mr. GIBBONS. He is voting right now.

The CHAIRMAN. Pardon me?

Mr. GIBBONS. He is voting right now.

The CHAIRMAN. We will try to hear him when he gets back then.

Next will be the Honorable Jorge L. Córdova, Resident Commissioner of the Commonwealth of Puerto Rico.

STATEMENT OF HON. JORGE L. CORDOVA, RESIDENT COMMISSIONER, COMMONWEALTH OF PUERTO RICO

Mr. CORDOVA. Good afternoon, members of the committee. I, unfortunately, do not have to be on the floor of the House voting at this time as my colleague is.

The CHAIRMAN. Yes.

Mr. CORDOVA. I have a prepared statement which has been submitted to the committee. I will not read it. I will summarize briefly my reasons for appearing.

Puerto Rico receives a limited amount of welfare help at present. When the President announced the family assistance plan, naturally we were interested. We learned, however, that Puerto Rico was not included in the plan. We immediately took up with the administration the matter of including Puerto Rico because we understood that the thrust or one of the main thrusts at this time was to avoid the uprooting of communities, of people from the less advantaged communities and have them flow to the more advantaged communities which were providing higher welfare payments, and we could see that might well happen on a big scale in Puerto Rico and we were concerned about it.

We were able to obtain the inclusion of Puerto Rico in the President's plan as it was introduced in the Houses, both Houses of Congress, and as passed by the House, but of course on a limited basis.

Puerto Rico participates on the basis of a formula which bears the ratio of Puerto Rico's per capita income to the per capita income of the State with the lowest per capita income. The idea obviously was to avoid payments and ceilings which would be out of line with the average incomes in Puerto Rico. I believe that was the reason.

I am here to urge the committee, of course, to maintain Puerto Rican participation as approved by the House and as approved by the administration.

I would love to be able to come in here and ask this committee to give us 100-percent participation. I believe that this formula which has been passed by the House, that has been proposed by the administration, is a step in the right direction, is a vast improvement over the present situation, will be helpful.

There is another feature of the family assistance plan which is of extreme interest to Puerto Rico and that is the emphasis on training. Puerto Rico is already participating in the WIN program. We are making progress to the extent that in spite of the fact that welfare payments have been increasing in Puerto Rico over the years, as they have here, for the first time in the current year total dollar payments have begun to dwindle very, very lightly, but they have begun to dwindle, which shows that we are beginning to train our people and prepare them for jobs because Puerto Rico's problem is the problem of unemployment caused by lack of skills.

There is no dearth of jobs in Puerto Rico for the skilled, but there are too many unskilled and, therefore, the tremendous amount of unemployment, which is officially at around 11 or 12 percent, but which we fear is actually around 30 percent when you look at the facts.

The only change that I am asking this committee to consider in the bill under consideration is to permit Puerto Rico to continue to par-

ticipate, as it is now participating, in the WIN program, and the incentive training program.

Under the draft that the committee is considering now, Puerto Rico would be reduced by this formula method to about 55 percent of what it is now getting, and to us training is more important than welfare, because it is the only thing that is going to get us out of the doldrums permanently. Welfare is purely a palliative for the intervening years until we can be all earning our own way, which is what we are working for in Puerto Rico.

That is, in brief, a summary of our position, Mr. Chairman.

The CHAIRMAN. Thank you very much, sir.

Senator Anderson?

Thank you very much for your statement, Mr. Córdova.
(Mr. Córdova's prepared statement follows:)

STATEMENT BY JORGE L. CÓRDOVA, RESIDENT COMMISSIONER FROM PUERTO RICO

Mr. Chairman, Members of the Committee, I am pleased to be here today to bring to your attention certain aspects of the proposed Family Assistance Act of 1970 which are of particular concern to my 2.7 million constituents, your fellow American citizens in Puerto Rico.

Great strides have been made in Puerto Rico toward developing the economy of the Island and toward attaining a substantial measure of distributive justice. Total jobs and wages have increased considerably. A real middle class has developed, and is growing rapidly. But although we are addressing ourselves to the problem of balancing our population, and have already achieved a substantial decline in the birth rate, we have been even more successful in lowering our death rate, hence our population is still growing. Our birth rate has declined from 42.3 per thousand in 1945 to 24.3 in 1969. Our death rate has declined even more sharply during the same period from 14.1 per thousand to 6.3. As a consequence, our economic growth has not been directly beneficial to a substantial part of our population.

This has placed a tremendous burden on the resources of Puerto Rico to help these people. The 1967 amendments to the Social Security laws approved by this Committee have resulted in greater benefits for our poor citizens, though these benefits are far from adequate. Welfare benefits to adults have increased from an average of \$8.00 per month per adult to over \$14.00. Aid to families has increased from an average of \$13.00 per family to more than \$45.00. The percentage of increase is large, but considering that the cost of living in Puerto Rico is at least as high as on the mainland, the amounts provided are obviously not sufficient to provide the help that these families need. In fact, these payments amount to only 40% of the officially determined needs, and that in itself is low. Even at this low rate, payments were being received in January 1970 by 265,000 people representing 9.6% of the population. Only one of the States has such a high percentage of the population receiving welfare payments. All this is being done with a ceiling Federal participation which was \$18 million in FY 70, and with a State matching rate of 50%.

Even with the Federal contribution, and the increased effort being made each year by the Commonwealth government, many more people need help and should be receiving assistance. The June 1970 Committee Print points out that 800,000 people will be eligible to participate under FAP. Even with such a large increase in beneficiaries, the same Committee Print indicates that Puerto Rico would save \$8 million per year in public assistance payments. We certainly wish that this were true, but we must point out that the eligible recipients in the adult programs will be considerably more than the 50,000 estimated by the Administration. While not all the eligible recipients in the adult categories will actually apply for public assistance, we feel certain that enough will be added so that there will be no over-all savings to Puerto Rico. Indeed, it is highly likely that additional resources will have to be found by the Commonwealth to help these people. Let me add that the Government of Puerto Rico is committed to make whatever fiscal effort is necessary to supply the needed help.

The proposed Family Assistance limits the payment and lowers the income levels beyond which families will not be eligible to receive benefits, in the same

proportion that the per capita income in Puerto Rico bears to the lowest per capita income among the States. This formula is a distinct improvement over the present system of a fixed ceiling.

An important factor to consider under this new formula is the effect of any drastic difference in welfare payments on the migration of Puerto Ricans from the Island to the mainland, a migration which no one in Puerto Rico wishes to encourage. We feel that the proposed formula does not produce a difference in welfare payments on the mainland sufficient to induce any increase in the migration of our disadvantaged, but since it is a new approach, its effect on migration should be carefully observed.

I strongly agree with the desire of this Committee to make the work incentives as strong as possible. The training program which is embodied in this principle is very significant for Puerto Rico.

We have been successful in promoting the industrial development of Puerto Rico, but unemployment remains a serious problem, specially among the unskilled. The unemployment, and underemployment, of these unskilled in our Island places us in the unenviable position of having a per capita income far below that of any State of the Union. For these reasons we have enthusiastically embraced and entered into the various training programs of the Federal Government.

We feel that the Work Incentive Program which this legislation endeavors to improve is having significant results in Puerto Rico. It is too soon to report that thousands have been trained and have become contributing members of society as a result of this program. However, we feel that significant things have been done. For instance, we had 3,450 trainees enrolled as of June 30, 1970, with only 3500 slots authorized for the program. It is expected that this near-total enrollment will continue. Moreover, cooperation between the various agencies of the government and other institutions has been improving, increasing the effectiveness of the program.

Our Department of Education has given excellent cooperation, providing special training and orientation to the teachers to help them in the change-over from teaching children to teaching adults. New opportunities have been opened up for paraprofessionals such as teachers' aids and policemen, with jobs practically guaranteed from the start.

Local colleges and universities, public and private, are working closely with the program. The Puerto Rico Junior College has a one-year program for high school graduates, some of whom are trained as rural teachers. The University of Puerto Rico is cooperating in several areas. One of the interesting programs, offered by the School of Dentistry, is one that provides training for dental assistants. The big breakthrough is that the professionals have dropped their resistance and agreed to give jobs to these people after they are trained. The Work Incentive Program is just beginning in Puerto Rico, but it is commencing to make its effects felt. Savings in public assistance payments are already evident, and the rate of savings is increasing each month.

We feel strongly about the benefits of the Work Incentive Program and wish to continue to participate fully. Under the present Work Incentive Law Puerto Rico participates as a State, with trainees receiving full benefits. However, under H.R. 16311 as it now stands, the benefits would be reduced for Puerto Rico, the Virgin Islands and Guam. In the version passed by the House of Representatives, Sec. 432(a) (3) provides "for such smaller allowances" as the Secretary of Labor "deems appropriate for individuals in Puerto Rico, the Virgin Islands, and Guam." The draft now being considered by this Committee would reduce the training benefits for Puerto Rico, Virgin Islands and Guam in the proportion their per capita incomes bear to that of the lowest State.

The one change that I would ask this Committee to make is to delete from Sec. 503 the reference to training incentives, thus allowing Puerto Rico, the Virgin Islands, and Guam to participate in the manpower training program under FAP on the same basis as the fifty States. This amendment would simply maintain our participation at the present level. I am sure that all the members of this Committee will agree that the success or failure of the Family Assistance Plan depends on getting people to work.

In order to understand fully the implications of the FAP and to assure that the implementation goes as smoothly as possible should the bill be enacted, the Governor of Puerto Rico has appointed an inter-departmental committee to study and report to him on the bill. This committee is made up of members from the Governor's office, the Puerto Rico Planning Board, the Department of Labor, and

the Department of Social Services. This committee has been meeting regularly for several months to study the effect of the bill on the economy, and the most effective way to administer the various provisions.

Limited as is the participation of the Puerto Rican poor in the Family Assistance Act, I support H.R. 16311 because I believe firmly in the principles of uniformity of treatment throughout the Nation to the recipients under Federal-State public assistance programs, and of incentives for employment and training as part of a family assistance program. Also, I believe that the provisions of this bill which concern Puerto Rico are a step in the right direction, and that it will be of great help in our efforts to achieve for all of our people a better standard of living.

The CHAIRMAN. Now, the next witness, I am going to call back Mr. Phillip Burton, who was necessarily absent at the time we called him before and invite you to express your views, Congressman Burton.

We have found some very worthwhile suggestions in your testimony and we welcome you back before our committee.

STATEMENT OF HON. PHILLIP BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BURTON. Thank you, Mr. Chairman.

May I ask the committee's permission to have inserted in the record at this point the prepared statement?

The CHAIRMAN. Yes, that will be done.

(Prepared statement follows. Hearing continues on p. 2091.)

PREPARED STATEMENT OF CONGRESSMAN PHILLIP BURTON

1. Restore original administration proposals :
 - (1) Treating unearned income in the same manner as earned income;
 - (2) Mandating AFDC-UP.
2. Restore House version of section 452(a) [but update January 1970, page 29, line 17, to January 1971], and delete all after periods, on page 30, line 10, and all of line 11.
3. The bill before you provides a cost-of-living factor for purposes of additional Federal matching to the states—*this cost-of-living concept should also be extended to increase the minimum payment to recipients using 8/12/69 as the benchmark date [the date the Administration announced FAP].*
4. Permit matching to States that have supplemental "working-poor" programs.
5. Restore "suitability" of employment as provided in the bill as reported by the Ways and Means Committee.
6. Add a provision to permit deduction of state and local income taxes in the same manner that Federal income taxes are deducted for purposes of computing earnings. The Secretary should be authorized to set an "imputed" amount—to simplify administering this section.
7. Delete proposed title III [the so-called "Services Amendments"] and restate existing law.
8. Clarify procedures for applicants or recipients who are denied aid [technical amendments being drafted].
9. Provide that a person who is referred to a job must be covered by the following protections: (1) that the wages payable for such job are at a rate not less than whichever of the following is the higher: (a) the rate prevailing for similar work in the locality, or (b) the minimum hourly rate established by Section 6(a)(1) of the Fair Labor Standards Act; (2) that the hours or working conditions on such job are not less favorable than those prevailing for comparable work in the locality.
10. Authorize the Secretary of HEW to assure that social workers affected by the changeover to Federal Administration will be protected.
11. Place an absolute ceiling for each state on their non-federal costs—using

actual cost expenditures for cash payments to AFDC caseload for 12 months immediately preceding effective date of FAP.

12. If the administration would allocate 10% of its revenue sharing [c.g., 10% of \$1 billion for the first year, \$2 billion for the second year, \$3 billion for the third year, \$4 billion for the fourth year, \$5 billion for the fifth year and thereafter] and I strongly recommend that the Senate Finance Committee urge this course of action on the Administration, then I would recommend an increase in the Federal contribution each year until the State costs are phased out.

13. The bill should contain staged increases in the base, until an acceptable "poverty level" is reached.

14. Sen. Long's child care concept should be included.

15. A meaningful "jobs" program is imperative. To train people for a non-existent job makes no sense.

MODIFICATION OF FAMILY ASSISTANCE PLAN

FAP containing the following elements would also be within the Administration budget:

1. Increase base from \$1600 to \$2200 for family of four.
2. Maintain \$720 disregard. Increase MTR to 60% with State MTR fixed 10% over the range of income (above \$720) and at 70% above the FAP break-even point.
3. Eliminate food stamps.
4. Eliminate 30% Federal matching for State supplementals.
5. Provide a ceiling on State costs—using actual non-federal costs for the 12 months immediately preceding the effective date of the FAP program.*

SUMMARY OF RECOMMENDATIONS—AGED, BLIND, AND DISABLED

(A) PROGRAM—(AGED, BLIND, AND DISABLED)

1. Increased Aged, Blind, and Disabled minimum payment to \$130/month (as of Jan. 1, 1971)!
2. Include a Cost of Living factor—to be applied to the minimum payment (as of Jan. 1, 1972). (This amount—a Federal expense—must be disregarded by States, for their payments over the minimum—thus assuring adult recipients receiving more than the minimum will also benefit from this cost of living provision.)
3. Reduce the present 65 year in Aged programs to 60.
4. Require that states "disregard" \$7.50/month. (This provision of current law is now permissive.)
5. Provide statutory assurance that no applicant for, or recipient of adult public assistance on the effective date of the applicable provisions of the bill shall have their benefits reduced, nor be rendered ineligible as a result of the enactment of the legislation.
6. Require states to meet their budgeted needs for adult recipients.

NOTE.—If the food stamps—for aged, blind, and disabled—are converted into cash—accomplish this by raising the above \$130/month minimum to \$140. (Note, if Senate increases Social Security over House version, a \$150 minimum is a realistic goal.)

7. (B) Source of funds—and cost analysis (see attached).

8. (C) Administrative suggestions (see attached).

9. (D) Technical changes (see attached).

10. (E) Blind and disabled—special provisions.

Extend the 3-year training and rehabilitation period to enable their training and/or rehabilitation to be completed (Section 1603(a) (3) and (4).

Extend Aged treatment of "relatives" to Blind and Disabled.

Permit Blind to earn up to poverty level (Section 453c) before imposition of 50% income deduction.

Add \$30 per month to minimum—for Blind.

Provide \$1 million for "Prevention of Blindness" program.

*Except for the supplementation proposal on p. 1, the recommendations on said page are to be incorporated in this proposal.

Adult categories—Aged, blind, and disabled source of funds and cost analysis to increase minimum income

	<i>Millions</i>
Reduced cost of substituting "freeze" and 10 percent saving-----	¹ \$66.2
Use exact, rather than rounded costs of adults-----	² +38.9
Impact of pending social security 5 percent bill-----	³ +128.8
Subtotal -----	233.9
Added social security income to "concurrents"-----	⁴ +300.0
Subtotal -----	533.9
Less cost to increase minimum from \$110 per month to \$130 per month--	⁵ 420.0
Subtotal -----	113.9
Residual impact in 1971 of 15 percent social security bill-----	⁶ +46.7
Subtotal -----	160.6
Added costs to lower age from 65 to 69 years-----	⁷ 154.1
Total -----	6.5

Add Annual Cost of Living Adjustment to the Minimum. (The costs can be borne within added social security income impact.)

Food stamps converted to cash

If 100 percent utilization is \$360 million (3 million adults per month times 12 per month times \$10 food stamp bonus per month) equals \$360 million. \$36 million (\$1 per month per transaction (paid to banks) times 3 million adults times 12 months equals a total of \$396 million (round to \$400 million).)

If 60 percent utilization is \$240 million plus \$57 million (1/3 of \$400 estimate-added food stamp costs) (table 1, p. 23) for adult portion of same) plus \$50 million (administration food stamp savings, if adults food stamps converted to cash) equals a subtotal of \$347 million.**

	<i>Millions</i>
**Subtotal-----	\$347
Less added costs to increase minimum from \$130 to \$140 per month-----	⁵ 240
Subtotal -----	107
Less added costs to mandate current "permitted" \$7.50 per month-----	65
Subtotal -----	42
Less added costs to raise those between 60 and 64 to \$140 per month from \$130----	⁸ 12.20
Total (this figure does not include some \$29 million of reduced food stamp costs that result from raising the adult payments from existing law to proposed \$110 per month)-----	30

KEY (B) SOURCE OF FUNDS AND COST ANALYSIS

Senate Finance.—This term used to identify the June 1970 Family Assistance Act of 1970, revised and resubmitted to the Committee on Finance by the Administration.

¹ See Senate Finance, p. 26, table VI. The adult savings are \$166.2 million. The adult savings using the "freeze" year, less 10 percent is \$100 million; hence a difference of \$66.2 million.

² See Senate Finance, p. 23, table I. The stated cost of adults is \$600 million. This is a rounded figure. The actual figure is \$561.1 million (see June 25, 1970 SRS—Planning and Evaluation estimates).

³ The House passed social security bill will reduce adult costs by (see May 26, 1970, Estimates (X)):

	<i>Millions</i>
Aged-----	\$61.0
Blind-----	.7
Disabled-----	.80
Cost of living increase factor-----	23.1
Widows increase (82 1/4 percent to 100 percent PIA)-----	36.0
Total (pending social security bill)-----	128.8

⁴ See NCSS Report G-2 (February 1969)—"Concurrent Receipt of Public Assistance Money Payments and OASDI Cash Benefits by persons Aged 65 or Over."

Footnote continued on following page.

(A) Each year from 3 percent (last 10 year average—from 1960 to 1969, inclusive) to 3.5 percent (last 5 year average—from 1964 to 1969, inclusive) more aged welfare recipients also received social security payments.

Example, in February 1969—58.2 percent of aged welfare also received social security. In February 1964—40.7 percent of aged welfare also received social security. In 5 years, 17.5 percent increase in welfare also received social security. Five-year average, 3.5 percent per year increase also received social security. In February 1969—58.2 percent of aged welfare also received social security. In February 1964—40.7 percent of aged welfare also received social security. In 10 years, 29.7 percent increase in welfare also received social security. Ten-year average (rounded), 3 percent per year increase also received social security.

(B) Also, each year, aged "concurrents" receive a higher amount of social security cash benefits.

Example, in February 1969—\$63.10 per month—average OASDI cash benefit. In February 1964—\$48.80 per month—average OASDI cash benefit. In 5 years, \$14.30 per month—increase in cash benefit. Five-year average, \$2.86 per month—increase in cash benefit. In February 1969—\$63.10 per month—average OASDI cash benefit. In February 1964—\$48.80 per month—average OASDI cash benefit. In 10 years, \$19.80 per month—increase in OASDI cash benefit. Ten-year average, \$1.98 per month—increase in OASDI cash benefit.

For obvious reasons, the last 5 years data and averages are the most recent and relevant. In this most recent 5 year period we see a 3.5 percent average increase every year in the number of concurrents—and a \$2.86 per month average increase every year in the OASDI cash benefits paid.

Since all the adult cost estimates were based on February 1969 social security data (the latest available at the time in 1969 that the legislation was introduced)—after the House passed H.R. 16311, upon my request, HEW calculated the projected cost reductions due to this interplay of social security benefits and adult welfare payments to 1971 and 1972 (see estimate (E) April 17, 1970).

² See House Committee Report, H.R. 16311, p. 51, table VII.

³ The 15 percent social security bill would result—for first full year—in savings in adult public assistance of \$164 million—aged plus \$23.5 million (blind and disabled) total adult assistance cost reduction—\$187.5* million first full year. One quarter (first quarter of calendar 1970) not in "freeze" year of calendar 1970; therefore one-fourth* of savings recaptured equals \$46.7 million.

⁴ Cost of lower age from 65 to 60 years. If \$90 minimum per month—\$104 million. If \$150 minimum per month—\$177.6 million (cost increment—\$12.26 million for each \$10 increase over \$90—so at \$130 per minimum (4 steps) \$104 million plus (4 times \$12.26) equals \$154.1 million to lower age to 60 years—at \$130 per month minimum.

⁵ Added costs (in addition to ⁴)—if minimum is increased from \$130 to \$140 per month (for 60–64-year-olds) another \$12.26 million.

TABLE 1.—OAA MONEY PAYMENT RECIPIENTS ALSO RECEIVING OASDHI CASH BENEFITS, TOTAL OAA MONEY PAYMENT RECIPIENTS, AND TOTAL OASDHI CASH BENEFICIARIES AGED 65 OR OVER IN THE UNITED STATES, SPECIFIED MONTHS IN 1948-69

Month and year	OAA money payment recipients also receiving OASDHI cash benefits					
	Number	As percent of—			Total OAA money payment recipients	Total OASDHI cash beneficiaries aged 65 or over ¹
		Total OAA money payment recipients	Total OASDHI cash beneficiaries aged 65 or over	Total OAA money payment recipients		
June 1948.....	146,000	6.1	10.0	2,365,000	1,457,000	
September 1950.....	276,000	9.8	12.6	2,810,000	2,192,000	
August 1951.....	377,000	13.8	11.9	2,728,000	3,174,000	
February 1952.....	406,000	15.1	12.0	2,654,000	3,404,000	
February 1953.....	426,000	16.3	10.7	2,572,000	4,010,000	
February 1954.....	462,000	18.0	9.6	2,567,000	4,801,000	
February 1955.....	487,000	19.2	8.6	2,537,000	5,640,000	
February 1956.....	514,000	20.4	7.9	2,520,000	6,490,000	
February 1957.....	553,000	22.2	7.8	2,489,000	7,127,000	
February 1958.....	596,000	24.2	7.1	2,464,000	8,420,000	
March 1959.....	644,000	26.7	6.9	2,410,000	9,379,000	
February 1960.....	669,000	28.5	6.6	2,349,000	10,135,000	
February 1961.....	709,000	31.0	6.5	2,288,000	10,870,000	
February 1962.....	744,000	33.7	6.4	2,208,000	11,668,000	
February 1963.....	807,000	37.2	6.5	2,169,000	12,488,000	
February 1964.....	871,000	40.7	6.6	2,139,000	13,123,000	
February 1965.....	944,000	44.7	7.0	2,113,000	13,580,000	
February 1966.....	1,007,000	48.7	7.1	2,067,000	14,246,000	
February 1967.....	1,096,000	53.1	7.0	2,062,000	15,558,000	
May 1968.....	1,154,000	57.2	7.1	2,019,000	16,144,000	
February 1969 ¹	1,181,000	58.2	7.1	2,028,000	16,539,000	

¹ Estimated by the Social Security Administration.

² Data on concurrent receipt of OAA and OASDHI estimated on national basis; State reporting waived for February 1965.

³ Does not include Guam and the Virgin Islands; data not reported.

Notes: Period 1960-69, 29.7-percent increase (2.97-percent increase 1 year); period 1964-69, 17.5-percent increase (3.5-percent increase 1 year).

TABLE 2.—AVERAGE PAYMENTS TO CONCURRENT RECIPIENTS OF OASDHI CASH BENEFITS AND OAA MONEY PAYMENTS AND TO NONBENEFICIARY-RECIPIENTS OF OAA MONEY PAYMENTS IN THE UNITED STATES, SPECIFIED MONTHS IN 1951-69

Month and year	Average payments to concurrent recipients of OASDHI cash benefits and OAA money payments			Average OAA money payment to nonbeneficiary-recipients of OAA
	Average OASDHI cash benefit	Average OAA money payment	Combined average OASDHI and OAA payments	
August 1951	\$29.85	\$36.00	\$65.85	\$44.85
February 1952	29.60	36.85	66.45	46.60
February 1953	33.90	38.75	72.65	51.55
February 1954	33.90	40.35	74.30	50.35
February 1955	38.75	37.40	76.15	50.61
February 1956	38.70	40.35	79.05	52.00
February 1957	40.10	42.70	82.75	55.41
February 1958	40.70	43.60	84.30	59.21
March 1959	43.85	43.80	87.70	60.60
February 1960	43.30	45.80	89.10	61.70
February 1961	45.80	44.90	90.65	63.35
February 1962	47.30	41.95	89.20	65.30
February 1963	47.75	44.10	91.80	78.50
February 1964	48.80	47.80	96.65	70.15
February 1965	(1)	(1)	(1)	(1)
February 1966	52.75	47.70	100.45	77.75
February 1967	52.95	56.75	109.70	80.30
May 1968 ¹	61.85	56.50	118.35	82.05
February 1969 ²	63.10	59.30	122.40	85.80

¹ Reporting requirement waived for 1965.

² Does not include Guam and Nevada; data not reported.

³ Does not include Guam and the Virgin Islands; data not reported.

Note: Period 1960-69, \$19.80 increase (\$1.98 increase 1 year); period 1964-69, \$14.30 increase (\$2.86 increase 1 year).

(C) ADMINISTRATIVE SUGGESTIONS—ADULT (AGED, BLIND AND DISABLED) PROGRAMS

1. "Freeze" all states at their "current" (*Calendar 1970*) level of non-federal expenditures—for Adult cash payments.

2. As of Jan. 1, 1971, each state should receive a 10%* reduction in amount of their non-federal share during *Calendar 1970*.

3. The "freeze" amount 10% saving should be required to be shared with local political subdivisions to the same extent that these political subdivisions shared the cost of the non-federal share of the Adult cash payments in *Calendar 1970*.

4. "Freeze" all states, as of July 1, 1970, so as to prohibit manipulation of eligibility or standards in order to falsely depress their non-federal costs during the "current" year.

Note.—The current year (*Calendar 1970*) "freeze" should obviously permit the states to comply (*without added cost to the states*) with the provisions of the bill and to implement their already approved state plan.

I would concurrently urge the following changes to simplify the proposed federal administration of the adult programs:

1. HEW should be required to administer the Adult Programs by Jan. 1, 1973, unless, by January 1, 1972, a State "OPTS OUT." (The pending proposal requires them to "opt for").

2. HEW should be authorized to increase or reduce other funds due the states under the Social Security Act to effectuate the "freeze" and 10% state cost reduction policies without necessitating a state to "send money to Washington."

3. Conform adult program to family provisions—to standardize and simplify administration as follows:

Treat "casual and inconsequential" income that is disregarded and eliminate liens (as recommended by the administration). See comparable provisions in FAP—Sec. 443(b)(2), (5), (6), & (9) and Sec. 452(b)(8). *Also.*

*The non-Federal share is approximately \$1 billion per year. A 10 percent reduction equals \$100 million per year. (This reduction would be equitably shared by all the States (unlike the House version). (If the administration would allocate 10 percent of its first year revenue sharing—already budgeted amount of \$1 billion—and I strongly recommend that the Senate Finance Committee urge this course of action—then I would further recommend that the 10 percent reduction in the "current year" expenditures in each State be continued until the State's (adult) costs are phased out.

authorize quarterly benefit determinations (see Sec. 446(a)(1)). Also, Adult program should prohibit "imputing income" to recipients living in their own home.

4. *Provide for Federal administration of Adults* if a state fails to comply with the provisions of this legislation.

(D) TECHNICAL CHANGES

1. Amend Section 1007 to include Railroad Retirement annuitants and others with outside income. For greatest administrative simplicity and equity, add after "Social Security recipient" the following language (*and make section permanent law*):

"and the equivalent treatment of other income for the aged, blind, and disabled public assistance recipients who do not receive OASDI."

2. *Restore the House-passed version of 1603(a) (current law)* dealing with computation of work expense in Adult programs.

3. *The Cost of Living adjustment (in the Adult minimum)* should contain a prohibition against the deduction of this Cost of Living amount from the payment to which the recipient is otherwise entitled. [By this wording, the entire Adult caseload would receive the benefit of the C/L].

The same procedures and standards utilized in the Federal Employees Retirement Act should be applied to the Adult Public Assistance Programs.

4. *In the event, the Adult minimums are not raised to \$130/month* for each Aged, Blind, and Disabled recipient—the Social Security increases contained in the pending bill should be required to be disregarded.

However, in any event for those who do not receive an increase in total income (incl. OASDI and the minimums) as a result of the passage of the bill, the Social Security increases should be required to be passed on.

5. Add a provision assuring that payments for medicare be disregarded as income or resources.

6. *The Secretary, in all programs*, should be authorized to make payments from the 1st of the month of application for benefits.

7. Add language providing specific statutory assurance that *no family* eligible for assistance under current law shall after the effective date of the applicable portions of the bill be rendered ineligible by the passage of the legislation, nor shall its benefits be less than those to which they are entitled under existing law.

8. Add language mandating no diminution of eligibility standards or payments in states that have programs for the working poor. *In addition*, require states that now have such programs to maintain eligibility standards and payments in AFDC-UP programs as of the date of enactment.

9. Restore the preamble as originally recommended by the Administration and add language expressing the intent of Congress that the Federal government assume responsibility for administration and payments in all public assistance programs in the long term.

Mr. BURTON. Mr. Chairman, I have divided my brief statement into two parts. First I will deal with the family side and then move on to the adult side which I think contains a number of suggestions the Chair may find of some interest and value.

I am in basic support of the Nixon welfare proposal. There have been a few unfortunate deletions from that proposal that I would suggest be restored.

More particularly, I refer to treating unearned income, as was initially recommended by the administration, in the same manner as earned income is treated. Earnings incentives may help those able to work, but, if a man or woman is receiving workmen's compensation or disability payments, by definition they cannot work. If they could work, they would not get those payments. Payments of this kind, in my judgment, should be disregarded 50 percent as the administration initially recommended.

Secondarily, there has been a very unfortunate drafting mistake in section 451(a) which I will not belabor, but I think the Senate staff is well aware of the problems created in the change from the House

version. The House version should be restored, with a slight change (see my recommendation).

Fundamentally, at whatever level the family assistance payment is geared, in any and all events it, in my judgment, should carry a cost-of-living factor. There is a cost-of-living factor for matching to the States, but there is no cost of living in the benefit payment structure to recipients. One way to skirt around this \$1,600 issue would be to relate the cost of living back to the time the administration announced their support of this program, which is an indirect way to, when projecting ahead to the possible time of the beginning of this program, have approximately an \$1,800 base.

I fully concur with the job protection statement presented to you by the labor movement. There are also some procedural improvements that should be placed in the bill.

The services amendments, I think, are a little too complicated to be adopted at this time.

The State and local income taxes should be treated as Federal income taxes.

Now, as to the adult programs: this offers a most fruitful field for program improvement. I would take into account the inevitable increase in the number of people getting old age and blind and disabled from social security for fiscal purposes, not necessarily for administrative purposes; but, for fiscal purposes, then, I would look at this matter as a whole and come up with (1) a minimum payment in the aged, blind, and disabled that we can live with budgetwise, (2) one that will simplify the administration of these programs and, at the same time, change the "hold harmless" formula to one that will assure all the States in the country some savings as a result of the action of the Congress this year.

Most particularly, I suggest the following: That every State, based on their actual non-Federal expenditures for the calendar year 1970 for cash payments for the adults, be a frozen figure, a lifetime, if you will, ceiling minus 10 percent. The effect of that change, as contrasted to the proposal in the bill before you, is that the State of California, which under the current proposal receives some 40 percent of the adult savings (while many of the smaller States of the country have added costs)—this 90 percent formula would assure all States would receive a 10 percent saving on what their actual 1970 costs have been. It will reward the States that have been making the greater effort, but it will insure that all States receive a 10 percent reduction in their actual 1970 adult cost experience.

We would not have to rely on State cost estimates and the States would not have to rely on HEW estimates. We would deal with actual cost experience. This will also enable every Governor to know precisely what to budget for in future years. It will give us a known dollar figure that we have to come to grips with when we talk about raising the minimum.

In addition to lowering the age to 60, I would raise the minimum level, if you leave the food stamps alone, to \$130 a month. There is enough social security income either ongoing or contained in the pending social security proposal, when added to other increases in outside income, such as railroad retirement, to pay for this increased minimum payment.

In addition, if you abolish food stamps, and I most strongly urge you do so for the adults, I would raise the minimum to \$140/month. If the Senate increases the House version on the social security side, a \$150 per month minimum is not unreasonable. You can also require the States to disregard the \$7.50 that most states have implemented, but some of them, unfortunately, have not—and still be within the overall framework of the administration cost estimates for the adult programs.

Finally, I would urge the committee to tell the administration that, "You have a revenue-sharing proposal that is fairly intricate and it is unlikely that it is going to be dealt with in this Congress. However, you have amounts that you have stated the Federal Government will commit itself to, to bring about State and local relief."

I suggest to the committee—that if you take just 10 percent of the annual amounts the administration has allocated for revenue-sharing there is \$1 billion the first year (10 percent of that would be \$100 million); it is \$2 billion the second, \$3 billion the third, on up to the fifth year when it is a stable \$5 billion. Ten percent of the fifth year would be \$500 million. You should go to the administration and say, "We are not going to bust your budget on what you have allocated for welfare, but we are not going to have a program advertised as being of help to poor people and have it, in reality, only provide tax relief to the States. If it is going to be called tax relief to the States, let's call it that. Let's take that revenue-sharing you have been talking about for tax relief for the States, just give us 10 cents out of every dollar you are committed to spend in this regard and we will give the States meaningful tax relief, but we are going to direct it to see that the burden of welfare is reduced rather than constructing some new formula that may or may not prove to have merit."

At wherever points in time the committee wants to consider revenue-sharing in the future, you can just take 90 percent of what the administration has allocated, because you just spent 10 percent of that amount in this bill.

If you use this device, before the conclusion of the fourth year every State can have its commitment in the adult public assistance program completely eliminated. As a matter of fact, just about the third and a half year.

If you take that 10 percent and continue, you can reduce the child part of the States' commitment, so by 1976 they are out of the child payment business. But you are not going to give the States tax relief, I hope, by using money and taking it out of the hides of what most people think is going to poor people. If the State treasuries are to get this relief, the State treasuries ought to get the relief using the sources of revenue the administration has set up for that purpose, that is, the revenue-sharing money.

If you want to equalize this program, you can say the first year there will only be \$100 million of welfare relief equitably distributed between the family and the adult side.

The second year, it will be the \$200 million, and by the fifth or sixth year, the States will be out of all their costs in the adult and child programs.

Finally, if we are going to spend our money, I would prefer that we can control the administration of these programs so that if a program

is not administered according to the dictates of the Congress, we can put the bullwhip on the people who are on our payroll.

The dilemma we have now is that we adopt the policy, we put up most of the money, but some city in the country will have its own social workers administering this and they can thumb their nose at whatever our policy is and we cannot have any, really effective means of redress.

If these people were on the Federal payroll, I think we would have a little better handle on seeing they followed the legislative mandate. I favor full Federal administration of these programs.

In that connection, if your committee does not feel that you want to mandate Federal administration, at a minimum you ought to change the formula in the bill and require that the States opt out of Federal administration rather than as it is now, they have to opt for it. It rearranges the politics at the State level and eases the likelihood that we will have Federal administration.

Of course, the adult category should contain a cost-of-living factor. Finally the adult minimum should be put into effect the same date the first increased social security payment goes into effect so we eliminate all of this double changing of grants which is an inordinary expensive procedure.

As one parenthetical and related footnote, it has to do with social security; you should increase the Prouty minimum to the social security minimum, whatever you decide that to be, lower the age from 72 to 65—these people cannot get public assistance, and a number of people will go that route for a lesser amount even than taking the old age benefit, and I think you will find with that kind of a concerted approach, you are going to simplify the administration of the program, you are going to have eliminated the duplication of this food stamp nonsense, as it certainly is in the adults. And you are going to ultimately give the States, if the administration is willing to come up with 10 percent of that revenue-sharing money, and if they are not, we ought to force them to admit it, and if they are going to talk about it, then they ought to come up with some of it for tax-sharing relief in this area. But only in this way would I then suggest moving to give the States significant tax relief.

Those, in sum, Mr. Chairman, are the highlights of my proposal. I do have four or five or so technical amendments which merely bring about a more consistent treatment of the adult programs in order to eliminate what I think are, one, administrative hang-ups and, two, really indefensible problems, most particularly in the retarded children area in the treatment of responsible relatives for that class of person rather than for those who are aged. I think they all ought to be treated alike.

That about says it, Mr. Chairman.

The CHAIRMAN. Thank you very much, Representative Burton.

I told our staff to take very close note of what you have suggested here because I think your idea of phasing the States out of the adult categories is a very good one. I have considerable hope that we can sell it and we will be happy to consider these other amendments.

Senator Anderson?

Senator ANDERSON. I enjoyed the presentation very much.

Mr. BURTON. Thank you very much.

The CHAIRMAN. We are very much aware of your interest in this matter. You have both a passionate and dispassionate interest in it. You are both a scholar and a strong advocate and we commend you for your great interest in this matter, Representative Burton, and we will certainly undertake to see to it that these suggestions you have are considered. I think they are meritorious and they will be considered.

Mr. BURTON. Thank you very much, Senator.

I would just like to make the following statement :

This proposal is within the existing ability of the Nixon administration to pay for it in terms of what they said they were going to be committed to pay for these adult programs. And some revenue sharing money should be available to give the States relief.

If the Federal Government means business and the Governors really want relief, we can take a little piece of revenue sharing and really do a job in that area as well.

And finally, I think the record should be clear as to my opinion on this question: It is my own view, as I have expressed to you privately, Senator Long, that there is no man in the House or the Senate of the United States who has done more to help more poor people of this country than the distinguished chairman of this committee.

Your record on that count has been clear throughout your entire public life, and I, for one, am fully confident when the history of this legislation is written, that this record is going to be even brighter, if possible, than it is as of this minute.

The CHAIRMAN. I appreciate that and I hope it is right.

I just feel that we should recognize the fact that you are and always have been strongly in favor of anything that can be done to improve the conditions of the poor, the aged, the disabled, the blind: that as a practical liberal you have tailored your requests and demands to what you think has some possibility of becoming law. During 22 years in the Senate, I have shared your experience of wanting to do so much that you wound up doing nothing on occasions.

So that we will try to work with you achieving that which is practical now.

Thank you very much.

Mr. BURTON. Thank you very much, Senator.

The CHAIRMAN. Now we will be pleased to hear from our next witness, who is Mr. Clarence Mitchell, director of the Washington bureau of the National Association for the Advancement of Colored People.

Mr. Mitchell is a very able advocate and very well-known to this committee.

We are pleased to have you here, Mr. Mitchell.

STATEMENT OF CLARENCE MITCHELL, DIRECTOR OF THE WASHINGTON BUREAU OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. MITCHELL. Thank you very much, Senator Long and Senator Anderson. I appreciate this opportunity.

Mr. Chairman, with your permission, I would like to ask that my statement be included at this point in the record and I will summarize that.

The CHAIRMAN. We will do that.
(Prepared statement follows:)

PREPARED STATEMENT OF CLARENCE MITCHELL, DIRECTOR, WASHINGTON BUREAU
OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. Chairman and Members of the Committee, I am Clarence Mitchell, Director of the Washington Bureau of the National Association for the Advancement of Colored People. Today I appear in support of the broad objectives of the Family Assistance Plan. We also presented testimony to the House on the subject in 1969.

The NAACP is a part of the Leadership Conference on Civil Rights. This is a combination of over 125 organizations dedicated to supporting civil rights and related legislation. I am the legislative chairman of the Leadership Conference.

After considerable discussion, the Leadership Conference adopted the following position on the Family Assistance Plan:

"The Family Assistance Act of 1970, passed by the House of Representatives, and now before the Senate, contains some basic innovative features: a national minimum benefit level financed by the Federal government, uniform national standards of eligibility for the federal benefits, and widespread coverage of the working poor. The Leadership Conference on Civil Rights supports these constructive principles.

"Many of the 125 national organizations in the Leadership Conference will seek strengthening and enlarging amendments of varying types. However, there are two changes in the bill that the Conference insists upon:

(1) that the law provide for federal administration of the federal Family Assistance Program (affording, at the same time, full protection for the rights of employees to their jobs during any transition from state to federal administration) and

(2) that it provide clear and adequate job standards for beneficiaries of the program, when such beneficiaries are required to accept training and/or employment as a condition for receiving aid."

Specifically for the NAACP, I would like to reaffirm the position that we outlined in our testimony before the House Ways and Means Committee last year. At that time we urged that any plan of assistance should provide for direct federal operation if a state is unwilling or unable to put such a plan into effect.

We have had a number of important experiences in seeking assistance for people eligible for help under various federal programs, provided the state or locality would cooperate in making such aid available to those who needed it. For example, shortly after the passage of the 1957 Civil Rights Act, a large number of Negroes who invoked that Act's protection of their right to vote were forced to leave their homes located on large plantations in Fayette and Haywood Counties in western Tennessee. A great many religious and civic groups in the country were deeply stirred by the plight of these displaced persons and attempted to send them food and clothing. There was also established a so-called tent city to provide homes for those displaced. It was soon apparent that private resources were not adequate to meet the needs of those who were displaced. The NAACP and other organizations urged the federal government to make surplus commodities available to these people. The country officials refused to cooperate with the Federal government. Finally, after much buck passing and delay a way was found to send in the surplus commodities.

A similar problem arose in 1968 with respect to the distribution of food stamps in South Carolina. It was only after the South Carolina NAACP volunteered to serve as an agency for distribution of surplus foods that a food stamp program was initiated in that state. These experiences and others which I am not now including could be avoided under the Family Assistance Plan if there is an automatic trigger under which the federal government can act to provide assistance if a state does not fulfill its obligation to the citizen who is the intended beneficiary of the program.

The NAACP is also concerned about provisions of the bill that deal with training, employment, and child care. First, it should be noted that the Ribicoff-Harris amendment, No. 850, adds a much needed feature in that it would provide for public service jobs at the beginning of the program. It would also authorize the Secretary of Labor to contract with public or non-profit organizations in estab-

lishing programs of employment for welfare recipients eligible under work-training provisions.

At present, large unemployment is one of the principal reasons why training of welfare recipients, without at the same time creating new job opportunities, would be meaningless. On the other hand, even during periods of full employment there are some persons who would have great difficulty in obtaining or holding jobs in private industry. A careful program of matching individuals to jobs in the public sector or in non-profit organizations would have untold value in our country. In this respect, we could receive very valuable guidance from our experience in the anti-poverty program and other types of job creating efforts that we have made in recent years.

The NAACP stresses the need for strengthening regulations that would prohibit the forcing of welfare recipients to accept employment that does not pay fair wages or to work under conditions that would be hazardous to health and safety. We are also opposed to any requirement that mothers be required to work as a condition of receiving aid. We urge that the training and work programs for mothers must be entirely voluntary. The NAACP believes that mothers themselves are the best judges of whether or not they can be out of the home and the decision to work ought to be left entirely to them.

It is absolutely essential that adequate day care facilities be provided in those instances where mothers choose to accept employment but need places to leave their children while they are on the job. If we are to be realistic about day care centers we must make provisions for adequate trained personnel to handle such centers, whether they are under public or private auspices. We must establish minimum standards of health and safety in such centers. As a practical matter, this means we must be prepared to spend money for electrical wiring that will not be a fire hazard, for plumbing facilities that will be suitable for children, for kitchen facilities, sleeping arrangements and all of the incidentals that make it possible for children to have a healthy constructive environment when they are in such centers. These suggestions are based on the practical observations that we have made in many parts of the country. There are many good intentions in private institutions when they are called upon to provide day care, but local politics and penny pinching attitudes on the part of those who control the purse strings very often frustrate those who desire to help.

Although the Family Assistance Plan will undoubtedly have the effect of raising standards in some parts of the country, we must make certain that it does not lower the standards in those areas where systems of aid are designed to meet the actual needs of those who receive public assistance. In this respect, Senator Ribicoff's amendment, No. 841, which provides for pretests and evaluations of major reform provisions should be of value. It is a fact that many of the important programs designed to help the poor are not reaching those in need. The latest example of this is the revelation that our vast outlay of funds for education is not as helpful as it should be in meeting the needs of those lowest down in our economic structure. As one who has personally sought to assist at the local level in implementing some of the fine laws passed by Congress, I offer these suggestions for cutting out some of the red tape and obstructions that plague many very valuable programs. They are as follows:

1. The Federal government must be prepared to operate the program if states and localities are reluctant to accept responsibility.

2. Where states and localities are willing to accept their responsibility in the handling of the program there should be the closest cooperation, especially on such matters as handling of accounts, hiring of personnel, and elimination of political considerations when administering the programs.

3. The assistance of private groups should be welcomed and encouraged. At the same time, it must be understood that these groups frequently need the advice and assistance of experts in getting their programs started. It is also possible that their lack of knowledge in certain fiscal areas may cause them to make mistakes that are wholly honest and unintentional. In such instances, we must provide adequate machinery which will guarantee that there will be no unfair penalties against those who are in error because of a lack of experience or skill.

In closing, I would like to point out that the NAACP believes that we must give assistance to the single man and childless couples that are not covered under the Family Assistance Plan. If we are to do a complete job of offering aid to our fellow humans who are in need, we cannot neglect these important members of society.

Mr. MITCHELL. Before I undertake to summarize, I would like to comment on a matter that arose this morning in your exchange with the Governors about the problem of having mothers of illegitimate children give the names of the suspected fathers.

It reminded me that that is a kind of a dangerous suggestion, because as you know, during the campaign when Grover Cleveland was running for President, some lady charged that he was the father of her illegitimate child and that set loose a whole snowstorm of campaign humor. One of the things I saw in a collection of those cartoons was a line which read, "Maw, Maw, where is my Paw? Gone to the White House, ha, ha, ha."

So I think that unless you open the door for letting people suggest who might be the father of an illegitimate child you never know where they will stop. Some might even run down the rolls of Members of Congress and pick out a name at random. [Laughter.]

The CHAIRMAN. I am not at all suggesting that this might not be true of Members of Congress. My impression was that President Cleveland admitted the parentage of that child.

Mr. MITCHELL. Well, he said it was possible, anyway. [Laughter.]

Like you said, you know you might take a guess. Well, apparently he was taking a guess as to whether he was or was not.

The CHAIRMAN. Of course, my thought about that whole thing is that there are a lot of good, able, fine people not making much money, paying taxes to support their own families. We have a right to call upon that father to do what he is able and capable of doing to help support his family so taxpayers won't have to.

Mr. MITCHELL. Oh, yes.

The CHAIRMAN. And I do think that as hard as a lot of taxpayers work for what little they make, that we are obligated to do what we can to make a father accept his responsibility toward his children before we call upon the general taxpayers to pay their taxes to take care of him.

Incidentally, Mr. Mitchell, I know that you have a lot of concern for the people on both sides of the fence, those who are paying the taxes and also those who are receiving benefits, and I do not know of anybody who complains more bitterly about some people cheating on the welfare program than the people who live right next door to them, and people who are making \$5,000, \$6,000, \$7,000, \$10,000, who are not drawing any welfare money because they work, and some of those people complain very bitterly when they see some fellow who lives right next door, right down the street, or some family that is every bit as well able to help carry their load as this working person, drawing benefits without being willing to work for some of it.

Mr. MITCHELL. I agree. I remember those lines in Dickens, you know, in the "Christmas Carol," where he said, "Oh, the insect on the leaf complaining because there are too many of his brethren in the dust," and I think this is one of the things we have to keep in mind in these times.

I am a taxpayer, and last night I was at a dinner where about 1,200 people were present, many of whom had paid a minimum of \$10 and some as much as \$100, so I guess they were all taxpayers. Mayor Carl Stokes was there, and he made a very moving speech in favor of this bill. There was a tremendous ovation.

Those are taxpayers, and they could see the need for having something to help the poor because, as he pointed out, you can destroy a civilization by ignoring the needs of those who ought to have some kind of assistance. He also said this which, I thought, was commendable. He is a Democrat, as you know. He said this bill was proposed by a Republican President, but "I am for anything that is good in it regardless of the party of the President, and I am approaching this question in a nonpartisan way."

I am happy to say that I am sure you are, too, Mr. Chairman, and Senator Anderson, you always approach things that way.

In excerpting from the summary of my statement, I would like to say that in addition to representing the NAACP, I am identified with the Leadership Conference on Civil Rights, which is a combination of organizations. As people in the Leadership Conference on Civil Rights, we have set forth a consensus position. The main part of that position is that there are two changes in the bill that the Leadership Conference would insist upon.

One is that "the law provide for Federal administration of the Federal family assistance program (affording, at the same time, full protection for the rights of employees to their jobs during any transition from State to Federal administration) and, two, that it provide clear and adequate job standards for beneficiaries of the program, when such beneficiaries are required to accept training and/ or employment as a condition of receiving aid."

That is the end of the Leadership Conference position.

Specifically, for the NAACP, I would like to reaffirm the position that we outline in our testimony before the House Ways and Means Committee last year. At that time we urged that any plan of assistance should provide for direct Federal operation if a State is unwilling or unable to put such a plan into effect.

I think if you check back on some of the problems we had in the State of Tennessee after the 1957 Voting Rights Act was passed, and also some of the problems we had in getting the State of South Carolina in 1968 to accept the food stamp program, you could see why that kind of provision ought to be in there because, in our experience, if it is not stated specifically in the law that the Federal Government must move in if the States default, you have an awful lot of red tape to go through in order to feed people who are hungry or without homes or whatever the bill is supposed to provide.

The NAACP is also concerned about provisions of the bill that deal with training, employment, and child care.

First, it should be noted that the Ribicoff-Harris amendment, No. 850, adds a much needed feature in that it would provide for public service jobs at the beginning of the program. It would also authorize the Secretary of Labor to contract with public or nonprofit organizations in establishing programs of employment for welfare recipients eligible under work-training provisions.

At present, large unemployment is one of the principal reasons why training of welfare recipients, without at the same time creating new job opportunities, would be meaningless. On the other hand, even during periods of full employment, there are some persons who would have great difficulty in obtaining or holding jobs in private industry. A careful program of matching individuals to jobs in the public sector

or in nonprofit organizations would have untold value in our country. In this respect, we could receive very valuable guidance from our experience in the antipoverty program and other types of job-creating efforts that we have made in recent years.

The NAACP stresses the need for strengthening regulations that would prohibit the forcing of welfare recipients to accept employment that does not pay fair wages or to work under conditions that would be hazardous to health and safety.

We are also opposed to any requirement that mothers be required to work as a condition of receiving aid. We urge that the training and work programs for mothers must be entirely voluntary. The NAACP believes that mothers themselves are the best judges of whether or not they can be out of the home and the decision to work ought to be left entirely to them.

We also support the provisions of the legislation which would establish day care centers, and I have had some practical experience in observing that around the country.

I think we must be sure that we give adequate opportunity to churches or civic groups or whatever they may be, to have electrical arrangements in there that will not be fire hazards, plumbing facilities that will not be health hazards, food arrangements, sleeping arrangements, recreation arrangements, so that the children, when they are in those day care centers, can get a chance to enjoy some of the things that ought to be part of the normal life of the child.

I would just like to give you a practical experience that I observed on this. I know a minister who offered his church as a day care center. As soon as he did that, the city moved in and said, "You have to eliminate the electrical hazards," which he did. Then the health department came in and said, "For children you must have a small lavatory, you cannot use lavatories that you have for adults." He did that. Then he had to get some equipment for the kitchen. He got that. Altogether, he spent about \$6,000 on this, but when the city officials got around to auditing the program, they then wanted to charge him with doing something illegal and actually went to the State prosecutor to try to get him prosecuted for an illegal expenditure of money.

I am happy to say that the prosecutor had good sense and told them to forget about it. But if we are going to protect people who want to do the right thing against that kind of mistreatment, it seems to me we have to spell it out very clearly in the law what they can do.

I would like to say, too, that I am aware of the problems that we have with these fine programs that we pass in Congress like the anti-poverty program and that sort of thing, which means that Senator Ribicoff's suggestion that maybe we ought to do this on an experimental basis to start with can be a good thing.

However, I would hope we would do it this way: I would hope we would enact the legislation to be fully effective, let's say, in 1972, but during the interim period between the date of passage and 1972 when it becomes fully effective, we could have these various experiments around the country to find out where the bugs are.

I make that suggestion because if we just say we are going to pass a law that will be effective in Rhode Island, I think the Governor of Rhode Island said he would be glad to have his State one of the States, we might never get beyond that point. We might find there is so much

of a headache involved that we will just throw up our hands and not do anything else.

On the other hand, if we have passed the law with the requirement that it become fully effective a year or 2 years from the day of enactment, then we really have a different compulsion to try to make sure that all these points work.

The final thing I would like to say, Mr. Chairman and Senator Anderson, is that I have here three points which I have put in because of my observations about why some of these Federal programs do not work at the local level.

I might say I am personally involved with them. I give my services voluntarily to try to help. The first thing is that the Federal Government must be prepared to operate the program—

The CHAIRMAN. Might I just interrupt you at this point, Mr. Mitchell, I regret I have to do this but I would like to ask if you would be willing to suspend because the Senate is going into a closed session to discuss the procedure for the remainder of this Congress, which includes this bill.

Mr. MITCHELL. All right.

The CHAIRMAN. So if it is all the same then, I would ask that we stand in recess at the call of the Chair. I hope we can be back within a half-hour.

Thank you so much and as soon as we can come back, we will.

(Short recess.)

The CHAIRMAN. I will call Mr. Mitchell back so he can conclude his statement.

Mr. MITCHELL. Thank you very much, Mr. Chairman, for your usual courtesy.

The CHAIRMAN. Mr. Mitchell, I believe you understand our programming problem with the Senate in session.

Mr. MITCHELL. Yes.

The CHAIRMAN. And as much as I would like to have a fuller attendance here for you, I think you understand your views will be given every consideration by the committee when the committee does go into executive session. If we are to do what you would like to see us do, we must vote. So we must bring these hearings to a conclusion by hearing the witnesses when we can get a Senator here.

Mr. MITCHELL. The only points I would like to make, Mr. Chairman, in the closing part of my testimony, briefly there are three:

What I think is that the Federal Government must be prepared to operate this program if the States and localities are reluctant to accept their responsibility.

The CHAIRMAN. Yes.

Mr. MITCHELL. The second thing is where States and localities are willing to accept their responsibility in the handling of the program, there should be the closest cooperation, especially on such matters as handling of accounts, hiring of personnel, and elimination of political considerations when administering the programs.

The third thing is that the assistance of private groups should be welcomed and encouraged. At the same time, it must be understood that these groups will frequently need the advice and assistance of experts in getting their programs started.

It is also possible that their lack of knowledge in certain fiscal areas may cause them to make mistakes that are wholly honest and unintentional. In such instances, we must provide adequate machinery which will guarantee that there will be no unfair penalties against those who are in error because of a lack of experience or skill.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much for a very fine statement, Mr. Mitchell.

The next witness that we will have will be Mr. William T. Blair, director of social legislation of the Ohio Chamber of Commerce, on behalf of the Council of State Chambers of Commerce, and he will be accompanied by Mr. William R. Brown, associate research director.

Mr. Blair, I believe you are a cousin of Smith Blair, who is with the General Accounting Office. Mr. Smith Blair has been of invaluable assistance to us in trying to ferret out the shortcomings of the current welfare program, and in trying to help us to find answers to these perplexing problems. We are pleased to have you.

STATEMENT OF WILLIAM T. BLAIR, DIRECTOR OF SOCIAL LEGISLATION, OHIO CHAMBER OF COMMERCE, ON BEHALF OF COUNCIL OF STATE CHAMBERS OF COMMERCE; ACCOMPANIED BY WILLIAM R. BROWN, ASSOCIATE RESEARCH DIRECTOR OF COUNCIL

Mr. BLAIR. Thank you very much, Chairman Long.

My name is William T. Blair and I am director of social legislation for the Ohio Chamber of Commerce. I appear before you today on behalf of the Council of State Chambers of Commerce, and with me is William R. Brown, associate research director of the council.

In my oral testimony, Mr. Chairman, I will summarize a few of the major points that the council makes in its more complete written testimony, and I ask your permission, sir; that our written statement be included at this point in the committee record.

The CHAIRMAN. Without objection, it is so ordered.

(Prepared statement follows. Hearing continues on p. 2114.)

PREPARED STATEMENT OF WILLIAM T. BLAIR, ON BEHALF OF MEMBER STATE CHAMBERS OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE

My name is William T. Blair and I am Director of Social Legislation for the Ohio Chamber of Commerce. I am a member of the Social Security Committee of the Council of State Chambers of Commerce and appear before you on behalf of the member State Chambers in the Council listed on the last page of this statement. As a point of information, the Council of State Chambers of Commerce is an organization of 31 State and regional chambers of commerce which, among other various activities, concern themselves with policy on national issues as it affects their members. Accompanying me today is William R. Brown, Associate Research Director of the Council.

COUNCIL SUPPORTS WELFARE REFORM BUT NOT GUARANTEED INCOME

The State Chambers of Commerce and, we believe, the general public support constructive welfare reform. Constructive reform is long overdue. Most Americans agree on this point. We contend, however, that support for reform does not include support for a type of guaranteed income. We believe that the Family Assistance Act of 1970 is just that, a form of guaranteed income. No amount of camouflage can conceal that fact. Furthermore, we feel that FAP starts down a one-way road which would lead inevitably to a government guarantee of a minimum income for all Americans.

It is our conviction that if the concept for a guaranteed income ever receives Congressional approval, it will become an integral part of our way of life. Once established, there would be no turning back. Intense pressures would be constant—for increases in the basic guarantee and for further extensions of coverage.

As you well know, the pressures are already there. The Americans for Democratic Action and professional welfare groups are already suggesting a basic guarantee of \$5,500. Others propose the guarantee at \$1,800, \$2,000 or \$2,400. Congressional action now, no matter how circumscribed, would merely strengthen their requests for other increases.

Public Does Not Understand Legislation

We believe there is genuine confusion in the minds of many citizens regarding the way in which the proposed Family Assistance Plan would operate. Columnist James Reston raised an interesting point when he wrote "that the Administration has cloaked a 'remarkably progressive' welfare policy in conservative language."

We suggest that the advocates of H.R. 16311, to get support for "revolutionary structural reform," as the legislation has been termed by Administration spokesmen, have effectively used appealing, self-serving phrases such as "workfare," "strong incentives," "remove inequities," "reverse the present trend of spiraling cost and increasing dependence on welfare," etc., to describe the bill.

On the other hand, they neglect to mention the distinctly possible adverse effects. In our opinion, too many citizens have been "taken in" by this repeated rhetoric. Objectivity and realism are needed in assessing the far-reaching effects of this monumental legislation.

Significant welfare reform, if it is to be effective, should embrace the public's understanding and acceptance. We just don't believe this to be true with the Family Assistance Plan. We think your committee has provided a truly significant service by extending the period during which public debate can help reach sound conclusions to these complex problems.

Unfortunately, though, the highly complicated Administration revisions submitted to this committee, together with the promise of changes in the food stamp program, pending legislation in public housing and recommendations for replacement of Medicaid in 1971, each of which plays a major role in the overall implementation and effectiveness of FAP, has only served to further confuse rather than clarify.

We do not question the Administration's good intentions when it promises future changes in the food stamp, public housing, and Medicaid programs. We do, however, raise a question about its ability to back up some of these promises which also require legislative consent. Suppose Congress doesn't agree?

Which leads to a fundamental question—Why can't this entire program be considered in one package at one time? Isn't that what this Committee expected when they asked Administration officials to return "to the drawing boards" to coordinate all income maintenance programs into a single proposal?

It seems to us that meaningful reform, to gain public understanding and support, must consider the welfare program in its entirety, not by the "bits and pieces" method now before your committee. Acceptance of this program, on the basis of presently known factors, would be tantamount to buying a "pig in a poke."

It is doubtful in our opinion if the public will ever understand any program which attempts to "reform welfare" by adding 14 million more persons to the welfare rolls.

Council's Policy Recommendations on Welfare

The Council of State Chambers of Commerce has adopted the following seven general policy recommendations relative to welfare. Our positions on H.R. 16311 are essentially based on these recommendations:

1. Mere unplanned expenditures of additional money will not reduce poverty.
2. Reduced poverty requires the long-term efforts of all segments of society. Financing of programs should be shared by all levels of government—federal, state, and local.
3. Upgrading efforts should be concentrated primarily on the poor. However, education, job training, and employment programs should be made available to both the poor and the near-poor.
4. There should be a rehabilitation program for able-bodied adults without pre-school children and with work potential. There should be an incentive allowance for adults who take needed training. Training in these cases should be

mandatory. There should be an economic incentive to work and a requirement to accept work.

5. The link between income and work should not be broken. Income assurance without work would result in a serious loss of incentive for work and would promote an antipathy toward welfare recipients among all taxpayers.

6. National programs of income maintenance (such as guaranteed income, universal family or children allowances, or negative income tax) financed by the Federal Government are incompatible with a welfare program based on need and rehabilitation.

7. To allow for regional and state differentials and for special conditions within any state, no Federal minimum standards for such assistance should be imposed.

COUNCIL'S SUPPORT FOR SOME PROVISIONS OF H.R. 16311

The Council of State Chambers of Commerce subscribes in principle to the objectives of several features of H.R. 16311. Our support for the objectives, however, does not mean that we endorse the specific methods proposed in the bill.

1. Required Registration for Work and Training Programs.—We believe that work and training programs can play a truly significant role in getting people off welfare and onto payrolls. We are encouraged by the House Ways and Means Committee Report which contends that work and training requirements would be strengthened in this bill. We sincerely hope they are correct. At the same time, we must raise a "specter of doubt" and propound a number of questions in attempts to ascertain a realistic appraisal.

For example, many say that individuals should not be required to accept "dead-end" jobs. This may be the only type of job that some individuals are capable of performing. What if it is the only kind of job that is available? Must seemingly "dead-end" jobs, such as picking up litter for example, be classified as so demeaning or unimportant that no one should be required to do them? How will these things get done if everyone is "above it?" Even in times of increasing unemployment, these kinds of jobs go begging. The Want Ads are full of these kinds of needed services. Unfortunately, our society seems to have downgraded many of these jobs so that few people want to do them anymore.

I would venture a guess that many members of this Committee have worked at some period in their lives at jobs which could be classified as "dead-end" today. The difference was that you saw it as an opportunity to achieve a desirable objective at that moment. It was a step in the direction you wanted to go—which was up. A favorable attitude toward respectable work of any kind dare not be lost in this country.

One employment provision deserving particular mention is one which states that a family cannot be denied benefits "if the wages, hours, or other terms or conditions of the work offered are contrary to or less than those prescribed by federal, state or local law or are substantially less favorable to the individual than those prevailing for similar work in the locality." A somewhat similar "prevailing wage" clause in the Davis-Bacon Act has been previously interpreted by the Labor Department to mean that the prevailing wage is usually that which is paid in a nearby metropolitan area. The result is that high metropolitan wage scales are extended into smaller and often lower-wage, rural areas. We believe this can be extremely damaging to local labor conditions as well as being highly inflationary.

We believe that sound work and training provisions are at the heart of the success for this, or any, welfare reform program. If FAP, or a substitute plan, is to accomplish its intended purpose, i.e., removing individuals from welfare rolls and onto payrolls, the work-training provision must be meaningful. If not, the program will be a tragic failure.

Believing most agree on the importance of work-training provisions to the overall effectiveness of welfare reform, we offer this suggestion: Why not apply the work-training provisions in H.R. 16311 to individuals already on welfare to see if the provisions are as effective as some believe they will be?

In this connection, the chart appended to Secretary of Labor Hodgson's statement to this Committee August 4 is most revealing. It lists six important problem areas in the present WIN program and summarizes how the work-training provisions in the proposed Family Assistance Plan would improve present conditions. We suggest that every one of the improvements offered by Secretary

Hodgson could be enacted without also adopting federally guaranteed income payments which would cause an additional 14 million individuals to become eligible for welfare.

2. Training Allowances and Child Care Provisions.—We support the training allowance and child care provisions in H.R. 16311. We believe these supplements are necessary if other work and training provisions in the legislation are to operate effectively. We do wish to point out, however, that it will be a considerable length of time before sufficient child care facilities can be built, thereby delaying the effectiveness of work and training incentives for mothers of pre-school children.

3. Federal Payments to State Programs for the Aged, Blind, and Disabled.—Present aid programs to the aged, blind, and disabled involve federal, state and local revenue sharing. H.R. 16111 establishes a new formula which would require federal contributions equal to 90 percent of the first \$65 of average payments and 25 percent of the balance up to a limit set by the Secretary of HEW. We do not object to this proposed upgrading of benefit levels for these categorical programs. Perhaps the formula might be liberalized even more (utilizing savings from rejection of federal supplements to the working poor) as an inducement for states to raise these benefits to an improved standard of need.

4. Retention of Earnings by Beneficiaries.—Retention of a greater proportion of earnings by beneficiaries is a desirable objective. It obviously provides greater incentives to the individual for self-support. This idea was approved in 1967 amendments relative to the earnings exemption in the AFDC program. Incidentally, we supported that change and would be willing to go further at this time. Passage of the radical Family Assistance Plan is not necessary to accomplish this objective.

Along these general lines, we question the Administration's June revisions which abolish federal matching assistance in the Unemployed Fathers program. If approved, according to Administration estimates, approximately 90,000 participating male-headed families would suffer a reduction in benefits. Is this socially acceptable in these days of rising living costs? How can the 23 states who adopted this program in good faith be expected to understand this feature of the proposed program? Isn't it inevitable that pressures would be applied in the state legislatures to maintain these benefit levels, thereby merely shifting the cost burden to the state level of government?

HEW Secretary Richardson, in his testimony to this Committee acknowledged that this is one of the most controversial changes. In efforts to avoid this action, Secretary Richardson referred to the Administration's consideration of a number of possible alternatives, including the requirement that states supplement federal payments to the working poor. This alternative, according to the Secretary, would cost an additional \$1 billion per year. It was rejected on the basis that "neither the states nor the Federal government now has the resources to take this step."

We agree with Secretary Richardson's conclusion but, in the same breath, ask a corollary question: If this is true, how can the states and the federal government find the resources for the more than \$4 billion additional per year that the Family Assistance Plan will cost?

COUNCIL'S OPPOSITION TO PROVISIONS IN H.R. 16311

There are a number of provisions in H.R. 16311 which we believe are not in the best interests of the federal-state welfare system and could easily contribute toward endangering the "insurance" aspects of our present Social Security program. We refer specifically to:

1. Coverage of the Working Poor in the Family Assistance Plan.—Former Secretary Finch testified before your Committee April 29 that the "intent in providing coverage under Family Assistance for these additional millions of working poor families is to keep these families off welfare." It appears to us that the effect is precisely the opposite—that it puts these families on welfare. Previously expressed attitudes on the work-training provisions indicate reasons why we think many would stay on welfare.

Little is known about the psychological impact on a family that has struggled to stay off welfare by sheer hard work, when the government tells them: "You have failed—your income is not up to the necessary level!" Many of these families may not really consider themselves poor or poverty stricken. They may own their home and household goods, grow their own home produce, so that their

attitude toward their individual situation may not be as desperate as the government tells them it should be.

Coverage of the working poor, in our opinion, would inevitably create situations wherein both recipients of welfare payments and taxpayers would experience a lessening of their incentive to work. For many, supplementation of low earnings by federal payments could tend to satisfy the desire for additional money, actually diminishing incentives for better earnings.

A disincentive effect will almost certainly be felt by taxpayers who furnish money to make these payments, particularly when the taxpayers' income is not much greater than that of some welfare recipients. At what point do we reach a "taxpayers' revolt" under these conditions? A number of government officials, particularly those at the "grass-roots" levels, contend that some areas are already experiencing a "taxpayers' revolt." This type of federally created situation would certainly not help.

Provisions in H.R. 16311 will not succeed in removing inequities that exist between the nonworking recipient who receives as much as, or sometimes more than, his working neighbor is able to earn. In this connection, we refer to page 18 of the Senate Finance Committee Staff Report which shows "that monetary incentives at the minimum wage level for female-headed families of four are lower under the revised Administration proposals than under H.R. 16311, which in turn is lower than under present law."

Under the Administration revisions, *the net value of each dollar earned* for a female-headed family of four moving from unemployment with no income to full-time work at the minimum wage would amount to only 28¢ in Phoenix, Arizona; 23¢ in Wilmington, Delaware; 27¢ in Chicago, Illinois, and 30¢ in New York City. Under H.R. 16311, the net value would be 60¢ in Phoenix, 67¢ in Wilmington, 38¢ in Chicago, and 44¢ in New York whereas, under present law, the net value is 62¢ in Phoenix, 71¢ in Wilmington, 54¢ in Chicago, and 60¢ in New York.

A critical review of HEW's own tables at page 51 in the Administration's June revisions points up similarly astonishing disincentive examples. In Wilmington, Delaware, total potential benefits available to a female-headed family of four with no earnings would be \$3,781. Total potential benefits to this same family, assuming \$4,000 earnings, would be only \$4,427. In other words, this family would be only \$646 better off with \$4,000 in earnings than it would be with no earnings. What kind of incentive is this for finding a job? Given these circumstances, how many could be expected to seek employment? Not many, we believe.

Acceptance of this plan could lead to the demoralization of the self-reliant nature of citizens generally. We believe the President said it well during the campaign in 1968 when he expressed opposition to the "guaranteed annual income." He said that it "first would not end poverty, and second, while it might be a substitute for welfare, it would have a very detrimental effect on the productive capacity of the American people . . ."

2. *Administration of F.A.P.*—H.R. 16311 delegates major responsibility and authority for implementing this proposed new program to the Secretary of Health, Education, and Welfare. The House Ways and Means Committee Report states:

"It is the intent of your committee that a new agency would be established in the Department of Health, Education, and Welfare to administer the Family Assistance Plan. The new agency would be responsible for establishing and managing local family assistance plan offices and would carry out other necessary functions . . ."

Former Secretary Finch in his statement to this Committee April 29 said:

"While final decisions have not been made on administrative structure the program will most certainly make use of the management expertise and resources of the Social Security Administration. Separate facilities will be established in at least some cases at the intake point, and special accounting procedures will be used to prevent diversion of Social Security Trust funds."

It would be unfortunate if Social Security Administration involvement with welfare programs would lead to a weakening of public confidence in the "insurance-type" programs now administered by this agency. It is our contention that a sharp distinction should be maintained between welfare programs based on the concept of need and employer-employee financed "insurance" programs where benefits are available as a matter of earned right. We believe that if both programs are administered to any degree by this one agency, it would be difficult to maintain a sound and proper separation.

Procedures and requirements for determining the eligibility for, and the amount of Family Assistance payments are so complex and subject to such frequent change that they could pose insurmountable administrative problems. The result is likely to be that the program would evolve into a largely cash payment program without any requirements. Who could then deny that it is guaranteed income?

We also question the advisability of the broad discretionary powers being given to the Secretary of HEW. According to page 38 of the Senate Staff Report, discretionary administrative authority would be given to the HEW Secretary in approximately 50 major areas. Apparently, no decisions have been spelled out by HEW concerning policies in these new areas of authority. Most agree that one of the major concerns with our present welfare system is the vast bureaucracy that has grown up to administer it. This proposed program, with new delegations of authority, would seem to further aggravate present administrative problems.

It has been purported that the Family Assistance Plan can be administered largely by computers with spot-checking on the self-reporting accuracy of recipients. We believe that many determinations required by H.R. 1631d could not be accomplished by computers. The computer's effectiveness is only as good as its source of information. To assume that many of the families involved have sufficient bookkeeping ability to accurately report incomes, even if given the benefit of the doubt regarding their desire to do so, could result in a misstatement of the true facts.

Internal Revenue Department experience should be helpful in evaluating this aspect of the problem. We have understood that the "track record" on income tax returns filed in 1970 was unexpectedly poor because of changes in the 1040 reporting form. This experience is probably an indication of what to expect with "self-reporting" provisions in this bill.

To carry the argument another step, among determinations to be made by HEW under provisions in this bill are the number of children, family relationship, school attendance and age, amount of income and the particular income that is excluded or included, excluded or included resources, amount of payments, underpayments, and overpayments by federal and state governments, registration for training, availability of jobs and demonstrated capacity for particular jobs and/or training and training allowances. As stated before, we believe initial determination on these diverse conditions would be difficult. Most, too, would be subject to frequent change.

We urge members of this committee to consider the dissenting views of House Ways and Means Committee members, Representatives Al Ullman (D-Oregon), Phil M. Landrum (D-Georgia) and Omar Burleson (D-Texas). We believe their views are still appropriate.

"Virtually no improvement is offered for the administrative tangle that makes the existing welfare program so ineffective. The bill merely places a new Federal layer on top of a system that is already a bureaucratic quagmire.

"For all the rhetoric about work incentives the bill clearly puts cash payments first. It ultimately establishes the basis for a guaranteed annual income through a negative tax formula . . ."

It appears to us that if this bill should be enacted, the administrative difficulties would be so great that a totally federal administered program would soon be required.

4. Loss of State Control.—Even though provisions in H.R. 16311 would still require large expenditures of state funds, the bill allows room for little state or local control over welfare programs. The major policy decisions that states would still be permitted to make could go in one direction only. A state could choose to be more generous with its own funds by supplementing the federal assistance payments or by exceeding the required \$110 monthly payment to the aged, blind, and disabled. As a result, it seems inevitable that Congress would soon be subjected to great pressure from the states for a complete federal take-over of welfare responsibilities.

A basic difficulty in attempting to make decisions pertaining to eligibility and benefit levels on a national rather than a state basis is illustrated in the June 1970 *Fortunate* article on "The Looming Money Revolution Down South." The author, Mr. Richard Armstrong, points out that not only would a very large portion of the families in that section of the country receive assistance, e.g., 35 percent in Mississippi, 25 percent in Louisiana, 24 percent in Kentucky, but that some families could have their total income raised to levels now enjoyed only by the "merchant and landowner class." The far-reaching implications of these drastic dislocations of the economy could be serious for the entire country.

COSTS UNDER THIS PROPOSAL COULD LEAD TO NEED FOR TAX INCREASES

We submit that the Administrator's cost estimates relative to H.R. 16311 may well be unestimated. In fact, we understand that the estimates have already been revised upward by HEW since the Senate hearings resumed in July.

The House Ways and Means Committee Report compares estimated costs of H.R. 16311 with existing programs during the period from 1971 to 1975. The data assumed that the cost of existing programs will continue to rise rapidly while benefit levels in the Family Assistance Plan would remain unchanged. This latter assumption is questionable because Congress would continue to receive demands for improvements in the basic level of benefits or, at a minimum, for cost-of-living adjustments. Experience with Social Security benefit increases almost every two years leads us to believe that this program would follow a similar course.

Along these lines, the Ways and Means Committee Report reveals that total federal costs would increase from \$4.4 billion at the \$1,600 basic benefit guarantee to \$20.7 billion if the guarantee were raised to \$3,600. These amounts of welfare costs could well be viewed as a preview for the future should this program receive Congressional approval.

Many of the factors that have contributed toward increasing welfare costs in the past will also apply to the Family Assistance Plan. For example, the AFDC program has been criticized for encouraging women to have more children in order to increase their benefits. We point out that the Family Assistance Plan also allows \$300 for each additional child. While \$300 does not seem like much, it should be remembered that this program would be dealing with many people who look only at the immediate consequences.

The use of declarations by claimants, rather than the investigative procedures of AFDC, could contribute further to increased benefit costs. The use of declarations for aid to the aged, the blind, and the disabled may be appropriate, but their use in Family Assistance as is proposed, could lead to widespread and costly abuses.

In a recent radio program sponsored by the U.S. Chamber of Commerce, Representative Ullman said:

"The trouble with this kind of program is that \$5 billion is only a start. Once you start down this road of income supplements, there is only one way the costs can go, and that's up. We're starting down a road of mushrooming welfare costs, and we're obviously going to have to raise taxes to do it."

Representative Ullman's conclusion, confirmed by many others, is only too likely to be proven correct if the Family Assistance Plan should be enacted.

The Administration has not provided a satisfactory answer to the problem of financing this program. Where is the money to pay for FAP? Are other programs to be curtailed? If not, as Representative Ullman predicts, will tax increases be advanced? If so, what kind of tax programs are being considered?

Shouldn't Congress have straightforward responses to these questions before embarking on this program? At a point in time when highly inflationary deficits are much greater than originally projected, how can a program of this magnitude be justified?

In conclusion, Mr. Chairman, we would like to submit for the record a Council of State Chambers of Commerce bulletin, written by the Council's Research Director, Eugene F. Rinta, which explains the growth of federal welfare expenditures during the past 35 years. It has direct, and we believe significant, application to this overall problem your Committee is considering. With your permission, I will include it as a supplement to my testimony.

Thank you for this opportunity to present the Council's views.

(Attached is a list of State Chambers of Commerce that have endorsed this statement.)

Alabama State Chamber of Commerce.	New Jersey State Chamber of Commerce.
Colorado Association of Commerce & Industry.	Empire State Chamber of Commerce.
Georgia Chamber of Commerce.	Ohio Chamber of Commerce.
Idaho State Chamber of Commerce.	Pennsylvania Chamber of Commerce.
Indiana State Chamber of Commerce.	South Carolina State Chamber of Commerce.
Kansas State Chamber of Commerce.	Greater South Dakota Association.
Kentucky Chamber of Commerce.	East Texas Chamber of Commerce.
Maine State Chamber of Commerce.	South Texas Chamber of Commerce.
Montana Chamber of Commerce.	

West Texas Chamber of Commerce. Virginia State Chamber of Commerce.
 Lower Rio Grande Valley Chamber of West Virginia Chamber of Commerce.
 Commerce. Wisconsin State Chamber of Commerce.

[Federal Spending Facts, Bulletin No. 256, May 18, 1970]

COUNCIL OF STATE CHAMBERS OF COMMERCE

THE GROWTH OF FEDERAL WELFARE EXPENDITURES

Two major legislative measures now being considered in Congress would substantially increase Federal social welfare expenditures. One is the Family Assistance Act of 1970 (H.R. 16311) which has passed the House and is the subject of hearings by the Senate Finance Committee. The other is the Social Security revision bill (H.R. 17560) which the House Ways and Means Committee reported favorably to the House last week.

In the view of some Congressional sponsors of large scale welfare spending expansion, both of these measures are too modest despite their high cost. Some even argue that the Government is downright niggardly in its welfare spending. Accordingly, it might be well to look at the record.

The economic depression of the 1930's saw the Federal Government for the first time assuming a major role in social welfare activities. In fact, the Government in those years not only assumed primary responsibility for promoting and providing funds for welfare programs, but it actually made such programs the major activity of the Government itself. This is evident from the fact that the Roosevelt Administration in its first two terms spent more money, and probably more official time, on social welfare than on any other matter including defense. But even then, expenditures under Federal welfare programs during the Roosevelt years were modest, indeed, when compared to amounts in recent years.

Expenditures which are classified in this analysis as social welfare totaled \$2.4 billion in fiscal year 1935 and \$2.5 billion in 1940. In Roosevelt's last year, fiscal 1945, they were only \$1.1 billion, with the reduction resulting from termination of work relief spending which bulked large in the 1935 and 1940 totals. Even in 1950 these expenditures, at \$2.9 billion, were not much greater than 15 years earlier.

But since 1950 growth in Federal welfare spending has been accelerating rapidly. By 1955 the total had risen to \$7.4 billion, an increase of \$4.5 billion in five years. The next five years saw an increase of \$8.1 billion for a total of \$15.5 billion in 1960. An almost identical increase in the following five years brought the total to \$23.7 billion in 1965. Since that year welfare spending growth has been much more rapid. In 1967 these expenditures totaled \$33.7 billion for an increase of \$10.0 billion in just two years. The next two years saw a still greater increase of \$12.6 billion for a total of \$46.3 billion in 1969.

Estimates in the 1971 Federal budget for 1970 and 1971 reflect a continuation of the recent accelerated growth. An increase of \$8.3 billion in 1970 brings the spending amount to \$52.6 billion, and a further budgeted increase of \$8.1 billion in 1971 would bring the total to \$60.7 billion.

The dollar amounts given above for the years through 1969 were computed from analyses of social welfare expenditures prepared by the U.S. Social Security Administration.¹ The 1970 and 1971 amounts were computed from the 1971 Federal Budget and the Budget Appendix. All of the programs which are included in this analysis as social welfare are also included in the Social Security Administration's analyses. But three categories of programs that are included in the latter are excluded from this study. They are education, veterans' programs, and health and medical programs other than health insurance for the aged. Additionally, this analysis excludes from the social insurance category Federal civilian and military retirement expenditures. The purpose of these exclusions is to bring the area encompassed by this study closer to popular conceptions of what constitutes social welfare activities.

Following are the Federal outlays for social welfare for selected fiscal years from 1935 to 1971:

¹ Research Rept. No. 25, March 1968; and Social Security Bulletin, December 1969.

FEDERAL SOCIAL WELFARE OUTLAYS

[In millions of dollars]

Fiscal year	Social insurance	Public aid	Low-income housing	Other social welfare	Total
1935.....	16	2,374		2	2,392
1940.....	258	2,243	4	11	2,516
1945.....	576	420	11	66	1,073
1950.....	1,595	1,103	15	174	2,887
1955.....	5,577	1,504	75	252	7,407
1960.....	12,787	2,117	144	417	15,464
1965.....	19,026	3,594	238	812	23,670
1967.....	26,819	5,244	283	1,356	33,702
1969.....	36,085	7,851	346	1,903	46,285
1970 (estimate).....	40,443	9,475	526	2,159	52,603
1971 (estimate).....	45,730	11,816	809	2,320	60,675

ANALYSIS OF SOCIAL INSURANCE SPENDING GROWTH

The tremendous growth of social insurance outlays has resulted from three principal factors—(1) the growing numbers of eligible beneficiaries; (2) repeated liberalizations of benefits, in part to offset cost of living increases; and (3) the enactment of new benefits. All three factors were important causes of the rapid acceleration of expenditure growth since 1965. Enactment of health insurance for the aged has had a particularly heavy impact on outlays during the last few years. Growth of Federal social insurance expenditures by program is shown in the table that follows:

FEDERAL SOCIAL INSURANCE OUTLAYS

[In millions of dollars]

Fiscal year	OASDI	Health insurance for aged	Railroad retirement	Employment security and other	Total
1940.....	40		117	100	257
1950.....	784		306	504	1,595
1960.....	11,032		935	820	12,787
1965.....	16,997		1,128	901	19,026
1967.....	21,186	3,395	1,278	960	26,819
1969.....	26,791	6,598	1,548	1,148	36,085
1970 (estimate).....	29,807	7,538	1,644	1,454	40,443
1971 (estimate).....	33,588	8,774	1,715	1,653	45,730

Outlays for old-age, survivors, and disability insurance (OASDI) have greatly exceeded official actuarial projections. This is not a reflection on the actuarial estimates, but is due to frequent liberalization of benefits and to rising levels of wages and salaries. The latter has produced higher payroll tax revenues and higher benefits under existing payroll tax schedules, and has been used by Congress as the ground for increasing the taxable wage base. Increases in the wage base do, of course, increase revenues and average benefit levels.

Cost estimates prepared by the Social Security Administration in 1960² projected the cost of benefits and administrative expenses for the OASDI program at \$18.1 billion in 1970. Similar estimates prepared in 1964³ projected the 1970 benefit and administrative costs at \$23.2 billion. But as the above table shows, the latest budget estimate for 1970 is \$29.8 billion.

Outlays for health insurance for the aged have also greatly exceeded actuarial cost estimates. When the program was enacted in 1965, benefit and administrative costs in 1970 were estimated at \$3.2 billion for the hospital insurance part of the program.⁴ Now the latest budget estimates place the 1970 cost at \$5.4 billion. Projections for the supplementary medical insurance part of the program beyond 1967 were not available in 1965. The belief was then expressed, however, that the \$3 monthly premium rate for the supplementary program, matched by an equal Federal contribution, "will be fully adequate to meet the costs of

² Sen. Rep. No. 1856, Aug. 19, 1960.

³ H. Rep. No. 1548, July 7, 1964.

⁴ H. Rep. No. 213, Mar. 29, 1965.

administration and the benefit payments incurred, as well as to build up a relatively small contingency reserve.⁵ The fact is that the combined monthly premium rate and Federal contribution has risen from \$6.00 to \$8.00 currently and is scheduled to rise to \$10.60 on July 1, 1970.

PUBLIC ASSISTANCE AND OTHER PUBLIC AID

During the depression 1930's work relief accounted for a major part of Federal public aid. This was still true in fiscal 1940 when work relief program costs totaled \$1.9 billion as compared to total public aid of \$2.2 billion. Work relief was phased out during World War II and grants for Federal-State public assistance program represented virtually all of public aid until the mid-1950's. At that time donation of surplus farm commodities to the poor began to represent significant amounts.

By 1960 the dollar amount of public aid—\$2.1 billion—had risen about to the level of the depression years, with growth having been steady and uninterrupted since fiscal 1945. Since 1960 public aid outlays have greatly accelerated their earlier rate of increase. The total rose to \$3.6 billion in 1965, \$5.2 billion in 1967, and \$7.8 billion in 1969. Further large increases to \$9.5 billion in 1970 and \$11.8 billion in 1971 are budgeted. The following table gives a breakdown of public aid for selected years from 1935 to 1971:

FEDERAL PUBLIC AID OUTLAYS

(In millions of dollars)

Fiscal year	Public assistance		Other public aid	Total
	Cash benefits	Vendor medical payments		
1935			2,374	2,374
1940	280		1,963	2,243
1945	418		2	420
1950	1,097		6	1,103
1955	1,419	23	62	1,504
1960	1,858	200	59	2,117
1965	2,630	555	409	3,594
1967	3,109	1,157	978	5,244
1969	4,203	2,186	1,462	7,851
1970 (estimate)	5,092	2,612	1,771	9,475
1971 (estimate)	6,318	2,856	2,642	11,816

The rapid rise in cash payments for public assistance since 1960 has resulted from growing numbers on the welfare rolls for aid to families with dependent children plus liberalization of benefit amounts for all public assistance recipients. The 1971 estimated total includes \$600 million for initiation of the proposed new family assistance program.

Vendor medical payments were relatively modest from 1951 to 1960 when they were made only on behalf of cash benefit recipients. These payments increased noticeably with expansion of the program in 1960 to cover persons aged 65 and over who were not eligible for public assistance cash benefits but who could not pay their medical expenses. The vendor medical payments provisions were amended in 1965 to extend the program to other groups who have sufficient maintenance income to disqualify them for the Federal-State programs of aid to the blind, to the disabled, and to families with dependent children, but who are considered medically indigent. After enactment of the 1965 amendments, growth of outlays for vendor medical payments accelerated sharply.

Largely accounting for the big increase in "other public aid" in recent years are the costs of work experience and training activities under the poverty program and a sharp expansion of the food stamp program.

LOW-INCOME HOUSING

Expenditures for low-income housing have risen steadily since enactment of the Housing Act of 1950 and subsequent amendments which greatly expanded the public low-rent housing authorizations originally provided by the Housing

⁵ *Ibid.*, p. 62.

Act of 1937. This type of welfare assistance rose from \$15 million in 1950 to \$144 million in 1960 and will reach an estimated \$809 million in 1971. Of this latter amount \$655 million will be for public housing subsidies and the remaining \$154 million will be for rent supplements in non-public housing and other low-income housing subsidies.

OTHER SOCIAL WELFARE

The fourth category of welfare programs defined and included in this analysis as Federal social welfare activities is a miscellaneous group which includes vocational rehabilitation, school meals, poverty program activities other than work experience and training and the head start program, and a catchall group of minor social welfare activities not elsewhere classified.

Spending for programs in this "other social welfare" category rose from \$174 million in 1950 to \$417 million in 1960 and \$812 million in 1965. Expenditures are expected to reach \$2.3 billion in 1971. The vocational rehabilitation program has had its growth largely since 1965 when outlays were \$143 million. They were \$431 million in 1969 and are budgeted for \$572 million in 1971. Expenditures to finance various school meals programs have risen steadily and substantially from \$121 million in 1950 to \$306 million in 1960, \$504 million in 1965, and an estimated \$680 million in 1971.

First expenditures under the Economic Opportunity Act (poverty program) occurred in 1965. The poverty program activities included in this category involved outlays of only \$52 million in 1965 but they rose to \$452 million in 1967 and \$648 million in 1969. The estimate for 1971 is \$833 million.

EXTENT OF INFLATION IMPACT ON WELFARE SPENDING GROWTH

As indicated earlier in this analysis, inflation has been an important factor responsible for the tremendous growth in Federal spending for social welfare purposes. But, as the following table shows, even with adjustment for inflation, growth of these expenditures is still tremendous.

FEDERAL SOCIAL WELFARE EXPENDITURES

(In millions of dollars)

Fiscal year	Actual dollars	Constant dollars (fiscal year 1969=100) ¹
1935.....	2,392	6,590
1940.....	2,516	6,709
1945.....	1,073	1,669
1950.....	2,887	4,290
1955.....	7,407	9,682
1960.....	15,464	18,301
1965.....	23,670	26,477
1967.....	33,702	36,045
1969.....	46,285	46,285
1970 (estimate).....	52,603	49,860
1971 (estimate).....	60,675	55,310

¹ Based on implicit price deflators for personal consumption expenditures prepared by Department of Commerce. Assumes 5.5-percent inflation in fiscal year 1970 and 4-percent in fiscal year 1971.

Growth of the retirement age population has, of course, had a great impact on the growth of outlays for the OASDI, health insurance for the aged, and railroad retirement programs by increasing the numbers of eligible beneficiaries. But the growth of spending for public aid, low-income housing, and other social welfare cannot be ascribed to population growth. These programs are intended primarily to help the poor, and the fact is that the number of poor has been in a declining trend for some years. According to the January 1969 Annual Report of the Council of Economic Advisers, the number of persons in poverty has declined about 20 million in 20 years—from 42 million in 1948 to 22 million in 1968.

FINANCING SOCIAL WELFARE SPENDING GROWTH

The principal sources of financing Federal welfare expenditures are taxes on employment, of which the main revenue producer is the Social Security tax which finances the OASDI and health insurance programs. Despite rapidly

rising total national payrolls subject to tax, frequent increases in the Social Security tax on employers and employees have been necessary to finance the growth in expenditures under these programs. This tax has been increased in two ways—by increasing the taxable wage base (maximum annual earnings that are taxed) and by increasing the combined tax rate which the employer and employee share equally.

From 1937 to 1950 the taxable wage base remained at \$3,000. It was \$3,600 from 1951 to 1954; \$4,200 from 1955 to 1958; \$4,800 from 1959 to 1965; \$6,000 during 1966 and 1967; and it was raised to \$7,800 in 1968 where it is scheduled to remain under present law.

The combined employer-employee Social Security tax rate was 2.0% from 1937 to 1949. Then it was 3.0% from 1950 to 1953, 4.0% from 1954 to 1956, 4.5% in 1957 and 1958, 5.0% in 1959, 6.0% in 1960 and 1961, 6.25% in 1962, 7.25% from 1963 to 1965, 8.4% in 1966, 8.8% in 1967 and 1968, and 9.6% currently. Under present law the rate is scheduled to rise to 10.4% in 1971, 11.3% in 1973, 11.4% in 1976, 11.6% in 1980, and 11.8% in 1987.

In 1949 the maximum combined tax on an employee's wages was \$60.00. In 1959 it was \$240.00 and in 1969 it was \$748.80. Further increases will result from rate changes scheduled under present law.

The social welfare expenditures financed by general Treasury revenues totaled \$1.3 billion in 1950, which was 3.3% of general revenue expenditures that year. In 1960 these welfare expenditures amounted to \$2.7 billion, or 3.5% of general revenue expenditures. By 1969 their total had reached \$10.2 billion, or 6.8% of general revenue expenditures; and budget estimates for 1971 indicate these welfare expenditures will total \$14.9 billion, which is 9.6% of the \$154.9 billion general revenue expenditures budgeted for 1971.

PENDING BILLS WOULD FURTHER EXPAND WELFARE SPENDING

If the two major social welfare bills pending in this Congress should be enacted, they will expand outlays for welfare purposes substantially beyond the levels such outlays would reach under existing legislation.

As passed by the House, the Family Assistance bill (H.R. 16311) would add a minimum of \$5.0 billion a year in the first full year to Federal welfare expenditures from general revenues. But this would likely be just a beginning. Already pending in the Senate are proposals which would increase the cost of this legislation to at least \$20 billion.

The Social Security revision bill (H.R. 17550), which will be acted on shortly by the House, would expand social insurance outlays and would also increase payroll taxes to finance greater spending. This bill provides for a 5% general increase in OASDI benefits and several other liberalizations which would add \$3.8 billion to benefit costs in the first full year. In order to finance these additional costs and to meet an actuarial deficit in the hospital insurance program, Social Security taxes would again be increased with revisions in both the taxable wage base and the tax rate.

As of January 1, 1971 the wage base would become \$9,000 instead of \$7,800. The combined employer-employee tax rate would be 10.4% for 1971-74 as is now scheduled for 1971-1972. In the 1975-79 period the rate would be 12.0% as compared to 11.3% and 11.4% under the present schedule, and from 1980 to 1986 the rate would be 13.0% as compared to the scheduled 11.6%. With the proposed tax increases in H.R. 17550 the maximum payroll tax on an employee's wages in 1971 would be \$936.00 as compared to \$811.20 under present law. The maximum tax in 1975 would be \$1,080.00 instead of \$881.40 under present law.

It is to be hoped that in taking final action on H.R. 16311 and H.R. 17550, the Congress and the President will look not only to their desirability from the view-point of proponent groups and practical politics, but also to their actual need, their cost, and the effect on the nation of financing their cost.

To what extent may the potential costs of the proposed Family Assistance program require new taxes as well as absorb future revenue increases which would be needed for urgent national needs such as, for example, pollution control? What will be the future of private pension programs as the Social Security program, with its rapidly rising taxable wage base, tax rate, and employer-employee costs, increasingly shifts from its original purpose as a basic floor of protection to a basic retirement system? Finally, with private pension programs now being a major source of capital for economic growth in this country, what new source

of savings can be found if these programs are superseded by an expanding Social Security program? These questions are too important to remain unanswered.

EUGENE F. RINTA, *Research Director.*

Mr. BLAIR. Thank you.

The State chambers of commerce and, we believe, the general public, support constructive welfare reform. We contend, however, that support for reform does not include support for a guaranteed income. We believe that the family assistance plan starts down a one-way road which would lead inevitably to a Government guarantee of a minimum income for all-Americans.

It is our belief that if the concept of a guaranteed income ever receives congressional approval, there would be no turning back. Pressures for increases in the basic guarantee and for further extensions of coverage would be unrelenting.

The CHAIRMAN. Might I say, sir, in line with what you are saying, I have repeatedly made the statement that I am willing to guarantee a person a job or at least an opportunity to go to work. I am not willing to guarantee him an income without working, and I would hope that you would tend to support that position.

Mr. BLAIR. We do, yes, sir.

In the statement, as we say, you know so well that the pressures are already there to get the guaranteed base up from \$1,600 to a higher level, and also to get further coverage of people other than the working poor.

We believe that there—

The CHAIRMAN. And the people who are fighting the hardest to get it the highest are those who are also fighting the hardest against any work requirement, too.

Mr. BLAIR. Yes; that is right.

The CHAIRMAN. That is the big problem on the part of some of them.

Mr. BLAIR. Well, we get into that point about supporting some of these things in the first part of my statement, Mr. Chairman.

One of the other points we would like to make that we have not heard too much said about is that we think that there is genuine confusion in the minds of many citizens regarding the way in which the proposed family assistance plan would operate.

Welfare reform, if it is to be effective, should embrace the public's understanding and acceptance. We think your committee has provided a truly significant service by extending the period during which public debate can help reach sound conclusions to these complex problems.

Unfortunately, though, the highly complicated administration revisions submitted to your committee, together with the promise of changes in the food stamp program, pending legislation in public housing, and recommendations for replacement of medicaid in 1971, have served to further confuse rather than clarify it.

Supposing Congress does not agree to some of the promised changes?

Which leads to a fundamental question, we believe; why cannot this entire program be considered in one package at one time? Is that not what this committee expected when they asked administration officials to return to the drawing boards to coordinate all income maintenance programs into a single proposal?

We support the required registration for work and training programs. We support training allowances and child care provisions. We support the upgrading of benefit levels for the aged, blind and disabled, and a greater retention of earnings by beneficiaries.

We submit, however, that these reforms could be undertaken without making an additional 14 million persons eligible for welfare as proposed in H.R. 16311.

We do, however, oppose coverage of the working poor under the family assistance plan. Former Secretary Finch testified before your committee, and I am quoting his statement: "That the intent in providing coverage under family assistance for additional millions of working poor families is to keep these families off welfare."

It appears to us that the effect is precisely the opposite, that it puts these families on welfare.

Coverage of the working poor, in our opinion, would inevitably create situations wherein both recipients of welfare payments and taxpayers would experience a lessening of their incentive to work. For many, supplementation of low earnings by Federal payments could tend to satisfy the desire for additional money, actually diminishing incentives for better earnings.

A disincentive effect will almost certainly be felt by taxpayers who furnish money to make these payments, particularly when the taxpayer's income is not much greater than that of some welfare recipients.

H.R. 16311 will not succeed in removing inequities that exist between the nonworking recipient who receives as much or sometimes more than his working neighbor is able to earn.

We refer to the Senate Finance Committee's staff report which points out, and I am quoting from that report: "That monetary incentives at the minimum wage level for female-headed families of four are lower under the revised administration proposals than under H.R. 16311 which, in turn, is lower than under present law."

A critical review of HEW's own tables in the administration's June revision points up similarly astonishing disincentive examples.

One is bound to ask upon reflection, what kind of an incentive does this provide for finding a job? Given these circumstances how many could be expected to seek employment? Not many, we believe.

In the area of administration we believe the proposed program imposes huge new responsibilities on an already overburdened system. For example, it would be unfortunate if Social Security Administration involvement with welfare programs would lead to a weakening of public confidence in the insurance type programs now administered by this agency.

We believe that a sharp distinction should be maintained between welfare programs based on the concept of need, and employer-employee-financed insurance programs where benefits are available as a matter of right.

Procedures and requirements for determining the eligibility for and the amount of family assistance payments are so complex and subject to such frequent change that they could pose insurmountable administrative problems.

We question the advisability of the broad discretionary powers being given to the Secretary of Health, Education, and Welfare. According to the Senate staff report, discretionary administrative authority would

be given to the Health, Education, and Welfare Secretary in approximately 50 major areas. Apparently no decisions have been spelled out by this agency concerning policy in these new areas of authority.

Most agree that one of the major concerns with our present welfare system is the vast bureaucracy that has grown up to administer it. This proposed program, with new delegations of authority, would seem to further aggravate present administrative problems.

In the important area of program costs, we submit that the administration's estimates may well be underestimated. In fact, we understand that the estimates have already been revised upward by HEW since the Senate hearings resumed in July.

The House Ways and Means Committee report compares estimated costs of H.R. 16311 with existing programs during the period from 1971 to 1975. The data assume that the cost of existing programs will continue to rise rapidly while benefit levels in the family assistance plan would remain unchanged.

This latter assumption is questionable because Congress would continue to receive demands for improvements in the basic level of benefits or at a minimum for cost-of-living adjustments. Experience with social security benefit increases almost every 2 years leads us to believe that this program would follow a somewhat similar course.

In a recent radio program sponsored by the U.S. Chamber of Commerce, Representative Ullman of Oregon said, and I am quoting from his statement:

The trouble with this kind of program is that \$5 million is only a start. Once you start down this road, there is only one way the costs can go, and that is up. We are starting down a road of mushrooming welfare costs and we are obviously going to have to raise taxes to do it.

End of that quote.

The administration has not provided a satisfactory answer to the problem of financing this program. Where is the money to pay for the family assistance plan?

Are other programs to be curtailed? If not, as Representative Ullman predicts, will tax increases be advanced? If so, what kind of tax programs are being considered?

Should not Congress have straightforward responses to these questions before embarking on this program?

At this point in time when highly inflationary deficits are much greater than originally projected, how can a program of this magnitude be justified?

Mr. Chairman, that is the end of our statement.

The CHAIRMAN. Thank you very much for your statement.

I would like to ask you just one or two things that occur to me. One of them is that when we proceed to make large numbers of tax consumers out of taxpayers, as this plan and, to a much greater extent, some of these more ambitious proposals such as the \$5,500 proposal would do, do you not greatly reduce your ability to provide more effectively for those you must necessarily help?

Mr. BLAIR. I would agree with you, yes.

The CHAIRMAN. In other words, every time you take someone who is capable of being a self-sustaining person and make a welfare client out of him or you add him to the rolls as an additional person drawing a certain amount of help, you just reduce by that much your ability to

zero in on those cases of crying need where poor people are not able to work.

Mr. BLAIR. Your unproductive part of the society is going to be greater than the productive part if you continue in that direction.

The CHAIRMAN. Much has been made of the fact that a great number of people this bill proposes to help here presently have jobs. Very little has been said about the incentive to quit a job.

Now, one can run a test study on something and it might not show what tends to happen when you have something over a period of time. But when those who are on this plan are receiving Federal payments, State supplements, food stamps, if only those three, but perhaps housing and other things in addition to that, we are told that on the average their earnings would tend to be reduced by about 80 percent as they worked to improve their conditions. Perhaps it is only supposed to be 50 percent over and above a certain amount, but when you look at the food stamps that must be cut off at a certain point, it gets to be a lot more than 50 percent, and then housing, that is one more thing they stand to lose if their income rises.

So when we look at what would appear to average out to about an 80 percent marginal tax on their earnings, does that not provide a very great incentive for large numbers of these people to start finding ways to make their money where they simply are not reporting earnings, with the result that they might make five times the effective earnings that they would make if the Government knows about it?

Mr. BLAIR. We think that the tables that were presented by HEW to your committee in the green booklet in the June revisions make the case you are making and we make more completely, in our written testimony, that there really is no great incentive for a person to work under the benefit programs that are available to him for not working.

The CHAIRMAN. I am told right now in many parts of this country that it is a rather prevalent practice for people to offer to work provided they can earn the money without having it reported, particularly if they do not have to give their social security number or their right name, and if they can be paid in cash.

Now, is it not likely that that practice will increase if this bill becomes law the way it is now proposed?

Mr. BLAIR. In my opinion, it would.

Mr. BROWN. Mr. Chairman, if I might just add a point there, you do not have to go very far to find examples like that. You can go downtown here to some of the employment agencies where they specialize in day laborers. You can go down there and pick somebody up, and you will find that they do not want any social security report made, and that kind of work is not going to show up in the computer cross-check in the social security records.

The CHAIRMAN. Now, as a practical matter, once the practice becomes prevalent, once such an organization as the National Welfare Rights Organization, which is presently engaged in showing people how to avoid work "until hell freezes over," proceeds to show them how to cheat on this program, how can you keep it from being a very prevalent practice throughout the whole country?

Mr. BLAIR. That is the thrust of our position. We do not think you can, and we think this program would simply make it easier and would encourage that kind of thing.

The CHAIRMAN. Furthermore, is it practical for the Government, is it practical for any administration to send its people out across the country prosecuting a million people who are cheating on the welfare program?

Mr. BLAIR. No; I do not think it is.

The CHAIRMAN. It seems to me as though they would be marked as enemies of the poor. Did we not have a parallel experience when we dropped the income tax brackets to make it apply to the ordinary laboring person and was it found that that was a very ineffectual way to collect taxes up until we started withholding it from the employer and suing him in the event that he failed to take it out of the employee's check?

Mr. BLAIR. My memory does not go back to those times, but let me make one comment: In regard to those features that the administration talked about, workfare instead of welfare, and some of the rhetoric that was used in promoting this legislation. We feel if some of those provisions are effective, why do we not add them to the present program and see if they are going to be effective, rather than taking a large program of this magnitude and passing it on the basis that we hope it is better than the old program?

We do not believe that it is better. We hope it would be better if it is passed, but we feel some real test cases ought to be made without the legislation in effect to see, first, whether it is going to work properly and then, if so, why, pass legislation for the country at large at that time. But not to do it, as I think Senator Williams made the comment, that it is getting the cart before the horse.

The CHAIRMAN. Well, thank you very much.

Mr. BLAIR. Thank you.

The CHAIRMAN. Thank you, Mr. Blair and Mr. Brown, for a very fine statement.

I will call as the concluding witness today the Honorable Rafael Hernandez Colon, who is the president of the senate for the Commonwealth of Puerto Rico.

STATEMENT OF HON. RAFAEL HERNANDEZ COLON, PRESIDENT OF THE SENATE, COMMONWEALTH OF PUERTO RICO

Mr. COLON. Hernandez Colon.

Honorable Chairman Long, it is a pleasure for me to have an opportunity to appear before you today to testify with respect to the Family Assistance Act of 1970.

One of the most significant provisions of the Family Assistance Act is that which establishes uniform eligibility and aid standards for all citizens of the United States who are residents of any of the 50 States. The inclusion of this provision in the bill under consideration represents the first attempt in U.S. legislative history to adopt a national policy of equal aid for equal need for all persons eligible to receive welfare benefits in the States of the Union. The adoption of this provision is to be hailed, both for what it means in terms of social justice and for its practical effect of eliminating welfare-induced interstate migration.

Regrettably, however, this highly commendable national policy is not extended by the present bill to all citizens of the United States but

only to those who reside in the 50 States of the Union. Benefit levels for American citizens in Puerto Rico, the Virgin Islands, and Guam are set at a fraction of those provided for their fellow citizens living in the 50 States.

In other words, while the Family Assistance Act is intended to eliminate the discrimination in the aid given to residents of Puerto Rico, the Virgin Islands, and Guam, I suggest that this constitutes an oversight and an injustice to these American citizens.

The magnitude of this difference in aid is considerable. Under the provision of the Family Assistance Act as it now stands, a family of four with no other income living in a U.S. jurisdiction which is not a State is entitled to aid equivalent to about 25 percent of its poverty level income. A family in the same circumstances living in any of the 50 States would get aid equivalent to 40 percent of its poverty level income.

The disparity is increased even further if certain other Federal programs for aid to the needy are taken into consideration. Two of these programs, those related to medical care and food stamps, also give considerably less assistance to U.S. citizens in Puerto Rico, the Virgin Islands, and Guam.

This discrimination is likely to have serious social results. It is reasonable to expect that the increased difference in the amount of aid given to families with comparable needs in these jurisdictions and those in the 50 States as a result of the present bill will constitute an added incentive for the former to uproot themselves massively from their native lands and move to less congenial areas in the continent where they may face difficult adjustment problems as well as create stresses in the communities in which they settle.

The basic consideration for not giving the U.S. citizen of Puerto Rico, the Virgin Islands, and Guam the same treatment in welfare as that given to the residents of the 50 States is, presumably, the fact that the former pay no taxes to the Government of the United States. This, I submit, is not only unjust but shortsighted.

Exemption of the residents of these jurisdictions from the payment of Federal taxes has proven to be essential for developing their economies. Yet their incomes are too low to permit payment of both local and Federal taxes without extreme sacrifice or even economic collapse. Exempting U.S. citizens in these areas from the payment of Federal taxes is a wise national policy. It should not stand in the way of extension to these citizens of another wise and eminently just national policy, that of equal aid for equal need.

Higher welfare payments will stimulate the local economies and bring the day closer when they will be able to provide adequately for their residents. A very high percentage of the additional payments will be spent to purchase goods and services produced in the 50 States of the Union and will, therefore, flow back to stimulate the mainland economy.

On the other hand, this form of discrimination, as a cost-cutting device, is partially self-defeating. Failure to extend equal treatment to the residents of Puerto Rico, the Virgin Islands, and Guam will encourage them to migrate to the United States mainland, as already indicated, where they will be entitled to get the higher aid at the expense of the Federal Government anyway.

Higher welfare and social aid payments to Puerto Rico, the Virgin Islands, and Guam should be viewed as an investment in human resources which benefits the entire United States, an investment that will eventually yield manifold returns in terms of the welfare and strength of the entire Union.

I submit that the bill under your consideration be amended to provide equal benefits to American citizens in Puerto Rico, the Virgin Islands, and Guam as provided for the citizens in the 50 States of the Union.

The CHAIRMAN. Thank you very much, sir.

Mr. COLON. Thank you.

The CHAIRMAN. That will conclude today's hearing.

The committee will meet again on Monday to hear witnesses on the social security bill.

(Whereupon, at 4:50 p.m., the committee adjourned, to reconvene Monday, September 14, 1970.)

APPENDIX A

Communications Received by the Committee Expressing an Interest in the Family Assistance Plan

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C., September 29, 1970.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN LONG: I believe that the proposed Family Assistance Act now before the Finance Committee may well prove to be one of the most important proposals to come before the Congress in many years.

As the President suggested in his letter of transmittal, this legislation represents "the most comprehensive and far-reaching effort to reform social welfare in nearly four decades." Because this bill does contemplate so many major changes in our nation's approach to social welfare services, I have noted with full approval your very thorough deliberations over it. I am confident that when the bill emerges from the Finance Committee, it will have been substantially strengthened by your improvements.

Because you are giving such close attention to the Family Assistance bill, I would like to offer for your consideration a few comments on the kind of planning which I feel must be carried out before a national program is implemented.

If we design a national program on the basis of insufficient evidence gathered in only a very few parts of the nation, we will soon be confronted with the hopeless task of shoring-up a crumbling structure. A sound structure can only be built upon a solid foundation of hard facts gathered from throughout the nation. Consequently, I am concerned lest pre-testing of FAP be carried on in only three areas as has been suggested by Senator Ribicoff. So few tests simply would not provide enough data about the problems which a national program must expect to confront. Instead of specifying that there shall be "three tests" why not substitute a phrase calling for tests in the "several states". This leaves the Secretary of HEW with discretion to develop the best possible model. Such language will also ease the burden on my appropriations subcommittee which will be responsible for funding this important program.

To get this kind of meaningful information, several pre-tests must be made in a number of geographical regions. Also, I feel that we must conduct at least one of these tests in an area of abnormally high unemployment. A social welfare program that is not designed to cope with the very difficult and different problems created by high levels of joblessness will, in fact, be no program at all. Furthermore, the pre-tests must provide for an evaluation of the entire program including all contemplated components. Therefore, I strongly recommend that the Finance Committee include the community service employment component in the pre-tests. Obviously, a genuinely thorough pre-testing program will require substantial funds. I am hopeful that your committee will consider an authorization of at least \$40 million.

Before closing, I wish to add a few additional comments on the community services employment concept. While I certainly feel that there is an urgent need for this particular sort of a program, I believe steps should be taken to assure that it does not become permanently embedded in any particular area. I would suggest that the committee consider writing the bill so that a state would receive grants to carry out such employment projects only after its unemployment rate had reached, and held at, a particular level for several months. Perhaps 8 per cent for 3 months. Similarly, I would recommend that these grants be phased out over a period of one year after the unemployment rate had fallen to, and held at, 6 per cent or less for at least 3 months. Finally, I would suggest that consideration be given to allowing states to provide any required "matching" assistance in "in kind" services, facilities, etc.

In closing, let me emphasize again my full confidence in the Finance Committee and in your very able leadership as Chairman. I feel certain that the Family Assistance bill which your committee reports out will be a singularly fine piece of legislation.

Sincerely,

WARREN G. MAGNUSON,
U.S. Senator.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., October 6, 1970.

The PRESIDENT,
The White House,
Washington, D.C.

HON. MIKE MANSFIELD,
Majority Leader,
U.S. Senate,
Washington, D.C.

HON. RUSSELL B. LONG,
Chairman,
Senate Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I am writing on behalf of the many thousands of state, county and local social service employees across the country whose job security is seriously threatened by the proposed Federal administration of certain welfare assistance programs under the Family Assistance Act of 1970 (H.R. 16311).

The Administration has failed to provide for adequate protection of various employee benefits such as credits for retirement, annual leave and sick leave; health and retirement programs; seniority rights and previous employment credits.

As presently written, the Family Assistance Act would authorize the transfer of administrative functions from state, county and municipal agencies to a Federal agency in those states selecting Federal administration of the program. Social service employees subject to such a transfer thus would become Federal employees. Yet the bill is silent on the important issue of guaranteeing the employee benefits already earned by this new generation of Federal workers.

Confession of this oversight was admitted in a letter from Robert E. Hampton, chairman of the Civil Service Commission, to the American Federation of State, County and Municipal Employees, AFL-CIO. Answering a union letter which had raised questions about employee security provisions of the bill, Mr. Hampton acknowledged, "We . . . were unaware of its personnel implications with regard to state and local employees." Moreover, union efforts to develop provisions with the Administration for adequate employee protection have proved futile.

This lack of awareness and disregard of employees' hard-won rights is intolerable. It simply must be rectified. Many of these welfare employees have devoted years of their lives to this service and are looking forward to retirement. To have their retirement plans jeopardized because of an Administration failure approaches the limits of credibility.

I most respectfully request that the Senate act on proposed amendments to add appropriate amendments guaranteeing employee protection.

In its wisdom, Congress has enacted laws to provide this protection for other workers. The notable examples were the Urban Mass Transportation Act of 1964 (78 Stat. 302) and the National Guard Technicians Act of 1968 (82 Stat. 755). It is only fitting that similar protection be extended to welfare employees affected by the Family Assistance Act.

Sincerely,

RICHARD L. OTTINGER,
Member of Congress.

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, July 29, 1970.

HON. RUSSELL LONG,
Chairman, Senate Finance Committee, Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: Enclosed is a copy of a self-explanatory letter which Governor Brewer and I have written to Secretary Richardson in response to his request for comments on the Administration's welfare reform proposals. I respectfully request that this letter be incorporated in the records of the hearings on the welfare reform bill.

Sincerely yours,

FRANK HOUSE, *Commissioner.*

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, Ala., July 27, 1970.

Hon. ELLIOT L. RICHARDSON,
*Secretary, Department of Health, Education, and Welfare,
Washington, D.C.*

DEAR MR. RICHARDSON: Reference is made to your letter of July 9 regarding the Administration's welfare reform proposals now pending in Congress.

Members of our staffs have reviewed the proposed legislation that was discussed in the House Ways and Means Committee as well as the revised version of the Bill now being considered by the Senate Finance Committee. While the Bill now under consideration contains some improvements over the original Bill, there are several aspects of the House-passed Bill which appear preferable and simpler to administer.

It appears, but is not at all clear, that those states having low AFDC payments would be in a position to increase payments to families without the necessity of increasing state funds. We would like clarification and definite assurance from your office that this is correct, however. For example, Section 452 of the Bill indicates that "The payment level for each state shall be determined by the Secretary after considering the payment which would have been made to a family group of such size with no income (adjusted as may be necessary to reflect differences in shelter costs between different areas of the State) under the plan of such State as in effect for January 1970 (which complies with the requirements for approval under part A as in effect for such month), but this section shall not be construed to require a State to make payments with respect to that amount by which its payment level exceeds the poverty level (as defined in section 453(c)) applicable to such family." Does this mean that the State of Alabama would have to increase its state fund participation under the Family Assistance Plan? We know there will be many more people eligible than are presently receiving AFDC.

While the Governor of each state has the option of administering the cash benefit aspect of the Family Assistance Plan, there is little incentive for the option to be selected when only fifty percent Federal participation is available. Had the Bill provided the option of Federal administration of assistance payments or for state administration with total Federal financial participation, no doubt many states would be favorably inclined to administer their own program.

Should Alabama opt to have the Federal Government administer assistance payments in this state, it is assumed that a substantial number of employees of the Department of Pensions and Security would be recruited by the Federal agency. This raises a variety of questions that have not been answered. These questions are centered around retirement benefits, coverage under Social Security, annual and sick leave policies, compensation, etc. An undue drain on the Department of Pensions and Security by the family assistance payments agency would have serious repercussions on the provision of service by this state.

We are concerned about the section of the Bill which deals with manpower services, training, etc. It is our firm conviction that the cost of training for employment and placement in jobs should be the complete responsibility of the Department of Labor. It is impossible to estimate the cost of the ten percent of this service which states would be expected to provide. We are concerned about the fact that the only mothers exempt from referral are those with children under six. Authority is given to the Secretary of HEW to make grants to any public or non-profit agency for part or all of the cost of provision of child care. There are not criteria or standards set for the non-profit private agency or organization. Such criteria should be established and related to those of the designated standard setting agency in the community. Since child care is directly related to services, there should be some provision that the designated prime sponsors of services, likewise, have provision for child care or contracting therefor.

There is no uniformity in the required earnings exemptions among the various groups who would participate in payments for family assistance, and for the

aged, blind, and disabled. In aid to the blind and aid to the disabled, the required earnings exemption is \$85 and one-half of all over \$85 earned income per month. For these groups there can be further earnings exemption for those who have a plan for self-support or rehabilitation, up to 36 months. For the aged the required earnings exemption is \$60 and one-half of all over \$60 earned income per month. For the Family Assistance Plan the disregard is \$720 per year (or proportionately smaller amounts for shorter periods) plus one-half of the remainder. We see no reason why there should not be uniform earnings exemption requirements per person.

It appears to us that the agencies administering the Family Assistance Plan would have complete responsibility for obtaining support for children born out of wedlock. Likewise, it appears to us that in some respects the proposed legislation goes back to the old poor law concept where the agency would provide assistance for the support of children of deserted families, and would sue for the support so furnished. In this connection, it has been the experience of this agency that courts frequently will not accept petitions for support if the address of the deserting parent is not known.

The provision for quarterly determination of eligibility would be extremely difficult to administer as written. It is not clear how earned income would be prorated. What constitutes income and what constitutes resources is not at all clear in the Bill. The income of the "spouse of the parent" (stepparent) is not to be excluded under this legislation. There is no clear cut statement as to who holds hearings on cases where the individual has refused to accept training or vocational rehabilitation services.

With respect to Section 465 the provisions on deduction from assistance payments for purchase of food stamps is quite vague. While we like the idea of such a plan, it should be implemented in a practical and workable manner.

We have been particularly interested in the fact that the proposed social service legislation is now included as Title XX of the Bill. You are no doubt aware that for many months the administration felt that it would be preferable for separate social service legislation to be introduced in the Congress. We would strongly recommend that Title XX of HR 16311 be totally deleted from the Bill and in lieu thereof Title IV, A and B, and Title XVI of the Social Security Act be amended to incorporate the positive elements of Title XX. In our opinion, this would provide the states with a broader base for providing social services than does Title XX. We would strongly urge that a single state agency administer all social services in all geographic sections of each respective state. In other words, we oppose the provision in Title XX that permits municipalities of 250,000 or more to designate the service agency in its area without some state supervision and accountability.

While some consideration is given to the need for equalization of funds for individual and family services among the states, we do not believe that it goes far enough. This state long has been on record in support of a single variable grant formula related to the fiscal capacity of the state to finance the administration of assistance and services.

We are pleased the social service legislation authorizes \$150 million to states for foster care and adoption services and provides for medical care for handicapped children adopted by low income families. Likewise, the apparent open-end authorization for temporary emergency assistance is good, but the fact that it has to be matched on a dollar by dollar basis with state funds makes it less effective as does the limit of sixty days in a year. It has been our experience, however, that authorization does not necessarily mean appropriation, and an open-end variable grant formula would be highly preferable. This means that we really see no reason to differentiate between Federal participation in the cost of determining eligibility for payments and for providing services.

Sincerely yours,

Approved.

FRANK HOUSE, *Commissioner.*

ALBERT P. BREWER,
Governor of Alabama,
and Chairman of the Board of Pensions and Security.

STATE OF CALIFORNIA,
GOVERNOR'S OFFICE,
Sacramento, August 20, 1970.

Hon. RUSSELL LONG,
Chairman,
Senate Finance Committee,
Old Senate Office Building,
Washington, D.C.

MY DEAR MR. CHAIRMAN: I am submitting for your consideration and that of the other members of the Senate Finance Committee, the attached statement which sets forth my views on the amended version of HR 16311, now before your committee, and makes a number of recommendations for change.

As you may recall from our communications last May, I took a position in opposition to the House version of the bill and was appreciative of your actions in requiring the Administration to rework various aspects of the bill.

While I believe the measure now before you represents an improvement over the House version, it still falls short of meeting the objectives defined in the President's message to Congress a year ago, and endorsed by California. Therefore, I cannot support this bill even as changed.

I believe a satisfactory bill can and should be developed, one which will give the country the basic welfare reforms it so sorely needs. It is my personal feeling that any reform in our welfare system must contain a ceiling on the amount of money any size family may receive from all sources. It is in this spirit and with this hope that I am suggesting that serious consideration be given to the recommendations in the attached statement.

Sincerely,

RONALD REAGAN, *Governor.*

STATEMENT OF GOVERNOR REAGAN

1. National standards of aid vs. a guaranteed income.—A sound welfare program should extend aid to people who cannot help themselves and have no other resources. This bill offers instead a government-guaranteed income for every family, an "income floor". Once established this floor lends itself to being raised to ever higher levels.

2. State autonomy vs. federal control.—States should have as much latitude as possible in solving their own problems, and should be encouraged in this process through the financial support of the Federal Government. The President indicated that this was the aim of the "New Federalism". The bill defies this principle by greatly extending discretionary powers of the Secretary of Health, Education, and Welfare, and of the Secretary of Labor. In addition, the present bill is even stronger than the earlier version in discouraging state administration of the assistance programs.

3. Support of family unity vs. incentives for family breakup.—The present welfare system has been long criticized for containing incentives for fathers to desert their families. The present bill not only fails to correct this, it increases such incentives.

4. Payrolls vs. welfare rolls.—A welfare system without strong encouragement for personal independence and realistic programs for helping people achieve independence is a system predestined to place a greater and greater drain on the economic and spiritual resources of the country. This bill has weak work incentives and inadequate sanctions. In addition, it opens the welfare rolls for the first time to fully employed men with families—the working poor.

5. Control of welfare expense vs. increased welfare burdens on taxpayers.—Welfare caseloads and costs have sky-rocketed in recent years. All of us have been alarmed by this, and have seen it as evidence of the failure of the present system. Yet this bill, under HEW revision, will bring millions upon millions of additional persons into welfare caseloads and will immediately add an estimated \$4.1 billion in costs across the nation.

The bill has now been analyzed in many quarters. In each of the major areas above, many problems have been identified. I will speak only to those of greatest immediate concern to California.

The so-called national income floor, which we in California call a government-guaranteed income, establishes a radically new welfare principle that has not been demonstrated as an effective mechanism for solving the problems of the poor. Some claim that this floor is too low. Yet I note that with the earnings-disregard provisions of this bill, a man with a wife and five children in California earning \$5,000 per year would still be a federal welfare recipient. He would not go off aid until his earnings reached \$5,120. We are recommending that intact families with employed fathers not be provided these welfare benefits. (See attachment B-4.)

When supplemental payments come into the picture, as they do with mother-headed families, a family of the same size with a mother and six children would continue to receive aid payments until the mother's earnings went beyond \$7,500. We are recommending that a realistic ceiling be placed on the amount of income a family may have and still be eligible for welfare. (See attachment B-1.)

Inequity in financial treatment of welfare recipients across the land has long concerned us. The bill does not remove inequities. The House-passed bill created inequities between working fathers and non-working fathers, favoring non-workers. The HEW revision corrects this by creating inequities between male and female-headed families. A father-headed family of four in California, without income, would be expected to survive on the federal payment of \$133 per month. A mother-headed family of four in this state, without income, could receive \$265 per month.

Financial favoring of a family headed only by a mother provides a clear inducement for parents to separate when they find themselves deprived of income. Incentives to desertion would be strengthened rather than resolved by this part of the bill. We are recommending that this disparity be remedied by restoring the original provision for federal reimbursement of state supplemental payments to unemployed fathers. (See attachment B-3.)

State objections to the increase in federal control and discretion in welfare programs contained in the House-passed bill are not met by the HEW revision. Major areas of the Secretary's discretion in state matters remain unchanged, while new discretionary powers have been introduced, such as the authority to set minimum levels of state supplementation.

The financial incentive for federal administration of state programs epitomizes the efforts of federal encroachment upon state autonomy. The carrot contained in the House-passed bill—full federal financing in exchange for federal administration of the states' supplemental payment program—has now been enlarged by an offer to reimburse 100% for a two-year period while the state is working out the details. If the state does not turn over administration of its program within the time limit, the state must repay half of the money thus advanced.

We are recommending revisions to make this bill more in line with the "New Federalism" endorsed by President Nixon, involving greater autonomy for states, with federal support. (See attachment B-2.)

Slogans have accompanied the development of this Welfare Reform Bill—"payrolls instead of welfare rolls"—"workfare not welfare". The bill as it stands is a poor embodiment of these slogans. The work requirements are weak and the sanctions lack teeth. Financial incentives to work are not strong.

To be eligible for aid a father must simply register for work or training. Then, he may refuse to accept such work or training with relative impunity. If he refuses without good cause, he is cut out of the family budget, while aid is continued to his family, and he is free to share in what remains. Within provisions of this bill, establishing lack of "good cause" is no simple matter.

The HEW revision tightened the work-training sanctions slightly, by defining the first two adults in the family who refuse to cooperate with work-training requirements as the first and second members of the budget unit. This insures a penalty to the family of \$400 for each uncooperative parent. It does not protect children from this form of parental neglect, nor does it motivate the irresponsible parent to be responsible.

We recommend complete discontinuance of aid to the family with employable parents who irresponsibly refuse to cooperate with work-training requirements, provided protective measures are made available to the children. (See attachment B-4.)

In addition to the five major issues resulting from our analysis of this bill, a sixth issue results from the last-minute insertion in the HEW revision, setting forth a proposed new social services title for the Social Security Act. These proposed social service provisions are extremely complicated. They were de-

veloped without consultation with the individual states regarding their own service needs. They were presented to the Senate Finance Committee at a late stage in the bill's process. I am recommending a postponement of this part of the bill until there has been time for state participation in looking at the problems and needs for services at various levels. (See attachment B-6.)

Perhaps the most dismaying aspect of this bill is the tremendous outlay of public funds for a program that appears to do little more than put a great many more of our citizens into the welfare category. Much has been made of the fact that states will recognize a savings in state funds from this bill. I am not impressed by the fact that the bill as it stands will save California close to \$100 million in 1971-72 when I know that the same bill will cost the American taxpayer over one-half billion dollars for the program in California alone. (See attachment C for fiscal details.)

I realize that welfare reform cannot be accomplished without fiscal backing by the taxpayer. At the same time, I believe that the taxpayer must at least break even on his investment. This bill does not offer him that break. The reform program that we ask him to pay for must be a creative, constructive program, with promise not only to better conditions for the poor, but promise also to reduce and not increase conditions of dependency.

Under the concept of New Federalism I hope that states and local governments will be allowed to innovate and not be discouraged from experimenting and demonstrating new approaches to welfare reform. Our country deserves a reformed system of welfare. It is my hope that one is forthcoming from the deliberations and further work on this bill.

ATTACHMENT A

Welfare aims supported by California	Results of H.R. 16311 as passed by the House	Results of H.R. 16311 as amended by Department of Health, Education, and Welfare, June 1970
I. National minimum standards of aid. Equity for States.....	I. Government-guaranteed income. Continued inequity for States.	I. Government-guaranteed income. Continued inequity for States. (State supplemental payment now tied to unequal payment levels among States instead of unequal standards of need as before.)
Equity for recipients.....	Continued inequity for recipients.	Continued inequity for recipients. (More equity for working and nonworking men with families, but less equity for male- and female-headed families.)
II. "New Federalism"—more State autonomy with Federal support. Pilot programs in California..	II. Increased Federal intervention. Disincentives for State-operated welfare programs. Expanded Federal powers in HEW and Labor.	II. Increased Federal intervention. Stronger disincentives for State-operated welfare programs. (Federal offer to pay full costs while allowing a 2-year period for transition to Federal administration is added disincentive.) Expanded Federal powers in HEW and Labor. (Some HEW discretion eliminated, some modified, some increased.)
III. Support of family unity.....	III. Continued incentives for family breakup.	III. Continued and increased incentives for family breakup. (No Federal sharing for State supplementation to unemployed-father families increases incentive for parents to separate.)
IV. Payrolls instead of welfare rolls. Strong work requirements....	IV. Lack of genuine work incentives. Weak work requirements and inadequate sanctions.	IV. Lack of genuine work incentives. Work requirements and sanctions still weak. (Change insures that 2 adults in family refuse work or training, allowance will be reduced by \$500 plus \$500.)
Expanded job opportunities and new careers.	Lack of financial incentives. Expansion of WIN-type training programs.	Lack of financial incentives. Expansions of WIN-type training programs.
V. Control welfare growth and expense.	V. Increased welfare burdens on taxpayers.	V. Increased welfare burdens on taxpayers.
VI. Rational and accountable system of social services.	VI. Insufficient time for in-depth analysis of plan.

Welfare Aims Supported by California.—I. National Minimum Standards of Aid.

Results of HR 16311 (as revised by the Administration).—I. Government-guaranteed income for every family.

Recommendations

1. Revise the Family Assistance Program to provide a national minimum standard to support those unable to take care of themselves, rather than provide a government-guaranteed income to all families.

Comment.—The bill as it stands assures that every family without income or whose income is below a certain amount is entitled to a government payment sufficient to bring their income up to that amount. In the words of Daniel P. Moynihan, it provides a minimum income to every family "united or not, working or not, deserving or not". California cannot support a proposal for a government-guaranteed income.

2. Specify by law, the method for determining a state's "payment level" used in computing supplemental payments.

Comment.—In arriving at "payment levels", the Secretary would be required only to "consider" certain specified factors and the final determination of this very vital matter would rest with him. The law should be more specific in defining the method for arriving at this very vital figure.

3. Place ceilings on the amounts of money any given size family may receive from *all* sources and still be eligible for federal or state welfare payments, with the ceilings not to exceed the incomes of a specified percentile of all families in the state. Provide for these maximums to accommodate regional differences in the cost of living.

Comments.—The establishment of a regional maximum income from all sources for recipients would deal directly with one of the more serious problems now facing public welfare. A sizable number of families with total income well above the income of many people not on welfare, are receiving welfare funds. This situation would continue under the present bill without this recommended change.

Welfare Aims Supported by California.—II. "New Federalism"—more state autonomy with federal support.

Results of HR 16311 (as revised by the Administration).—II. Increased federal intervention in state affairs.

Recommendations

1. Provide financial incentives for state administration of all state welfare programs. Also provide for the establishment of national norms of efficiency for aid program administration, and for financial rewards to states demonstrating the capacity to administer programs at a level of efficiency above such norms.

Comments.—Under the amended bill the disincentives for state operated welfare programs are increased. The House-passed version contained the financial disincentive of providing only 50 percent federal reimbursement for state administration of supplemental payments, while offering 100 percent reimbursement if federally administered. The revised bill now increases this bid for federal control by allowing a two-year transition period, during which states can administer program at full federal expense, with the proviso that administration would become federal at the end of that period or the state would have to repay 50 percent of the costs for that period.

2. Eliminate the provision requiring the state to use criteria for disability and blindness as prescribed by the Secretary.

Comments.—Ever since the enactment of the Social Security Act the states have had the authority to establish these criteria. We know of no evidence that the states have abused this authority to the disadvantage of their blind and disabled citizens.

Welfare Aims Supported by California.—III. Welfare Support of family unity.

Results of HR 16311 (as revised by the Administration).—III. Continued incentives for family breakup.

Recommendation

1. Restore federal reimbursement for state supplemental payments to families of unemployed fathers as provided for in the House version of the bill.

Comments.—The bill as revised discriminates against intact male-headed families in favor of mother-headed families by withholding federal matching for state supplemental payments to intact families. This results in a greater financial advantage to the family for the father to depart from the family scene. Thus the bill forces the state either to ignore the social consequence resulting from the financial deprivation of these families or to spend large additional sums of state money.

Welfare Aims Supported by California.—IV. Encouragement of personal independence; payrolls instead of welfare rolls; expanded job markets and opportunities.

Results of HR 16311 (as revised by the Administration).—IV. Lack of genuine work incentives; rewards for not working; lack of job creations.

Recommendations

1. Eliminate the provision under which the Federal Government would provide welfare benefits to the working poor.

Comment.—This provision represents a radical and unsound departure from the principle that eligibility for public aid should be restricted to those who are unable to care for themselves. It would immediately add seven million persons to the welfare rolls across the country (with more than 416,000 in California), increasing federal welfare costs by almost \$900 million.

2. Require that Family Assistance benefits and state supplemental payments be discontinued completely when the employable family head refuses work or training without good cause. Require the states to have legal and administrative provisions to protect the welfare of the children of such families.

Comment.—The bill speaks of the uncooperative employable recipient as losing his portion of the family benefit. This is misleading. In a family setting there is no such thing as eliminating the payment for an individual person. This simply reduces the income of the family on the assumption that this will make the parent uncomfortable enough or guilty enough to assume his responsibility. There are no easy answers to this dilemma. Yet, the time has come to face the problem squarely. Most states have a body of law under which children can be protected from the acts of their parents which are inimical to their welfare. Where such laws are not in existence or ineffective they can be established or strengthened.

3. Place more emphasis on providing realistic job opportunities, especially through the private sector.

Comment.—This proposed change, should result in a more balanced approach toward the goal of putting family breadwinners into self-supporting, independent and useful roles in their communities.

Welfare Aims Supported by California.—V. Control welfare growth and expense.

Results of HR 16311 (as revised by the Administration).—V. Increased welfare burdens on taxpayers.

Recommendations

1. Eliminate the provision prohibiting states from requiring adult persons to help support parents.

Comment.—The flat prohibition in the bill against requiring adult children to contribute toward the support of their parents when financially able is socially unsound. One of the more serious problems facing this country is the continuing erosion of family solidarity and feeling of mutual responsibility. Federal public policy should not be used to endorse this erosion of filial responsibility. Additionally, it is wrong to ask the public to bear an expense which can be borne by responsible relatives.

2. Eliminate the provision prohibiting states from imposing liens against the property of any individual or his estate on account of aid being paid to him.

Comment.—Such a provision is an unnecessary constraint on the states. A lien provision does not penalize the recipient nor does it deprive him of use of his property while he or his spouse require it. Moreover, the imposition of a lien is equitable to all taxpayers, and reduces the overall welfare costs.

3. Reduce the \$1,500 property exemption in the family and adult aid programs to a more reasonable figure.

Comment.—We do not believe that cash reserves of this magnitude are justified today for welfare recipients in light of the extensive programs of medical assistance and other services available to needy people. Reduction of this exemption would reduce the number of persons eligible for welfare, thus reducing costs.

Welfare Aims Supported by California.—VI. Rational and accountable system of social services.

Results of HR 16311 (as revised by the Administration).—VI. (Insufficient time for in-depth analysis of plan).

Recommendations

1. Eliminate the social service provisions (Title III), with the aim of presenting at the next session of Congress a new bill, to be submitted only after active involvement, counsel and advice of the states in its development.

Comment.—Action at this time on this very complex and in many ways radical piece of legislation, would be both precipitate and unwise. The other parts of the bill have been under active consideration and debate since the bill was introduced a year ago. In contrast, the social service provisions have been before us only since they appeared in the Committee Print in June 1970. This offers insufficient time for the in-depth analysis, careful consideration, and debate that the proposed legislation merits.

ATTACHMENT C—COMPARISON OF EFFECT, PRESENT LAW WITH H.R. 16311, UNDER HOUSE VERSION AND UNDER ADMINISTRATION REVISION
EXPENDITURES BY SOURCE OF FUNDS, FISCAL YEAR 1971-72
 [Dollar amounts in millions]

Item	State		County		Federal		Total	
	Amount	Percent increase ¹	Amount	Percent increase ¹	Amount	Percent increase ¹	Amount	Percent increase ¹
1. Present law:								
Aid payments:								
Aged, blind, and disabled	\$342.0		\$58.7		\$384.4		\$785.1	
Family programs	372.7		214.3		528.8		1,115.8	
Administration—								
Of aid payments	24.2		54.7		121.0		199.9	
Of social services	11.9		183.1		429.2		624.2	
Possible court action	222.5		107.1		325.1		654.7	
Total	973.3	(0)	617.9	(0)	1,788.5	(0)	3,379.7	(0)
2. H.R. 16311, House version:								
Aid payments:								
Aged, blind, and disabled	322.1		55.3		579.8		957.2	
Family programs	289.8		139.5		793.0		1,222.3	
Administration—								
Of aid payments	26.7		62.5		137.4		226.6	
Of social services	13.2		209.2		487.1		709.5	
Possible court action	240.9		116.0		245.5		602.4	
Increased Medi-Cal costs (attributable to H.R. 16311 reform)	62.5		0		62.5		125.0	
Total	955.2	(-1.9)	582.5	(-6.1)	2,305.3	(28.9)	3,843.0	(13.7)
3. H.R. 16311, administration revision:								
Aid payments:								
Aged, blind, and disabled	322.1		55.3		579.8		957.2	
Family programs	259.5		125.0		782.0		1,166.5	
Adjustment for California's revised grant procedure in AFDC	34.7		16.7		22.1		73.5	
Administration—								
Of aid payments	0		0		226.6		226.6	
Of social services	13.2		209.2		487.1		709.5	
Possible court action	240.9		116.0		245.5		602.4	
Increased Medi-Cal costs (attributable to H.R. 16311 reform)	41.5		0		41.5		83.0	
Total	911.9	(-6.7)	522.2	(-18.3)	2,384.6	(33.3)	3,818.7	(13.0)
4. Comparisons:								
(a) Difference between present law and House version	-18.1		-35.4		516.8		463.3	
(b) Difference between present law and administration revision	-61.4		-95.7		596.1		439.0	
(c) Difference between House version and administration revision	-43.3		-60.3		79.3		-24.3	

¹ Represents percentage increase in expenditures over those projected under present law for fiscal 1971-72.

STATEMENT OF ASSUMPTIONS UNDERLYING FISCAL COMPARISON OF HR 16311
WELFARE REFORM WITH PRESENT LAW

INTRODUCTION

All estimates shown derive from the base estimate of expenditures and caseloads for fiscal 1971-72 under present law. The effect of the various provisions of the Welfare Reform proposal—both the House version and the HEW revision—have been computed against the base estimate in order to maintain internal consistency and comparability. Latest estimates, not yet completed, of welfare costs under present law for fiscal 1971-72 indicate the base year estimates shown in the table are *substantially under-stated*. The base year estimates used here did not fully anticipate the severe downturn in California's economy occurring during the past several months. Even though the cost data may be understated, they do demonstrate the relative effect in California of the two versions of the Welfare reform proposal.

PRESENT LAW

"Present Law" refers to all laws, regulations, policies and procedures which currently govern California's Public Assistance programs. For estimating purposes it was assumed that these same policies would continue through fiscal 1971-72. The effect of possible court actions has been included as a category. Estimates relating to court actions are predicated on the department's experience of the past two years. These estimates are to be viewed as representative of the effects of court actions in general rather than any particular case or cases.

HR 16311 WELFARE REFORM—HOUSE VERSION

1. The full impact of all provisions of the House version affecting caseloads, average grants, cost sharing formulas, family assistance payments, state supplemental payments are reflected in the figures shown.

2. Administration of aid payments. Under the House version states had the option of administering aid payments themselves with 50 percent federal reimbursement of the costs involved, or having the Federal Government administer aid payments at no cost to the state. The estimate assumes California would opt to administer aid payments and receive 50 percent reimbursement for the costs involved.

HR 16311 WELFARE REFORM—HEW REVISION

1. *Elimination of the AFDC-U segment.*—The revised version eliminates the requirement that states provide supplemental payments to families of the unemployed. Should a state elect to provide supplemental payments to these families it must absorb the full cost since federal reimbursement would not be available. The estimate assumes California would not supplement these families and they would be dropped from state aid. Should it elect to provide supplemental assistance, costs would be increased by \$64.3 million (\$43.4 million state and \$20.9 million county), and an additional \$42.0 million should they also be eligible for Medi-Cal.

2. *Adjustments for California's revised grant determination procedure.*—Under the HEW revised version, states would be required to base their supplemental payments on a "payment level" determined by the Secretary. The bill as it stands directs that this be determined on the basis of the AFDC payment as of January 1970 for a family with no other income, and which complies with the federal requirements in effect January 1970. This particular provision is undergoing revision, but we are assuming that this will require California to use a January 1970 AFDC payment level which conforms with the requirements of Section 402(a)(23) of the Social Security Act. For California this would require a substantial increase in the maximum grant levels for AFDC. The estimates, therefore, were based on a proposal similar to that now before the State Legislature involving a revised uniform standard of need which would be fully met by the aid payment. Because this procedure was not built into the base estimates under present law and, therefore, making comparisons difficult, its cost effect is shown separately.

3. *Administration of Aid payments.*—The revised version of the bill retains the option for states to administer aid payments or to have the Federal Government do so. The administration's revision, however, would allow a state to

administer aid payments the first two years with 100 percent federal reimbursement of costs if the state agrees to federal takeover at the end of that period. Otherwise federal reimbursement would remain at the 50 percent level. Although the state may well not elect this option, the estimate assumes that for the first year of the law's operation there would be no administrative costs borne by the state or county. Were the state to elect to continue the administration of aid payments, state and county costs would be increased by \$89.2 million (\$27.6 million state and \$62.5 million county).

STATE OF GEORGIA,
EXECUTIVE DEPARTMENT,
Atlanta, April 28, 1970.

Hon. RUSSELL B. LONG
*Senator, State of Louisiana,
Senate Office Building,
Washington, D.C.*

DEAR SENATOR LONG: I appreciate this opportunity and this means of expressing to you my views and concern relative to the welfare revision proposal of the Nixon Administration now pending before the United States Senate.

In my judgment, President Nixon's radical welfare proposal, already passed by the U.S. House, would, if passed by the Senate and signed into law by the President, increase the number of welfare recipients to over forty million at a cost of over fifty billion dollars by the year 1976.

We should, and we must, provide for the handicapped, the helpless and those too old, too young or too sick to provide for themselves, but the President's proposal goes far beyond that and would make welfare a way of life for tens of millions of Americans who could and should provide for themselves.

I am convinced that the Nixon welfare program would, if implemented, be the most destructive of personal initiative, pride and accomplishment of any legislation ever passed by the U.S. Congress. And I believe it would herald the nationalization of American industry, destroy private free enterprise and replace what we know as Americanism with socialism and communism, bringing an end to this nation as a free republic.

I know you will give full consideration to this proposal before casting your vote, and for the sake of America, I trust that the decision of you and your colleagues will be to defeat the Nixon welfare program; otherwise, I fear that, should my predictions about the legislation come true, the present President and present Congress may later be identified as the ones responsible for bringing the United States of America to her knees.

Respectfully,

LESTER MADDOX.

STATE OF ILLINOIS,
OFFICE OF THE GOVERNOR,
Springfield, September 8, 1970.

Hon. RUSSELL B. LONG
*Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR LONG: The Administration of the State of Illinois has carefully reviewed the Family Assistance Plan now under consideration by the Senate Finance Committee.

After extensive consultation and thorough consideration of the implications of the proposal, I am convinced that the program is fundamentally sound. The Senate has before it the greatest single opportunity to reform by one legislative act the way government treats poor people that any legislative body in this nation has had in three decades.

The President has adjudged our welfare system a "colossal failure." On the basis of my experience as the Governor of a major industrial state I must agree.

The present system is a waste of state and federal money.

It is a system that no one likes. And for good reason.

I have heard Illinois residents complain of intolerable injustices in the system. Benefits are granted begrudgingly, without dignity and often arbitrarily. Desertion of families by fathers is encouraged. The present system builds in incentives not to work.

I have also seen another side. The system places state government in an impossible fiscal and administrative situation. I have seen astronomical growth in caseload insidiously eat up moneys planned for other important state programs. I have watched these incredible increases in our caseloads undermine the ability of my state to deliver services such as child care, job training and work referrals which are badly needed to get people off of welfare. These sky rocketing costs have diverted scarce dollars from housing, education and health programs which are essential to break the dependency cycle. I have experienced the frustration of seeing directives not carried out because the system is unwieldy and hopelessly complex.

To my mind the present welfare system is the single greatest threat to the continuing vitality and fiscal health of the state.

This archaic and haphazard system simply must be reformed. The Family Assistance Plan is the way to do it. Meaningful improvement can come only from the bold and comprehensive change mandated by this landmark legislation.

The Family Assistance Plan would benefit the citizens of Illinois and other states in the following ways:

(1) It would provide, for the first time, federal assistance for families in which the father works full time but does not earn enough to keep his family out of poverty. It would do this with the most effective mechanism I know—dollars, rather than services, the effectiveness of which we have no adequate ways of measuring. I believe this approach gives the poor a freedom of choice in purchasing goods and services that will inspire those qualities of human dignity and motivation essential for true human renewal. Moreover, the Nixon plan giving an earnings supplement to the working poor builds in a direct dollar incentive to work. For many worthy citizens of Illinois, Family Assistance will provide deserved and significant new help.

(2) It will require fundamental changes in the administration of welfare which are long overdue. Enactment of Family Assistance would clear away what the President has described as a "federal welfare quagmire" and permit the states to revamp their welfare delivery system. Only if eligibility determination for financial assistance is separated from the provision of the myriad of social services, can better management be achieved. In Illinois, in anticipation of the enactment of legislation such as this, we have already taken steps to test out the basic precepts of the President's plan in a designated geographical area. We need and welcome the challenge and the opportunity this legislation provides.

(3) The plan will assist the states to meet the crushing fiscal burdens of welfare. Figures now available show ADC costs for August were fully 43% over the costs just one year ago. This is a rate of growth that totally dwarfs our annual revenue growth of 6%. Its size means that we must either cut back severely on existing state programs in other important areas, or place further strains on a state revenue structure that is highly regressive compared with the federal. Neither of these alternatives is sound in policy or makes sense to the people.

I have repeatedly urged the federal government to come to the aid of the states with revenue sharing. For the same reasons, it must more fully fund welfare costs. The Family Assistance Plan is revenue sharing now. This is the real New Federalism.

Many shortcomings of the welfare system today exist because we have merely tinkered with its details and ad'd band-aid solutions, thereby warping its underlying objectives. The result is an unworkable system for moving people out of poverty into the mainstream of American life. It is my strong hope that well-intentioned efforts to improve the Family Assistance legislation will not be responsible for its failure. It is time for all persons truly interested in the improvement of our welfare system to come to the support of this legislation.

It is imperative that the states that bear the most direct responsibility for welfare have a major voice in shaping welfare reform policy. We all know that this legislation does not provide the full federal funding of welfare that the National Governors' Conference has sought. In my own budget message last April, I called upon the federal government to assume this cost and said "The greatest single contribution that the federal government could make to state and local government would be to pay all public aid grants." Nonetheless I am convinced that the Family Assistance Plan is a giant step in this direction.

We must recognize and accept the administrative problems which are inherent in shifting from the entrenched system to this new departure. But we

cannot let these considerations distract us from the benefits this change will bring. We should not wait for the achievement of perfection while the vicious poverty cycle in this country continues unabated.

No one piece of legislation could do everything I would like to see done in the field of social welfare.

The Family Assistance Plan is the right beginning. There will be other opportunities for further reform. I am convinced they will come only if we succeed in this initial effort. Only if we turn the corner with this legislation will we be able to meet the pressing demands for similar fundamental reform in medical care and other essential programs.

As the Governor of Illinois I stand four square behind the Family Assistance Plan. I urge your prompt and affirmative action on this legislation. Your vote for the Family Assistance Plan can herald a new opportunity for both the States and the Federal Government.

Sincerely,

RICHARD B. OGILVIE,
Governor.

STATEMENT BY HON. ROBERT DOOKING, GOVERNOR OF KANSAS

Thank you for the opportunity to express my views concerning the Family Assistance Plan.

The operation of public welfare is a matter of critical importance to the citizens of Kansas and the United States. The concern is justified. The demand for reform is imperative. A balance must be struck between the concern of the taxpayer and the needs of the poor and the needy.

State and federal statistical information points up the fact that more and more people are becoming recipients of the program. As members of an affluent society, we find it difficult to recognize there is a growing number of poor people among us. Because so many of us are tuned in to the concept of work, we have a tendency to think that any person not working is not doing so by his own choice.

The failure of the social welfare program is not related simply to the manner of operation and purpose since 1937, but it is directly related to the failure to know how to work effectively with the poor and the needy. There is a breakdown of the various social systems making up our American society.

President Nixon has proposed a Family Assistance Program. It is significant that as President he is willing to make this kind of proposal and willing to talk in terms of a basic living allowance for poor families. He recognizes that we have a mobile population and we need to be thinking in terms of national rather than state-by-state standards. He is cognizant of the need for welfare reform.

The public is demanding reform. It is concerned about the rehabilitation of clients. It is interested in developing independent rather than dependent persons. There is a feeling that reform has to be total so that all programs are disbanded and something new is provided to take its place. The difficulty with this approach is that because of the complexities of the problem we are trying to solve, any kind of sweeping total change is doomed to failure because of the inability to develop consensus. Also, when reform involves the millions of people who depend on the welfare program, there is a necessity to deal realistically with the potential caseload and to phase-in any kind of reform program over several years so no governmental unit is swamped by additional caseload and costs.

We can no longer afford to have every governmental unit involved in every kind of social services to the citizens. We must establish priorities, governmental unit by governmental unit. They must not overlap and duplicate each other but provide specialized services in a total and comprehensive way. As one governmental unit assumes a total service, this would free dollars and manpower so another unit can assume responsibility in a particular field. I prefer the federal government assume a total responsibility for the cash grants and medical services for the poor and needy with the states removing themselves from these particular fields and assuming a total responsibility for some other social needs such as education.

Realistically speaking, it is not possible to make this transition in a period of six months. This type of reform needs to be spread over a period of time so that various governmental units can cope with the reform consequences as they become apparent. I recommend that we have a phased program of greater federal assumption, especially on the cash grant side of the program.

The first phase might be for the federal government to make all of the adult categories of public assistance a part of the social security program. This means that persons on Old Age Assistance, Aid to the Blind, and Aid to the Disabled would be integrated into an existing social security plan. At the same time, these people could be related to the medicare program, thus eliminating the necessity of federal and state involvement in a separate medical program, presently called medicaid. If this effort had taken place during the 1970 fiscal year which closed June 30, 1970, it would have meant that in the State of Kansas the savings in state and county funds would have been approximately \$17.8 million.

The next phase of the program could be the federal assumption of cash grants and medical assistance for families related to Aid to Dependent Children. If this had taken place in the fiscal year 1970, it would have meant a savings of \$19.6 million in state and county funds for Kansas.

In a specific way, let me make these comments concerning the advantages and disadvantages of the presently proposed Family Assistance Plan.

The advantages are as follows:

1. Presidential support of the principle of nationwide minimum federal payments to dependent families with children is good. It stresses the family, the father in the family and the father struggling through work to keep the family together.

2. It provides additional income to the working poor with families.

3. There are no eligibility requirements that a household be without a father.

4. There are provisions for work allowances and work incentives.

5. There is an expansion of job training and day care facilities.

6. It provides uniform standards for adult categories.

The disadvantages are as follows:

1. There is an inadequate amount of payment standard both in FAP and adult categories. The floor and minimum standards would provide little benefit to individual recipients in Kansas. We are already in excess of the standard.

2. There is complication in administration because of federal responsibility for basic FAP payment and state or state-federal contract the responsibility for the supplement. This is further complicated by retention of state administration of the adult categorical programs.

3. There is an absence of assurance of work opportunities which accompany work and training requirements.

4. There is an absence of provision for single individuals and childless couples.

5. The states previously making maximum fiscal effort may benefit less proportionately than the states which are not.

6. A critical area which is of concern, I am sure, to every governor in the United States, is that the "hold harmless" provision prevails only to the maintenance side of the program. This means that the states have no protection against the federal agency coming in and picking up or insisting upon additional state support to maintain other programs. For example, if the congress the house subcommittee on agriculture passed out of committee a provision that the states would start assuming the administrative costs of the food stamp program starting at 2½ per cent of the over-all costs going on a phased basis up to 10 percent of the costs. It is this kind of provision from which the states must have some protection. The "hold harmless" provision must cover the total program so that in fact the states can assume there will be savings not simply in the maintenance side of the program, but that there would be total savings in the welfare program.

Thank you for this opportunity to present testimony to your committee.

STATE OF NEW YORK.
EXECUTIVE CHAMBER,
Albany, September 10, 1970.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building
Washington, D.C.

DEAR SENATOR LONG: I regret that I have been unable to schedule an opportunity to appear before your Committee in person. However, I am most anxious to see that my views on the President's Family Assistance Act (HR 16311) are placed on the record.

In my testimony before the House Ways and Means Committee on October 31, 1969, (copy attached) I supported the basic concepts of the Family Assistance Plan. I still support these basic concepts strongly. During the current period of economic crisis a clearly *national* welfare system with uniform eligibility and minimum standards is of growing importance. Equally important is a modernization of the financing system which will place a greater share of the costs of welfare on the Federal government which has the growth revenue to support them.

There can no longer be any doubt that welfare is a national problem. The growing concentration of the poor in urban areas can be traced directly to national immigration policies, national economic development policies and to a national failure to meet the pressing domestic problems which breed poverty and dependency. State action alone cannot solve these problems and State and Local government should no longer be expected to bear the crippling financial burden which welfare has placed on them.

A substantial increase in Federal financial support at this time is vital if the States and localities are to have the resources they require to continue to meet the pressing needs of their citizens. Additional State and local action is clearly needed in areas such as housing, drug abuse, crime and education and the Federal government must act now to free existing resources so that new programs can be initiated.

The President's Family Assistance Act includes another extremely important basic concept—the concept of a work incentive. Traditionally work has been viewed as the answer to welfare and though the concept is an old one, it cannot be ignored. The mandatory work and training requirement combined with the work incentive, the expansion of day care and a greatly expanded training program are important aspects of the President's bill. I support these provisions. In addition, I strongly urge increased support for the development of new day care facilities and the training of needed staff. I also believe that a substantial Federal effort must be made to create and support new service-oriented employment opportunities so that there will be jobs when training is completed.

In New York State I intend to build upon the work incentives contained in this Bill to see that their full import is realized. Public Assistance is a vital government service, but it is equally important that government offer a workable alternative to the poor so that continuing dependency can be eliminated.

In addition to the general concepts of the President's Plan, there are a number of specific elements some of which have an adverse effect on New York State and which, in our view should be corrected. These include:

1. The proposed amendments would eliminate the Federal requirement for State supplementation of the unemployed father's category and eliminate Federal matching for such State payments. New York State has traditionally provided supplementary assistance to its working poor and would continue to do so under the Family Assistance Plan. The effect of this amendment on New York State would, therefore, result in a loss of 30 per cent Federal sharing of the State's supplementary payments to the ADC-U caseload. We are equally concerned, however, of the nationwide effect of deleting the Federal requirement that states make supplementary payments to the working poor. Since there are but six states currently providing support to the working poor, elimination of this requirement would perpetuate existing disparities in levels of support.

2. Federal assumption of administrative costs relating to the payment of benefits and related eligibility determinations is a step in the right direction. However, I still feel that the ability of state and local governments to adequately meet other pressing needs, such as education and public safety, can only be achieved by relieving them of their financial responsibility for welfare. I, therefore suggest that a Federal Task Force be established to study the eventual take-over of the welfare programs and that the bill contain a schedule of dates on which specific portions would be assumed by the Federal government.

3. The amendments provide that individuals and families with incomes below the poverty level receive services without charge while those with incomes above the poverty level would be required to pay a fee for certain services, according to their level of income. However, since public assistance payments would be considered as family income, practically all New York State welfare recipients would be required to pay for services because our public assistance grants are slightly above the poverty level because of the higher costs of urban living. I strongly urge that this section of the bill be rewritten to provide that social services be furnished at no cost to all welfare recipients and that a graduated

schedule of fees should only be charged to persons not in receipt of public assistance.

4. The same eligibility problem arises with day care as outlined under item 3 for social services. It is estimated that the existing income provisions would eliminate seventy-five per cent of the day care provided in the City of New York. Here again, I feel that this is an unrealistic provision.

5. The bill should be amended to include a schedule which will guarantee food stamp eligibility at its current level. The Food Stamp Plan has proven so successful in New York State that we feel that the schedule of eligibility should be established and stabilized by Congress rather than administrative action.

6. I am particularly concerned about the amendment which would "fix" the amount of Federal funds available to the states on a yearly basis. It has been estimated that millions of persons will become eligible as a result of the Family Assistance Act. Since these additional persons will be requiring services by State staffs, the lack of Federal funding could seriously affect the State's ability and willingness to provide these services at state and local expense.

7. The assumption of certain administrative services by the Federal government will undoubtedly require the transfer of thousands of employees to the Federal payroll. In order to protect the rights of these employees, I feel that a transfer provision should be added which will guarantee tenure without further examination and provide for the transfer of benefits, such as retirement credits, which they earned prior to their transfer.

In conclusion, I support the President's Family Assistance Act as a workable first step toward the complete Federal financing of a uniform national welfare system. While I will continue my efforts to secure 100% Federal financing of welfare, I urge Congress to act favorably on this Bill now so that we can begin the needed improvement in our present welfare system without further delay.

Sincerely,

NELSON A. ROCKEFELLER.

STATEMENT OF HON. WILLIAM T. CAHILL, GOVERNOR OF NEW JERSEY, ON THE
FAMILY ASSISTANCE ACT

The Family Assistance Act pending before the Committee would provide the framework for the most significant reforms of our public welfare system since the passage of the Social Security Act in 1935. I wish to affirm my strong support for the basic concept of family assistance outlined in this Act. Particularly important are those provisions of the legislation which would extend federal benefits to the unemployed and working poor, establish nation-wide minimum standards of support for adult recipients and families, mandate uniform and simplified eligibility requirements, and expand manpower and day care programs for low income families. The enactment of these provisions into law will be a fundamental step toward the goal of an efficiently administered welfare system which provides adequate benefits for all those in need.

We anticipate that the bill now before you would have a substantial impact on the administration and financing of public welfare in New Jersey. It would not, however, significantly change the level of benefits or extent of coverage in the State. For many years, New Jersey's standards of support in its categorical programs have been consistently among the highest in the country. Moreover, beginning in 1969, New Jersey extended coverage to working poor families—without federal matching funds—with the same benefits and earnings incentives as AFDC families. Because of New Jersey's high benefits and broad coverage, the impact of the Family Assistance Act upon our State would be different than most others. From this perspective, I would like to suggest for your consideration a number of changes which should be made in the pending legislation.

First, the level of basic federal benefits to families should be raised.

Second, several modifications should be made in the earnings incentives proposed in the legislation.

Third, federal matching should be provided for states which voluntarily supplement the benefits of unemployed and working poor families.

Fourth, the poverty level ceiling on State supplementary benefits should be removed.

Fifth, employment income and non-employment income of recipients should be credited proportionately against basic federal benefits and state supplementary benefits.

Sixth, this legislation's new penalties against deserting parents should be eliminated.

Seventh, the radical changes in Federal-State relationships with respect to the administration of social services, as embodied in the new Title XX should not be adopted at this time.

I. THE LEVEL OF BASIC FEDERAL BENEFITS TO FAMILIES SHOULD BE RAISED

It is clear that the level of basic federal benefits to families proposed in this legislation is insufficient to support needy families. The level of \$1600 for a family of four is less than half of the official poverty level of \$3720. An increase in the basic federal benefit level would greatly improve the well-being of unemployed and working poor families in all states, as well as broken families in those eight states which will not be required to supplement. This increase will also reduce the disparity between high-benefit and low-benefit states and will give added financial assistance to those forty-two states which will be required to supplement. Because of the large federal expenditure required to raise the basic floor under family benefits, I recognize that it may not be feasible to do so in this legislation. However, I would hope that Congress will at least state its clear intent to raise the level of basic federal benefits as soon as fiscal circumstances permit.

II. SEVERAL MODIFICATIONS SHOULD BE MADE IN THE EARNINGS INCENTIVES

The amended version of the legislation now before you provides that families will be permitted to retain \$60 plus one-third of monthly earnings without having grants reduced in states paying supplementary benefits. Moreover, earned income is defined as earnings *net of federal personal income tax* paid or withheld.

I concur with the intention of the legislation to provide a moderate and consistent work incentive for families. However, I urge you to retain the original definition of earned income in the House bill in order to eliminate the provision that personal income taxes will be subtracted before the earnings disregard is applied. Failure to eliminate the deduction for federal income tax will substantially increase the cost of the program to the states and federal government and will also substantially increase the number of persons who are eligible for state supplementary benefits.

Under the Tax Reform Act of 1969, families with less than poverty level earnings do not pay any federal personal income taxes. However, family earnings exceeding that level are taxed at rates exceeding fifteen percent. In high benefit states such as New Jersey, deduction of federal personal income taxes, in addition to the income disregard of \$60 plus one-third of monthly earnings, would increase the amount of required state supplementary benefits and would raise the break-even points at which supplementary benefits are terminated. Suppose, for example, New Jersey's family payment levels are set at the poverty line. The following chart indicates the impact of a federal income tax deduction on the break-even points for female-headed families of two, four, and six persons:

Family size	Payment level	Break-even point without deduction	Break-even point with deduction
2.....	\$1,920	\$3,600	\$3,972
4.....	3,720	6,300	6,979
6.....	4,820	7,950	8,729

Note: Assumes that \$60 plus one-third of monthly earnings is disregarded for all families.

It is clear from this table that the increase in supplementary payments required by the federal income tax deduction will be substantial, thus increasing the cost to both state and federal levels of government.

The federal income tax deduction will also increase the number of families eligible for state supplementary payments because, unlike the provisions in present welfare legislation, the earnings exemption would be applied in the determination of *initial* eligibility. The legislation states that \$60 plus one-third of monthly earnings will be disregarded "for purposes of determining eligibility for and the amount of supplementary payments to a family. (Sec. 452 (b)) Thus, retention of the federal income tax deduction will set the initial eligibility

levels in the examples given above at the amounts in column (4) rather than column (3). In the absence of detailed 1970 census data, it is impossible to estimate the impact of this provision, but it will clearly be large.

In the consolidated adult category of Aid to the Aged, Blind and Disabled, earnings incentives should be made uniform for all groups of recipients. In a combined category, it does not make good sense to perpetuate distinctions based on classifications which were formerly administered separately.

III. FEDERAL MATCHING SHOULD BE PROVIDED FOR STATES WHICH VOLUNTARILY SUPPLEMENT BENEFITS OF UNEMPLOYED AND WORKING POOR FAMILIES

One of the essential goals of any welfare reform measure should be the elimination of disparities between benefits paid to families with absent fathers and intact families with unemployed or working poor fathers. The pending legislation takes a long step toward that goal by extending basic federal benefits to unemployed and working poor families. This step significantly reduces the "incentive to desert" which is built into the present system.

Ideally, the legislation should be amended to require state supplementation of families with unemployed and working poor fathers on the same basis as families with absent or disabled fathers. Since this step is apparently beyond the fiscal capability of the federal government (and some states) at this time, I suggest that federal matching funds be provided for states which voluntarily chose to supplement basic federal benefits for unemployed and working poor families. Such a provision would give encouragement and support to states wishing to take this step without requiring unreasonable amounts of additional federal expenditures.

IV. THE POVERTY LEVEL CEILING ON STATE SUPPLEMENTARY BENEFITS SHOULD BE REMOVED

The national standard for poverty incorporated into the pending legislation does not take into account state-to-state variations in minimum standards of adequate income for the poor. We have found that a sizeable fraction of our AFDC cases in certain parts of the State require more income to meet their elemental needs than would be provided under a poverty-level standard. Removal of this arbitrary restriction would not significantly increase federal expenditures since only a very few states would be affected. It would also spare New Jersey considerable administrative expense in applying the ceiling to its supplementary benefit cases.

V. EMPLOYMENT INCOME AND NONEMPLOYMENT INCOME OF RECIPIENTS SHOULD BE CREDITED PROPORTIONATELY AGAINST BASIC FEDERAL BENEFITS AND STATE SUPPLEMENTARY BENEFITS

The dual system of federal and state benefits proposed in the Family Assistance Act results in certain inequities for the state which should be corrected. Under the present welfare legislation, the cost of providing income disregards for families is shared by the states and federal government according to the normal matching formula (50-50 in New Jersey). Like the non-employment income of recipients which reduces their benefits is credited against state and federal shares according to the matching formula.

Under the proposed legislation's dual system of benefits, however, the federal government will "tax 50% of the earned income of families while states paying supplementary benefits will "tax" 17% of such income. Thus, employment-related income of recipients will reduce the federal contribution to families about three times as much as it will reduce the state contribution.

Similarly, non-employment income of families is credited against basic federal benefits and must reduce such benefits entirely before it can be credited against state supplementary benefits. We estimate that less than 20% of non-employment income of New Jersey recipients will be credited against state supplementary benefits under the Family Assistance Act.

In order to preclude such inequities, I urge that the legislation be modified so that employment and non-employment income of families be credited proportionately against basic federal benefits and state supplementary benefits.

VI. THIS LEGISLATION'S NEW PENALTIES AGAINST DESERTING PARENTS SHOULD BE ELIMINATED

The Family Assistance Act provides that parents who desert their families and fail to place themselves under a court order for support would become liable to the federal government for the federal portion of benefits paid to their families in their absence. This liability would be collected either directly or by withholding payments due under any federal program. In my opinion, the penalties envisioned in this legislation would prove to be unenforceable, would be arbitrary and capricious in application, and would serve as serious deterrents to reconciliation of broken families. As instruments to discourage desertion, these penalties would be inferior to existing legal remedies which consider ability to pay, number of dependents, and circumstances of the desertion in setting the amount of legal liability of the deserting parent.

VII. THE RADICAL CHANGES IN FEDERAL-STATE RELATIONSHIPS WITH RESPECT TO THE ADMINISTRATION OF SOCIAL SERVICES, AS EMBODIED IN THE NEW TITLE XX SHOULD NOT BE ADOPTED AT THIS TIME

The proposed Title XX, which was not a part of the bill when considered by the House, would introduce extremely fundamental changes and dislocations in on-going Federal-State relationships with respect to the administration of social services. These changes would have critical impacts not only on the fiscal concerns of the States, but on the relationships of state government to its subordinate political structures. There has been insufficient opportunity for carefully developed input by the states into this radically new design.

I would recommend that those provisions of Title XX which would provide Federal matching funds for foster care, for a national adoption information exchange, and for "government assistance programs" be incorporated in the new bill but that all other provisions of Title XX be eliminated at this time and that the maintenance of social services as presently authorized under Title IV be continued until a better proposal can be devised.

I urge the members of this Committee to consider carefully the changes in the legislation which I am suggesting. I believe they would make the new system more easily administered and more equitable for recipients. Whether or not these modifications are adopted, however, I hope that this Committee will approve the essential elements of the Family Assistance Act. The defects in our present system are manifest: our obsolete programs are inefficient, inequitable, and inhumane. The proposals incorporated in the legislation you are considering will remedy many of those defects. Enactment of this Act will mark substantial progress toward the complete restructuring of our public welfare system in this country to make it more responsive to the needs of all our citizens.

TENNESSEE EXECUTIVE CHAMBER,
Nashville, Tenn., September 8, 1970.

Hon. RUSSELL B. LONG,
U.S. Senator, Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I am enclosing herewith a copy of a brief analysis of the proposed Family Assistance Act (H.R. 16311), prepared by my staff in the Office of Urban and Federal Affairs, with the assistance of the Department of Public Welfare and the Department of Public Health.

Should this proposed Act be enacted in its present form, it will have far-reaching effects on the budget and revenues of the State of Tennessee. As studies by many states confirm, the burden these new demands would impose upon State financial resources is uncertain. Our analysis, likewise, has indicated that the probable additional cost to the State of Tennessee could range between \$7 million and \$20 million in the first year. We are disturbed that the ambiguities in the proposed programs preclude more precise analysis.

Your attention is directed to the discussion in the staff report of possible costs in the areas of medical assistance benefits, manpower training and employment services, and the adult assistance categories. It would seem that Congress might give attention to reinforcing the security clause of Section 502 to the effect that the Federal Government assume all the states' future public assistance expenditures in excess of their Fiscal 1971 spending for those purposes.

You are aware, I am sure, that the legislation before you increases the responsibilities of the states while actually decreasing their participation in policy-making. If the Federal Government is to exercise more and more authority, it should, in our view, be willing to accept a commensurate portion of responsibility. I, therefore, continue to feel that the Federal Government should totally fund the public assistance system in the United States. The states cannot continue to be bound by criteria and standards which are established externally without due consultation. A public welfare system which diminishes the authority of the states while increasing our responsibilities is wholly unacceptable.

In light of the many uncertainties of the proposed legislation—which I understand are also of serious concern to other states which have evaluated the bill—it would seem to me that a two-year trial of the system in selected states would be more desirable than immediate implementation of the programs authorized by the proposed Act.

I trust that the attached report will be of assistance to you in your evaluation of the proposed welfare reforms and in your deliberations in committee and on the floor. If I can be of further assistance, please call on me.

Sincerely,

BUFORD ELLINGTON.

ANALYSIS OF THE PROPOSED FAMILY ASSISTANCE ACT (H.R. 16311), PREPARED FOR GOVERNOR BUFORD ELLINGTON, BY OFFICE OF URBAN AND FEDERAL AFFAIRS, DEPARTMENT OF PUBLIC WELFARE, AND DEPARTMENT OF PUBLIC HEALTH

The Family Assistance Act of 1970 is designed to give the nation a public assistance system embodying six significant characteristics:

1. A federally funded income floor, affording national uniformity of welfare payments;
2. National uniformity of eligibility requirements and administration;
3. Assistance to both unemployed and underemployed ("the working poor") families;
4. An effective work incentive built into the assistance structures;
5. Comprehensive manpower services incorporating training, employment, and childcare programs;
6. Nationally uniform programs, payments, and incentives for persons in the "adult categories," i.e., the aged, the blind, and the disabled.

To what extent these goals would be realized by passage of the Act, and at what cost to the public, are matters widely disputed. Formidable masses of testimony on these questions have accumulated in the hands of Committees and in the offices of Senators and Representatives. Changes in the proposed Act have come rapidly, and just as in the case of the original Act, their ultimate costs and results have not yet been reliably identified. Yet certain broad advantages and deficiencies in the legislation have become obvious, and to these some response is in order.

Most students of public effort in this area agree that the Federal revenue structure, rather than that of the States, is the proper foundation for a public assistance system. Among the salient potential advantages of a national welfare scheme are uniform criteria for eligibility, uniform payment levels, and ease of administration.

The Family Assistance Act directly addresses these possibilities of national uniformity, national funding, and national administration. In such concepts, it is progressive. And its promoters seldom fail to emphasize these points.

Yet the Act is seriously flawed, if offered as a Federal enterprise. The publicity given to the Federal undertaking obscures the fact that the Act not only decrees immense new Federal responsibilities, but also requires new State exertions—so large as to be unupportable by State revenue bases. Because of the complex variables written into the legislation, it is almost impossible to estimate the size of Tennessee's financial burden under the proposed system: the required increase in annual State welfare-related expenditures could range from a low of less than \$7,000,000 to a high of \$20,000,000 or beyond.

That flaw permeates the entire bill. For example, the Federal income floor supplied to a family of four would be \$1,600—about \$40 more than the present welfare payment to a Tennessee family of this size. But the Act gives the Secretary of HEW the power to require that the State add a supplement above this Federal floor—raising the family's income up to the "Poverty Index" level, if the Secre-

tary so desires. This index is \$3,720 for a family of four. The State supplement could therefore be as high as \$2,172, 30 percent of which is Federally reimbursable, leaving the State of Tennessee a net obligation of \$1,520—fully \$1,133 more than the present State payment. This represents almost a 300 percent increase in the State obligation to this hypothetical family.

Another example of the Act's possible consequences for States is in its "Adult Categories"—assistance to the blind, the disabled, and the aged. It guarantees recipients in these categories \$110 per month. At first glance, the Federal-State payment structure would introduce savings of \$11-\$12,000,000 for these programs in Tennessee in FY '72.

Yet the Secretary is given authority to set up the criteria for "permanent and total disability." In the opinion of Tennessee Welfare Administrators, any significant change in the new Federal disability criteria standards could reasonably be expected to double the present Tennessee "Aid-to-the-Disabled" rolls—at \$7,500,000 cost to Tennessee. The savings initially indicated thus would be whittled down to possibly \$4,500,000.

Furthermore, the Family Assistance Act provides new "income disregards" (income exempted from counting in determination of a recipient's needs) in the "Disabled" and "Aged" categories. This means that the total cost to the State of benefits to present recipients would increase, and also that more persons would be brought within the range of eligibility.

With Tennessee's projected FY '72 caseload of 85,000 persons in the two programs (Old Age Assistance and Aid to the Disabled), an average annual payment increase of only \$53 would wipe out the Act's \$4,500,000 "savings" remainder. Since the actual disregards would be in excess of \$700, it is reasonable to assume that the Act could involve a critical increase of both Federal and State expense in these two categories.

Proponents of the Act argue that even if such cost increases as those mentioned above do occur, nevertheless by Section 502 the States will be "held harmless"—not required to pay—for expenses in excess of their FY '71 expenditures for these programs.

But Section 502, as an effective State "umbrella" against program cost explosions, is open to serious question. First, the "cost-of-living" increase is automatic—adjusted annually; and it is not covered by the "hold harmless umbrella": State legislatures have no choice but to readjust revenues annually to meet it. It would also be quite large—prices have risen 5 percent to 6 percent a year in recent times. Second, Section 502 might be repealed or altered if the Federal government found itself suddenly burdened by the sort of expenses that most Non-Federal analysts predict the Act would generate. Third and most important, Section 502 does not protect the States against new expense in several programs which might experience tremendous upward cost spirals—for example, the Medicaid and the Comprehensive Manpower, Training and Employment Programs.

MEDICAID

Tennessee projects a 230,000 AFDC "person-population" in FY '72. The Family Assistance Act could double these family assistance rolls to 460,000 persons, all of whom would be eligible to use Medicaid. Statistics furnished by the Tennessee Department of Public Health indicate that current average monthly Medicaid utilization is 27 percent of the eligible population. So under the Act, Family Assistance benefit users might number 124,000 per month. The average monthly Medicaid cost is presently about \$30. Thus the Act could require State Medicaid expenses of \$3,720,000 each month, or \$44,640,000 per year, for Family Assistance Plan beneficiaries alone.

Medicaid would also be available to those on the "Adult Category" rolls—projected at just under 100,000 in Tennessee in FY '72. At 27 percent utilization per month and an average monthly medical assistance check of \$30, these 100,000 persons would draw medical benefits of \$9,720,000 annually. It also should be noted that these figures do not reflect the increased-caseload potential that the Family Assistance Act affords. Neither do they include the administrative costs of the Medicaid program, matched on a 50% Federal-50% State cost basis.

In conclusion, State expenditures for medical assistance in the family and adult categories as heretofore enumerated (and exclusive of administrative costs and considerations of increased caseloads) could total \$54,360,000 annually—75 percent of which would be Federally reimbursable, leaving Tennessee's possible medical-service burden in the range of \$13,500,000 annually, more than two times Tennessee's present effort. Under Section 502 these expenses are ignored.

MANPOWER SERVICES

First, these programs are currently organized in Tennessee on a regional basis. To keep pace with the increased rolls in each county and to effectively coordinate training and employment registration with assistance enrollment (as required by the Act), the administrative apparatus of the manpower programs would have to switch to a county-based structure. In terms of personnel and office space required, this expansion will be quite costly to Tennessee. It is an expense not eligible for coverage under Section 502.

Second, the number of persons required by the Act to register for job training and placement will be greatly in excess of the present level. The WIN program in Tennessee could be forced up to many times its present size. This expense will not be covered by Section 502's "umbrella."

A third problem that would be introduced is that of Federal data obsolescence. In the present welfare system, states supply data quarterly to the Federal government. In the past, Federal offices have taken about two years' time to assimilate this data. In a Federally financed and administered public assistance system, this sort of obsolescence of information would hamper program effectiveness. States might be forced to rely on such two-year old data in calculating their own medical and employment program appropriations—a serious handicap.

Fourth, expansion in Tennessee's work training programs will create a critical need for more day-care programs and facilities for children of trainees. S-4104, the Federal Children Corporation Act (a companion bill to the Family Assistance legislation), would address this nationwide need by providing extensive Federal support of children centers. This proposal or some other form of direct and continued Federal childcare assistance is needed.

Finally, it should be noted that retraining should be required or offered only when there is reasonable probability of an employment opportunity at the conclusion of the retraining. It is a sad but certain fact that in many economically depressed areas this will not always be available. Moreover, in times of regional or national recession—such as the one we are currently experiencing—there is no guarantee that any retraining and placement programs would prove a panacea for unemployment.

Rather than legislate a rigid rule of retraining, the public interest would be better served if Congress were to inject an element of flexibility into welfare appropriations, to allow public investment in economic development and recovery of areas where unemployment is high. Incentives to business development, such as tax credits and other devices, might be considered. Such regional development efforts often will do far more for needy citizens than would a costly initial job training program with insufficient or uncertain job demand at its end. Also, some thought might be given to publicly sponsored work programs (environmental projects, for example) as an alternative in some situations to costly retraining programs.

From the above reasonings, it is clear that Tennessee should vigorously insist that Section 502 be amended to protect states from being overwhelmed by the Family Assistance Act's possible costs of supplementation, health-care services, comprehensive manpower training and employment programs, and administrative expenses of the legislation.

A number of brief observations remain to be made. We feel that the State should strongly endorse the provision in Title XX for allowing Governors, on approval of a submitted plan, to transfer a portion of HEW grant funds from one program to another. We feel that Tennessee should favor making available Federal matching funds for State executive planning and management improvement programs and urge that provisions be made to fund Federal-administrator internships within state governments. Tennessee should endorse strengthening of the foster care and adoption programs.

Also, it is difficult to understand how the Act could result in national program uniformities, providing as it does for four (4) options for program administration. (I resent programs have two basic options.) In truth these are not "State options." States may only *negotiate* for one of the four alternatives with the Secretary of HEW. And states will probably be able to afford only the alternative of complete Federal administration. Yet states finding themselves overburdened by administrative costs (for example, the Act's mandatory quarterly determination of eligibility, which in Tennessee would result in a 300 percent per year increase in administrative effort over the present) have no guarantee whatsoever that the Federal government will assume the administrative function. Even if the Federal government did so, there would still remain the con-

fusing question of how state legislatures would be approached each year for their share of welfare appropriations. There would also be an isolation of the Federally operated family assistance programs from the intimately related State services in health and manpower training.

As for the work-incentive elements of the legislation, their net worth will have to be considered from two standpoints. First, they should make it more rewarding financially for a man to work than to remain unemployed. The amended bill does this more consistently than did the prior version. Second, "cost-benefit" calculations for the incentive program (including companion legislation designed to increase employment opportunities) should take into account not only the additional expenditures required but also the increased income taxes to be paid by welfare recipients, the increased GNP to result from their employment and the physical and psychological benefit of having an opportunity to work (if this is provided by either public or private enterprises).

Many analysts have questioned whether the Family Assistance Act incentives, combined with other opportunities Congress might provide, could cause many beneficiaries to work themselves completely off the public assistance rolls. But even if it failed to accomplish this, the Act would still be entitled to a "net worth" evaluation according to the sort of criteria outlined above. And it is quite possible that this sort of analysis would require a full-scale trial run of the entire program.

It is unfortunate that legislation of such scope and import as the proposed Family Assistance Act contains so many uncertainties and is so widely questioned. Senator Abraham Ribicoff has voiced the sentiments of many by calling for a prior trial of the programs in several states. It has been widely reported in the past week that the administration is willing to consider a variation of such a trial, conducted for one year's time, and followed by nationwide implementation of the Act.

We feel that Tennessee should call for a similar experiment, but one of at least two years' duration. One year's time is hardly sufficient to effect a change-over to the new programs; results obtained from the hasty New Jersey trial were obviously inconclusive. A longer test program is preferable, with monitoring and evaluation by the U. S. General Accounting Office.

STATE OF WASHINGTON,
OFFICE OF THE GOVERNOR.
Olympia, Wash., September 3, 1970.

Hon. RUSSELL B. LONG,
*Old Senate Office Building,
Washington, D.C.*

DEAR SENATOR LONG: Enclosed for your information are letters from me to the Governor of each state and to each member of our Congressional delegation, as well as a letter to me from HEW Secretary Richardson.

I thought that you would be interested in this correspondence as a part of your deliberations on the President's Family Assistance Plan. I would like to emphasize that with the changes that Secretary Richardson has agreed to present to your committee, I can wholeheartedly support the Family Assistance Plan although there are a few other areas in the plan which could be improved.

Sincerely,

DANIEL J. EVANS, *Governor.*

COPY OF LETTER SENT TO GOVERNORS, AUGUST 27, 1970

Late in July, I sent you the impact of the Family Assistance Plan (HR 16311) and indicated some of the problems in the legislation as presently drafted. Subsequently, members of my staff met with representatives of the Department of Health, Education, and Welfare, and reached agreement on certain substantive issues. In my opinion, these changes would resolve, with certain exceptions, the major problems in the plan.

The major changes on which agreement was reached are:

1. Expenditures for Aid to Families with Dependent Children-Unemployed Parents and Aid to Families with Dependent Children-Foster Care will be excluded from the expenditure base for computing the "hold safe" requirement.
2. The wide discretion granted to the Secretary of Health, Education, and Welfare with respect to payment levels under State Supplementation apparently

has already been discussed with the Senate Finance Committee. If this discretion is not modified by the Committee so as to make mandatory consultation with the states on these payment levels explicit in the law, HEW has agreed to include such a provision in the rules.

3. If sufficient funds are not available to the states, expenditures under Title XX can be limited on the basis of a state's own priorities although a balanced program of services will be necessary. Additional services could be provided by municipalities with a population of 250,000 or more if there were sufficient local funds. Non-federal expenditures for services must be at least as high as fiscal 1971.

4. Under Title XVI the recognition of the economy of shared living arrangements was considered by HEW to be implicit in computing the \$110 standard. HEW agrees, however, that this requirement should be made explicit in the law.

5. Under the emergency assistance provision of Title XX, the intent apparently was that the states define the conditions and content, with the Secretary of HEW setting the outer limits. HEW agrees, however, that the law should be modified to indicate that "emergency" is to be defined by the state.

The representatives of HEW considered that our suggestions with respect to Title XIX would be more appropriately considered with the health insurance legislation to be introduced next February rather than in connection with the Family Assistance Plan legislation as such. HEW will work with the states on appropriate modification of Title XIX prior to the submittal of such legislation.

We still have a concern that a state might not be able to meet its fiscal obligations under the bill at some time in the future. HEW has agreed to work with us to develop language that will permit the Secretary to waive part of a state's liability, should serious fiscal problems develop.

Although we still have certain questions about some aspects of the law, e.g., the liberalized definition of disability, and the fragmentation of services that would be possible if cities of over 250,000 instituted their own services program, the above changes overcome our major financial objections to the legislation. We have always been in favor of the intent of the Family Assistance Plan, and, with these financial modifications incorporated in the legislation, we will give it our firm support.

One further area that you may wish to examine is the provision in Title XX of the bill which permits cities of over 250,000 to elect to operate their own social services program. This could make the equitable provision of social services extremely difficult in many states, and interposes another level in an already complex system. I urge that you carefully examine the impact of this provision on the ability of your state to deliver services effectively.

I trust that you and your staff will review the suggested changes and the impact on your state. Given these changes, the "hold safe" provision appears to become a substantive rather than nominal limitation on state expenditures. We have appreciated the positive attitude of HEW staff and consider that solid progress has been made.

We hope that you, like ourselves, will support the legislation as modified.

Sincerely,

DANIEL J. EVANS, *Governor*.

COPY OF LETTER SENT TO WASHINGTON CONGRESSIONAL DELEGATION,
AUGUST 28, 1970

Enclosed are copies of a letter from Secretary Richardson to me and a letter that I have sent to each state governor. If these modifications are made to the Family Assistance Plan now before the Senate Finance Committee, our state will be able to move into the FAP without incurring more serious financial problems than we now face. With these changes, I feel that I can endorse the FAP.

There are two remaining areas that I believe could be improved by the Congress. One is the definition of disability. While it may be desirable from a program standpoint to liberalize the welfare definition of disability to that used by Social Security, this change will increase *both* Federal and State expenditures at a time when it will be difficult for our State to absorb this increased cost.

The other provision in the bill to which I object will permit cities of over 250,000 to elect to operate their own social services agency and program. As you know, we are making major strides towards developing an integrated system for the delivery of numerous health, social and correctional services in our new Department of Social and Health Services. If the local option provision for cities

over 250,000 remains in the bill, at the very time we are making significant progress towards creating a comprehensive delivery system, the FAP will substantially impair our capacity to deliver those services in our major population center. Thus, if Seattle elected to administer Title XX services, foster care, protective services and family counseling would be separated from Probation, Parole and Mental Health Services, which would remain a statewide service under our Department of Social and Health Services. As you know, these multiple services often impact upon the same persons. To so fracture our service delivery system, as could be required by the FAP, will inevitably be detrimental to those persons who need these services.

The local option provision could also lead to unfortunate variations in program content between Seattle on the one hand and neighboring cities such as Everett and Tacoma on the other. While a flexibility that permits local variations to meet local needs is desirable, this can better be achieved in our State through a single program delivery system which can focus on all of the needs of target groups in each locality. (I also note that in those states with county-administered welfare programs the circumstances could be even more distressing, since separate programs will be able to be operated by a city even though surrounded by a county-operated system.)

I urge that the Senate Finance Committee either delete entirely the local option for cities over 250,000 or, if that is not possible, then adopt a proviso which will allow states such as Washington which operate comprehensive social and health programs (as defined either in the bill or by regulations of the Secretary) at the state level to continue to operate these programs.

I hope that this material will be of assistance to you in your consideration of the FAP. I appreciate very much your response to staff visits and materials from our Division of Public Assistance. If they, or my office, can be of further help, please let me know.

Sincerely,

DANIEL J. EVANS, *Governor.*

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., August 11, 1970.

HON. DANIEL J. EVANS,
*Governor of Washington,
Olympia, Wash.*

DEAR GOVERNOR EVANS: I appreciate the opportunity that your recent letter afforded for fruitful discussion between your State personnel and members of the staff of this Department. On the basis of these discussions it appears possible to resolve most of your questions in a mutually satisfactory manner.

We agree with your point that a State's expenditures for the aid to families with dependent children-unemployed fathers programs (AFDC-UF) and Federally-matched foster care provided under the AFDC program should be excluded from the 1970-1971 State expenditure base to which the savings clause applies.

With respect to the proposed minimum income standard for the adult categories, we believe that it is implicit in H.R. 16311 that the value that derives from shared living arrangements, e.g. the value of housing and other daily expenses derived from living in a child's home, should be taken into account in determining whether the \$110 per month income floor is being met. However, I will be glad to suggest to the Senate Committee on Finance necessary legislative language to make this policy explicit.

We can appreciate your concern about the Secretary's apparently wide discretion in establishing the "payment level" for the purposes of the state supplementation of family assistance (FAP) benefits. This section of the bill has been a subject of discussion with the staff of the Senate Committee on Finance and, if the language is not modified to clearly establish the intended level, I will recommend that legislative language require the Secretary to establish the level only after consultation with the individual states.

In regard to service requirements for State plans for social services under the proposed new Title XX, I am willing to accept your suggestion that if sufficient Federal, and/or State funds were not available for the program, the State would have the prerogative of limiting the services to be provided, based on its own priorities, but consistent with a reasonable balance of services. Such limitation would in no way limit local governments from expending their own funds in order to provide additional services. It would be provided that this

provision would operate only when (except as indicated later) the non-Federal expenditure for the purposes of the program are at a level at least as high as during the fiscal year ending June 30, 1971.

The intent of Title XX in defining an emergency assistance program was to give States broad authority to define situations under which emergency assistance is necessary, and to give the Secretary authority to set outer limits for purposes of Federal participation. I will be happy to propose that the States' authority be made explicit by inclusion of legislative language such as "In an emergency as defined by the State." The clause would, I understand, resolve your problem with this aspect of the program.

We understand that extraordinary fiscal and economic circumstances might require some States to reduce the levels of payments below the January 1970 levels specified in Titles IV and XVI and to spend less on services than those amounts expended in FY 1971. I would be willing to explore further with you the inclusion of language in Titles IV, XVI and XX which could permit the Secretary under such extraordinary circumstances to waive maintenance-of-effort requirements upon approval of a State's case for such a waiver.

We do not see any likelihood of resolving your concerns about the medical assistance (Title XIX) program through amendments to H.R. 16311. However, I am asking the Department staff now developing the Family Health Insurance proposal to work closely with your State and others in working out these problems in the context of this important new Administration initiative. I am confident that the health insurance legislation, to be submitted to the Congress early next year will offer you a better instrument with which to accomplish your goals in this area.

I appreciate you and your staff taking the time to assist us on the Family Assistance bill. I know that we have profited greatly from your State's contributions, and I trust that you are pleased with the progress we are making in the development of this historic program.

Sincerely,

ELLIOT RICHARDSON, *Secretary.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., September 16, 1970.

HON. RUSSELL B. LONG,
*Chairman, Senate Finance Committee, U.S. Senate,
Washington, D.C.*

DEAR MR. CHAIRMAN: I want to bring to the attention of the Senate Finance Committee my hope that the Senate will have an opportunity to act on H.R. 16311, the proposed Family Assistance Act of 1970.

I voted in favor of the bill when it was approved by the House on April 16th, but there are a number of areas in the program where I believe changes are vitally needed.

I believe that one of the features of the present welfare system which places a particularly heavy burden on the taxpayers of New York is the wide disparity of benefits existing among the several States. Responsible public officials in New York are constantly asserting that the State's heavy welfare burden is aggravated by the disparity which attracts indigents into the State to take advantage of the liberal welfare payments.

It is true that the Administration proposal will make a substantial contribution toward improving the lot of the public assistance beneficiaries who live in the poorer, less-industrialized States. However, the disparity in benefits among the States will remain, and I do not believe that the provisions of the bill are going to end the migration of the poor and jobless into New York.

I am also disappointed in the failure of the House-approved bill to require a much larger Federal sharing of the additional State costs over and above the basic Federal \$1600 grant. The welfare budget of Onondaga County, New York will rise from nearly \$54 million to nearly \$64 million next year, an increase of 18.8%. A full 25% of this burden is carried by the property tax payers of that County. I am hopeful that the Senate will adjust substantially upwards the House figure of 30% Federal sharing of the amounts necessary to make up the difference between \$1600 and what welfare families are currently receiving in the State.

I, and the citizens of New York, will appreciate any consideration which can be given to these matters in your deliberations.

With best wishes, I remain,
Sincerely yours,

JAMES M. HANLEY,
Member of Congress.

COMMUNITY SERVICES OF PENNSYLVANIA,
Harrisburg, Pa., May 1, 1970.

Hon. RUSSELL B. LONG,
*U.S. Senate,
Old Senate Building, Washington, D.C.*

DEAR SENATOR LONG: Community Services of Pennsylvania is a 1,713 member statewide citizens organization concerned about and working toward improvement of health and welfare services and programs. We therefore are vitally interested in an adequate income maintenance system and the basic directions it should take.

CSP's leaders have given careful consideration to an income maintenance position, which I am including for your reference during the important deliberations ahead of you. It is expressed in terms of broad principles, but we have also applied it to HR 16311. We believe that Bill merits support as a first step for the following reasons:

1. It establishes the concept of a national minimum income.
2. It raises levels of aid in those states where they are presently very low.
3. It eases the burden of finance in those states providing higher grants.
4. It provides some aid to the working poor.
5. It provides work incentives to encourage the efforts of the poor toward securing or maintaining employment.

At the same time, CSP believes that the Bill in its present form has many deficiencies which should be corrected by amendment prior to final adoption by the Congress. In CSP's judgment, the major changes which should be made are the following:

1. The Minimum Income utilized by the Family Assistance Plan (FAP) should be increased beyond the \$1,600 for a family of four which the Bill proposes.
2. The Bill should contain a specific commitment to the goal of raising the minimum to the federally defined poverty level as rapidly as possible.
3. Provision should be made for the Federal Government to gradually assume a larger share of the total financing responsibility.
4. The separate categories should be eliminated in favor of a universal income maintenance system based upon a single criterion of need.
5. Mothers of school age children should not be arbitrarily required to register for work in order to qualify for aid.
6. The income maintenance system should be fully based on the provision of direct cash assistance rather than placing partial reliance on in-kind assistance. For so long as the cash payments are beneath the federally defined poverty level, the provision of food stamps for qualified persons on a voluntary basis to increase their subsistence is not objectionable.

If our position covers areas not included by others you are scheduling to appear before the Senate Finance Committee, we would welcome participating in this important interchange. Otherwise, we appreciate the opportunity to present this written statement and would hope it might be included in the Committee's testimony. If there is any further way we can assist you and your colleagues in your deliberatory process, we will do so.

Thank you for your interest in this vital subject.

Sincerely,

H. EDWARD BRUNK, JR., *President.*

Enclosures

POSITION STATEMENT ON INCOME MAINTENANCE, APRIL 1970, COMMUNITY SERVICES OF PENNSYLVANIA

"From a humanitarian point of view, the costs of poverty to the individuals affected are reason enough for a nation to act more decisively and effectively to solve the problem. The consequences for the society as a whole, however, make an insistent demand for action on the basis of enlightened self interest. Virtually

no one is immune from the consequences and costs which will result from a failure to act." . . . Position Statement on Income Maintenance.

The Board of Directors of Community Services of Pennsylvania on April 22, 1970 affirmed its support of a comprehensive position on income maintenance programs.

The statement of CSP's official position begins on page 10 of this document. The first nine pages delineate the concerns which support the adoption of this position by CSP.

I PREFACE

A. *The problem*

Twenty-five million or 12 of every 100 Americans are living below the poverty level.* Throughout the past decade, there has been a growing national preoccupation with the poverty problem and its consequences for those directly affected and for society as a whole.

Among the major contributing factors to this escalating concern are:

The renewed emphasis on poverty, as a major national problem against the backdrop of general prosperity and abundance. As the nation's conscience was stirred by the fact that many Americans were not sharing in the new abundance, a series of new governmental and private initiatives developed in response. The War on Poverty, Manpower training, Food Stamps, Rent Supplements, Appalachia, Model Cities, the National Businessmen's Alliance, the Urban Coalition are among the major examples.

The rising aspirations of the poor were a major dynamic of the past decade. Disadvantaged groups began to aggressively seek a place in America's economic, social and political main stream.

America's growing abundance held out to a Nation for the first time the potential for eliminating poverty.

Widespread dissatisfaction with the public assistance or as more popularly termed, the welfare system. One of the nation's oldest and largest poverty programs, the welfare system is widely criticized by those who must depend upon it, those who pay for it and those who administer it. From all of these vantage points, a consensus is developing which stresses that the welfare system must either be revamped or replaced as a key part of the nation's efforts to deal with poverty.

The interrelated impact of all of these, and other factors, makes it crystal clear that *the major question for the 70's is not whether major welfare reform will occur but what form it will take.* Early in the 60's, such proposals as negative income tax, children's allowances, and other alternatives to the present welfare system were regarded with a certain amount of detached theoretical interest. These proposals or variations and adaptations of them are now being taken more seriously by the American public. President Nixon's welfare reform proposals have lifted the subject to the highest level of national visibility. Interest and concern have been further aroused, recently, by the report of the President's (Johnson) Commission on Income Maintenance—more commonly referred to as the Helmenan Commission. The Nixon, the Helmenan, and other major proposals for welfare reform are the subject of active consideration by the Congress and of extensive national dialogue.

Community Services of Pennsylvania recognizes that the causes of poverty and its solutions are multiple rather than single. Extensive and improved efforts are needed in the fields of housing, education, job training, health care, social services, legal aid, family planning, and consumer protection, but *the common and central fact in the lives of all the poor is the lack of enough income to secure a sufficient supply of life's basic essentials to live in health and decency.* The size of the investment and the system through which society makes its investment in closing the income gap are of central importance to the development of any effective solution to the poverty problem. Without any intent to diminish the importance of other programs and services essential to the solution of the poverty problem, CSP directs its major attention in this position statement to welfare reform in the basic area of income maintenance.

B. *What's wrong with welfare?*

The present welfare system, since its inception in the 30's, has been one of the nation's major programs for dealing with poverty. At present it represents an

*\$3,720 for a nonfarm family of four and \$3,162 for a farm family of four. Developed by the Social Security Administration in cooperation with the U.S. Census Bureau.

annual expenditure of all levels of government of \$6.2 billion to 10.5 million recipients.¹ (If payments to vendors for medical care are included, the total expenditure is \$10.6 billion.) Whatever the faults of this system, it has often provided the means of existence for millions of Americans. Though the existence provided has been minimal and threadbare, the welfare system has rarely had resources to do more than this.

Spawned by the depression, the system was designed to function as a kind of "economic first-aid kit" to tide people through temporary periods of lost or reduced income. The system probably has not functioned too badly in this regard for some people. Many persons, who now have achieved adequate incomes, at some earlier point in their lives may have been assistance recipients. It helped to get them through. With improved educational opportunities, increasing employment, rising wages, many of the nation's poor have climbed up and out of poverty in the last three decades—about 14 million in the past ten years.²

Twenty-five million Americans including approximately 1½ million Pennsylvanians remain in poverty. Less than half are aided by the present welfare system. Many of these persons have never known anything but poverty, often extending back through generations. Many are too young or too old to grasp for the limited supply of boot straps. By the time the young are old enough, it is often too late. Chronic poverty and deprivation begets chronic apathy and hopelessness or deep hostilities which sometimes spill over into violence.

It should be recognized that ¼ of the nation's poor live in families whose heads are employed throughout the year. Many others are employed some of the time.³ In addition, there is substantial movement on and off the public assistance rolls so that there appears to be a revolving door relationship between receipt of assistance and low income or marginal employment. Though a substantial portion of the nation's poor manage from time to time to get off the launching pad, they are unable to achieve the escape velocity necessary to arrive in orbit beyond poverty. Some evidently stop trying and slip into permanent financial dependency.

Today's poor are in many respects the casualties of a way of life which has operated to the substantial benefit of the majority of Americans. While it is probably easier to move from step two to the socio-economic ladder on up than at any point in history, it may be more difficult for those on the very bottom rung to achieve that key first step out of poverty. As the Heineman Commission report states:

"Indeed, the composition of the poor is changing so that the poor, more and more are those who gain least from economic growth: the aged, the disabled, female headed families, and those whose limited skills seem unlikely to be demanded by an increasingly complex industrial system. Consequently, almost inevitably, there must be a slowing down of the rate of escape from poverty."

The welfare system then, is confronted with the "fallouts" or the "pushouts" from the larger society. With its "first aid-kit", it is able to ease the symptoms, but it does not have the resources to effectively aid families who experience long term or chronic poverty. At the recent CSP Conference on Income Maintenance, Miss Elizabeth Wickenden⁴ described the current welfare system this way: "The welfare system never was intended to get people out of poverty; it was intended to relieve the fact of poverty once it has occurred. Our present welfare system doesn't do that very well, but it does it as well as the taxpaying public makes it possible for it to do. The answer to poverty does not lie within the welfare system itself, but in the prevention of the conditions that bring people to the welfare system."

More specifically, the major deficiencies of the present welfare system may be summarized as follows:

It does not provide money enough so that those who must depend upon it can live in health and decency. In only a handful of states are public assistance grants high enough to bring recipients above the poverty level. Pennsylvania has recently brought its grants up sufficiently to attain its own 12 year old minimum health and decency standard. The \$3,480 per year now provided for a family of four is still below the \$3,720 which the Federal government says is necessary to bring a family of this size out of poverty. The amounts provided by many states

¹ Social Security Bulletin, Vol. 83, No. 1 (January 1970) p. 2, pp. 66-68.

² "Poverty in the U.S.," Consumer Income, Series P-60, No. 68 (Dec. 31, 1969) U.S. Dept. of Commerce, Bur. of the Census, Table F, p. 6.

³ "Poverty Amid Plenty" Report of the President's Commission on Income Maintenance (Nov. 1969) p. 34.

⁴ Technical Consultant to the National Assembly for Social Policy and Development.

ing well behind Pennsylvania's grant levels and some drastically so. Inadequate food, clothing and shelter for those affected, are a direct consequence of low public assistance grants.

Welfare reaches less than one-half of those below the poverty level. Fifteen million or about 60% of the nation's poor are not aided by welfare payments because the maximum assistance grants provided in many states are low, and also because the Federal Law does not authorize assistance to families with fully employed fathers. Thus, many poor families are either not quite poor enough to receive income supplementation or are excluded because of Federal Law, despite the fact that their incomes fall well below the poverty level.

Welfare provides inadequate incentive for self-help efforts. The welfare recipient entering employment often is able to secure only those jobs at the low end of the pay scale which may not provide long-term employment security or advancement opportunity. About 10 million jobs presently are not covered by the Federal minimum wage.⁴ Even at the minimum wage (\$1.60 per hour) a fully employed worker is not able to provide support to a family of four in an amount equal to the poverty level. Nearly any type of employment involves certain work expenses, payroll deductions, and for mothers, the added cost of child care. The recipient who goes to work may wind up with less spendable income and less security than he had while on assistance. This clearly provides little inducement for employment.

Though it is now a Federal requirement that states must disregard a portion of earned income in computing the amount of public assistance grant, until recently, the system functioned on the basis of withdrawing a dollar of assistance for each dollar earned. It is noteworthy that the major proposals for welfare reform call for higher work incentives than provided by the current welfare system.

The present system not only fails to provide sufficient incentive for welfare recipients to move toward employment, but may also encourage the working poor to discontinue their employment. Many of the working poor, especially in states with low public assistance grant levels receive no aid despite their need. Often, the income which they derive from employment is very little more than families of comparable size receive under public assistance. In such cases, the working poor may not only feel resentful but may lose motivation for employment.

The system tends to degrade or rob people of their dignity. Public assistance has traditionally operated with elaborate investigations and verifications, checks and rechecks, and whether with intent to do so or not, has often appeared to operate on the assumption that the poor are intrinsically liars and cheaters who cannot be trusted to provide accurate information about their financial circumstances. Thus, the welfare system often has had a depressing effect upon the human spirit— not very fertile ground for development of strong initiatives toward independence.

The present system fosters major differences among the states with respect to levels of aid provided and with respect to the relative burdens upon governments and taxpayers. Those states which have established more generous grant levels often complain bitterly that they are paying the price for the failure of other parts of the nation to face up to their share of responsibility to aid the poor. The belief is often asserted that the higher welfare payments of northern industrial states is an inducement to the poor to migrate to these states thus increasing their welfare rolls and taxes.

The welfare system encourages the separation of unemployed fathers from their families. Many of the states have not taken advantage of the federal option under ADC¹ to include families with unemployed fathers in the assistance program. In these states, families having unemployed fathers are not eligible to receive ADC grants. As a result, many fathers, unable to find work, have separated from their families so that their wives and children could receive benefits under the program. This fosters a senseless breakup of families.

The system is based on a battery of complicated rules, regulations, formulas, etc., which require an extensive bureaucracy to operate it.

C. Who are the poor?

Twenty-five million, or 12 out of every 100, Americans are living below the poverty line. Of these:²

Ten million or about 40 percent receive public assistance.

⁴ "Manpower Report to the Present", U.S. Dept. of Labor (April 1968) p. 27.

Over $\frac{1}{3}$ live in families in which the family head works throughout the year. The annual incomes of the working poor averages \$1,000 less than the poverty level of \$3,720.

Two-thirds are white, but 33 percent of all non-whites are poor as compared to 10 per cent of all whites.⁵

Nearly $\frac{1}{5}$ are over age 65.

Nearly $\frac{1}{2}$ are children under the age of 18. Approximately one in every six of the nation's children are growing up in poverty. As distressing as this may be for the present, it does not paint a promising picture for the future either. To the extent to which poverty begets poverty, the seeds for repetition of the poverty cycle in the next generation are being planted now.

A recent U.S. Department of Commerce report presented the following profile of the poor living in metropolitan poverty areas:⁶

Fifteen percent are 65 years old or over.

Forty-eight percent are children under 18 years of age (18 percent are children under 6).

Eight percent are women under 65 years old heading families.

Some portion of the remaining poor are prevented from obtaining sufficient income in the labor market due to physical or mental disabilities, past work experience record or personal history, racial discrimination, individual ineptitude, and a "buyer's market" for labor having only limited skills.

"More than 70 percent of the poor in poverty areas either have already passed the age of their greatest productive capacity (the aged), are as yet too young to be expected to join the labor force on a full-time basis (children under 18), are occupied providing services for which no cash income is forthcoming (women heading families), or for some other reason are disqualified from successfully competing for a job paying wages above the poverty level."

When the 10 million poor receiving public assistance are considered separately, the findings are similar in many respects to those summarized in the preceding paragraph. The vast majority of recipients are children under 18, women heading families, persons over 65, the blind and disabled. Less than 5% are able bodied fathers who are not employed.

Contrary to popular myths, the above facts indicate that the poor in general and public assistance recipients in particular are not people who can work but who won't. The majority, by reason of age, infirmity, or child care responsibilities, can't work. Most of those who can work are working full time or some of the time, but with insufficient earnings to meet their basic material needs. From this observation, two major conclusions may be drawn:

The working poor and their families should benefit materially from programs which increase occupational skills, raise wages and create more full time employment opportunities.

For the many who cannot work, especially the millions of children in female headed families, prospects for a better standard of living will depend heavily upon improved income maintenance programs.

D. Value conflicts

Any major effort at welfare reform must confront certain values which exert conflicting pulls and tugs. On the one hand, America has deep roots in the Judeo-Christian ethic which includes the concept that all men are brothers and neighbors and that those who are well off have a responsibility to aid those in need. This ethic is evident in many tax supported and voluntary health and welfare programs, as well as in countless individual acts of philanthropy and good will.

Running along side this value is the so-called "work ethic" deeply rooted in the Puritanism of America's founding fathers. While emphasizing the positive values of work and productivity, the work ethic also tends to equate poverty and unemployment with a lack of virtue, indolence and shiftlessness expressive of a moral defect in character. From the latter part of this value flows suspicion of and sometimes resentment toward the poor. It also includes the notion that the poor are fully responsible and accountable for their plight and must pay the price for it.

The conflict between these two sets of values can be seen clearly in the present welfare system. On the one hand, the system spends billions of dollars to help

⁵"Revision in Poverty Statistics 1959-1968", Current Population Report, Series P-23, No. 28, Aug. 1969.

⁶"Socio-economic Trends in Poverty Areas, 1960 to 1968" Consumer Income Series P-60, No. 07, (Dec. 30, 1969).

provide the basic material necessities required for life but, on the other hand, delivers this aid in a demeaning and inadequate fashion.

Work, including that which is not necessarily performed for wages, (there is much valuable and useful work performed in our society which is not monetarily compensated, including child rearing) is a vital and positive force in American life. One of the major challenges confronting welfare reform and other poverty combatting programs is how to bring the positive benefits of the work ethic to more of our people. The negative dimensions of the work ethic are gradually moderating, though they still exert a strong pull and undoubtedly will be confronted in the efforts to develop welfare reform. A growing number of people, however, are beginning to view poverty more as a reflection of certain societal failures or defects rather than as individual failures or defects. This view places a heavy degree of responsibility with the society for dealing with the problem of poverty, rather than leaving the individual to "stew in his own juice."

In light of these different value traditions, it doesn't seem likely that any adequate alternative to welfare can be developed at an early date with which everyone will be satisfied. The poverty problem and its costs and consequences for the poor and for American society as a whole are far too urgent to allow for the prolonged philosophical debate that would be necessary to achieve a complete resolution of value differences.

E. The costs of poverty

Poverty is costly. It undoubtedly will take more resources than are being committed now if a substantial reduction in the problem is to be achieved. It will also be very costly not to achieve a substantial reduction in the problem. One way or the other, the piper must be paid. Briefly summarized below are some of the kinds of costs which will be encountered if the size and dimension of the problem is maintained at its present level:

1. For the individuals affected:

- Hunger and malnutrition.
- Poor health.
- Undeveloped potentials.
- Added stress on family relationships.
- Self depreciation.

A grubby drab existence devoid of much of the richness of life experience.

2. From society's viewpoint:

Development of a deepening wedge between the have's and the have not's of society. Two distinguished presidential commissions, Kerner and Eisenhower, have documented a significant association between violence and crime and poverty. They paint a frightening picture of a society with deep and permanent divisions calling for an increasing investment in law enforcement, diminished personal freedom for all, and reduced viability of the nations' cities as the social and economic back-bone of the nation.

Continued loss of a large potential market for many of the nation's goods and services.

Lost or reduced potential to help supply the skilled manpower required by an expanding economy.

Continued spread of urban decay and blight.

Increasing investment in a variety of remedial programs (health, social, education, etc.) to deal with the symptoms or consequences of poverty—patching up after the damage has been done.

From a humanitarian point of view, the costs of poverty to the individuals affected are reason enough for a nation to act more decisively and effectively to solve the problem. The consequences for the society as a whole, however, make an insistent demand for action on the basis of enlightened self interest. Virtually no one is immune from the consequences and costs which will result from a failure to act.

II. COMMUNITY SERVICES OF PENNSYLVANIA POSITION ON INCOME MAINTENANCE

CSP believes that a new Income Maintenance system must be developed as an essential part of the nation's total effort to combat poverty. It recognizes that no income maintenance program can or should be expected to obviate the need for optimum human productivity and for many programs to help people overcome obstacles to the achievement of their highest potentials.

The provision of enough income to alleviate material deprivation is essential, however, to the achievement of human aspirations and potentials—to provide

better nurture and more hope for the young, strength for parents and dignity for the old. In the belief that achievement of such an objective will be facilitated by the expression of citizen commitment concerning the need for an adequate income maintenance system and the basic directions which it should take, CSP has adopted the following basic policy statement:

All Americans should have an income adequate to maintain health and decency. Income from employment can and should be the principal means through which adequate material well-being is secured by an ever increasing percentage of Americans. Toward this end, Government and the private sector should share responsibility to insure that suitable employment at adequate wages is available to all persons for whom employment is feasible and appropriate. For all those who are unable to work or who cannot secure sufficient income through employment to maintain themselves and their dependents in health and decency, Government must directly assume the responsibility to assure the availability of sufficient income.

The following principles are advocated to give more direction and focus to the basic policy statement. In CSP's judgment, these are key foundation stones upon which alternatives to the present welfare system should be developed.

1. A federally financed income assurance system based upon a national minimum standard of income adequacy should be developed as the principal means through which government provides income subsidy to those in economic need.

Comment.—A national approach based on national commitments and priorities should provide the best means for marshalling the nation's resources to adequately aid the poor wherever they may live. The wide disparity among the states in the amounts of financial assistance provided reflect the varying financial capacities and commitment of state and local governments. A major national problem which affects the lives of people in such a vital way should no longer be dealt with in such a highly diverse fashion.

2. States should participate in financing a new income maintenance system with expectation that the federal government will gradually assume an increasing share of the total program cost.

Comment.—State financial participation at the outset is viewed as a practical necessity in order to assure that a new program will produce sufficient benefits to effect material improvement in the lives of the poor. It is most unlikely that enough Federal funding could be generated at the start-up point to achieve this result. A phase-in period would enable the Federal Government to absorb the increased costs of the new program on a step by step basis. States would be assured that their financial assistance expenditures would be steadily reduced.

3. The federal definition of the poverty level should be adopted as the national minimum income standard as rapidly as possible with appropriate adjustment to reflect living cost variations in different parts of the country.

Comment.—The President's Welfare Reform proposals are based on \$1,600 per year for a family of four as the minimum income standard. The Helmenan Commission has proposed \$2,400. The latest proposal introduced by Senator Harris recommends that 70% of the poverty level be provided in the first program year with the goal of bringing minimum incomes to 100% of the poverty level within three years. Regardless of the starting level, the goal of setting a minimum income standard at the poverty level (currently \$3,720 for a family of four) should be vigorously pursued.

While it is recognized that the poverty level concept is subject to limitations with respect to precisely defining who is poor and who isn't, it provides a reasonably objective basis for determining the amount of annual income required to maintain a minimum adequate living standard which takes into account such variables as family size, living costs in different geographic regions or changes in living costs over time.¹

Some will argue strenuously that the poverty level is not an adequate income standard. It may not be, but since 25 million Americans have incomes below it, attaining it will produce some improvement for all and substantial improvement for many. If this is accompanied by a work incentive component (as projected under principle number 8) a substantial proportion of the poor would be enabled to achieve incomes above the poverty level through a combination of benefits and earnings.

Others will argue that the minimum income goal proposed is impossibly high. It will be difficult to reach, but is obtainable if a sufficient segment of the

¹ See No. (2) above, pp. 11-12.

American public become convinced that it is not only ethical and humanitarian but that it is a constructive way to meet the high cost of poverty which in one way or another must be faced.

It is CSP's belief that an increased investment in an adequate income maintenance program will not only alleviate the effects of poverty, but will underpin the efforts of the poor toward achieving economic independence.

4. Social security benefits and coverage should be increased sufficiently to enable all beneficiaries to live in health and decency.

Comments.—Many poor individuals receive Social Security benefits, but in insufficient amounts to bring them above the poverty level. Still others are not covered at all. An increase in benefits and coverage would bring some persons out of poverty. For many others, the need for income supplementation from another source would be reduced from what it otherwise would be.

There will be a reciprocal relationship between Social Security and any new income maintenance system that is developed. How much one system as against the other should be utilized to increase the incomes of the poor poses a complex set of problems involving both means of finance and public attitudes. For the purpose of this statement, it is sufficient to recognize that progress in both areas will be required in order to achieve a major reduction in the poverty problem.

5. The benefits of a new income maintenance system should be available to all persons in need without reference to special categories.

Comment.—Persons lacking sufficient incomes to maintain health and decency are in need irrespective of age, family status, presence of a handicap, etc.

So long as it is necessary to make some provision for all the poor through an income supplementation program, it should be done through a single system, with need as the sole criterion for eligibility.

6. The means of eligibility determination for benefits under a new system should preserve the dignity of applicants.

Comment.—Abuse of the present welfare system has been confined to a very small proportion of total recipients. Unfortunately, the few exceptions have often served to raise public doubts about the whole program and all recipients. The welfare system has seemed to operate on the assumption that the poor are essentially more dishonest than those in the more affluent sector of society and, therefore, their requests for aid have been subjected to meticulous scrutiny.

Some states have already begun to develop reforms in the eligibility determination dimension of public assistance administration. This entails the use of an affidavit or declaration in which substantial reliance is based upon the facts as presented by the applicant in order to establish eligibility for aid. A sample audit serves as an adequate control mechanism.

CSP believes that this or a similar approach should be incorporated as a basic feature of a new income maintenance system. It is an approach which helps maintain the dignity and self respect of the applicant and thus eliminates another major defect of the present welfare system.

7. A new system should be fully based on direct cash payments.

Comment.—The direct cash approach provides a fuller measure of self determination and dignity than do approaches based on in-kind assistance. Though well intentioned, in-kind assistance tends to earmark the persons who receive it as being different. The system should encourage the fullest possible exercise of self-responsibility and self-determination. Direct cash payments do this in that they place full decision making responsibility concerning the use of money with recipients. It is recognized that some people do not use money wisely or that they may be victimized. Programs of consumer education and protection should be made available to aid those who need help in achieving better money management.

8. A strong and reasonable work incentive component is essential to support the efforts of the working poor to secure economic independence and maintain employment initiatives and to encourage the nonworking poor to move in this direction.

Comment.—Under the work incentive concept, low income employed persons would continue to receive some income supplementation on a reducing basis up to a maximum cut off point. With employment, the cost of the program to the taxpayer begins to go down, but at the same time the recipient, through a combination of earnings and government income subsidy, is able to secure a higher income than he would on the basis of income subsidy alone. Herein lies the incentive.

Financial incentives and material rewards have operated as one of the major dynamics in the building of American society. Building a work incentive program into a new income maintenance system increases the likelihood that this will reach and operate more effectively for those on the bottom rung of the ladder.

9. Minimum wage law coverage should be extended with proper safeguards so as to provide a wage floor under more of the jobs occupied by the working poor.

Comment.—Bearing in mind that a large proportion of the poor of working ages are employed full time or some of the time, increased wages would serve to directly improve their material well-being with diminished need for government income subsidy.

While improved minimum wage legislation is a means to this end, careful application will be required to avoid potentially harmful side effects.

As with the Social Insurances, there will be a reciprocal relationship between minimum wage laws and a new income supplementation program. With proper safeguards to control possible drying up of employment opportunities, improved minimum wage legislation should be considered as an appropriate part of the total effort required to raise the income levels of the poor.

10. The Federal Government and the private sector must take new initiatives in order to assure that all employable persons have access to suitable jobs at prevailing wages.

Comment.—It is hypocritical to advocate work incentives or to advocate that employable persons should have access to suitable jobs without insuring that the jobs are there. Though unemployment has been at a low level, figures in this regard have reflected the average experience and not the variations. Unemployment rates are higher for some people in some places—generally in those places where most of the poor are concentrated. Sometimes the poor lack physical access to jobs that may be available. Limitations in skills and education may affect their ability to compete successfully in today's labor market. Discrimination continues to be an important factor in this regard. Many of the working poor are employed in jobs of a seasonal or marginal character so that they may fluctuate between employment and unemployment.

The private and the public sectors have already demonstrated considerable initiative and ingenuity in providing training and jobs, but much remains to be done. There is need for additional investment of public and private resources in programs to produce jobs at prevailing wages to which the poor would have assured access and for which they can qualify or can be helped to qualify quickly. The nation has a long list of domestic needs for which such investment might be very beneficially and purposefully made.

In applying this principle, due consideration should be given so as not to adversely affect employment opportunities for the handicapped.

11. Mothers of preschool or school age children should be aided in their efforts to seek employment, but not as a mandatory condition for receipt of benefits under a new income maintenance system.

Comments.—Able-bodied adults should be expected to support themselves and their children to the extent of their ability. This expectation needs to be applied judiciously to mothers. Though numbers of women are combining employment and child rearing functions successfully, others are not able to combine both roles without harm to their children. There is far too much at stake to treat the subject of mothers' employment as an arbitrary matter.

Further, many low income mothers have limited education and skills and, therefore, may not qualify for adequate paying jobs. If forced into employment, they could constitute a supply of "cheap labor" subject to exploitation.

Given assurance of suitable employment, combined with work incentives and provisions for adequate child care, it is probable that increasing numbers of low income mothers will choose to enter the labor force without coercion.

12. Government should assume greater responsibility for assuring that day care facilities are available to all mothers who choose to work outside the home.

Comment.—Adequate day care facilities are in short supply. While this has immediate pertinence for low income mothers who may wish to work, it is also pertinent to mothers now working including those able to pay some or all of the cost.

The inability of working mothers to secure adequate care for their young children poses a threat to the desirable social values of early childhood development.

Community day care facilities are largely available under private auspices. Increased governmental responsibility is necessary if the supply of day care facilities is ever to approach the need for them.

CONCLUDING COMMENT

CSP wishes to reemphasize that it does not consider a new income maintenance system as the sole solution to the poverty problem. Programs in education, job training, housing, health and social services will be required and will have an important role to play if poverty is to be eliminated or substantially reduced in this country. CSP is also convinced that such programs will be more effective if under-planned by an income assurance system which promptly and tangibly improves the material well being of the poor.

CSP is convinced that such a system should be accompanied by continuing research concerning the causes of poverty and the effectiveness of programs designed to combat it and should also be accompanied by programs which will eliminate those personal or social barriers which impede the poor from achieving their highest potentials.

APPLICATION OF COMMUNITY SERVICES OF PENNSYLVANIA'S POSITION STATEMENT ON INCOME MAINTENANCE TO PRESIDENT NIXON'S WELFARE REFORM BILL.

As Adopted by the House (H.R. 16311)

I. A Comparison of the CSP Position Statement with the Nixon Welfare Reform Bill.

11. CSP Position on the Nixon Welfare Reform Bill.

A COMPARISON OF CSP POSITION STATEMENT ON INCOME MAINTENANCE WITH HR16311—THE NIXON WELFARE BILL, AS ADOPTED BY THE HOUSE

(Numbered paragraphs are the principles in CSP Income Maintenance Policy statement.)

1. A federally financed income assurance system based upon a national minimum standard of income adequacy should be developed as the principal means through which Government provides income subsidy to those in economic need.

HR 16311 provides a Federally financed basic income assurance for families with children, but at a very low standard (\$500 annually for each of the first two family members, \$300 for each additional member).

A national minimum income standard of \$110 monthly for needy persons in the adult assistance categories (aged, blind, disabled) is set, with the Federal government providing 90 per cent of the first \$65 and 25 percent of the remainder. (The bill authorizes the Secretary of HEW to establish an upper limit for Federal government's matching of State costs in the adult assistance programs.)

No provision is made for Federal funds to assist childless couples, or single individuals who are not either aged, blind or disabled.

2. States should be required to participate in financing the new income maintenance system with expectation that the Federal Government will gradually assume an increasing share of the total program cost.

HR 16311 requires States to supplement the Federal basic grant to families with children if this grant is less than the State's assistance standard for such families was on January 1, 1970. However, a State is not required to provide supplementary assistance in an amount that together with the Federal basic Family Assistance grant would be higher than the Federally established poverty level. States are not required to supplement the Federal payment to families in which the father is working full time, even if the family income plus the Federal payment is below the State standard. Federal funds will pay 30 per cent of State supplementary assistance for families with children up to the poverty level, except for State supplementation to the "working poor". (Provision is made for annual revision of the poverty level.) States are also required to participate in financing assistance for needy adult, aged, blind and disabled.

There is no requirement for States to assist childless couples or single persons who are not either aged, blind or disabled.

There is no built-in provision for the federal government gradually to assume an increasing share of the total program cost.

3. The Federal definition of the poverty level should be adopted as the national minimum income standard as rapidly as possible with appropriate adjustments to reflect living cost variations in different parts of the country.

(See discussion under Principle 2.)

HR 16311 provides for use of a Federal definition of the poverty level in order to fix the upper limit of mandated State supplementation (if a State paid more than this amount on January 1, 1970) and also to fix the upper limit subject to 30 per cent Federal reimbursement.

The bill makes no provision for adjustments to reflect living cost variations in different parts of the country.

4. Social security benefits and coverage should be increased sufficiently to enable all beneficiaries to live in health and decency.

HR 16311 does not include any revision of benefits or coverage of the Act. It is understood that a new bill will be introduced, revising the Social Security Act.

5. The benefits of the new income maintenance system should be available to all persons in need without reference to special categories.

(See discussion under Principle 1.)

HR 16311 continues the present categories of aged, blind, and disabled, but puts them into a single Title of the Social Security Act and established a uniform minimum income standard and uniform Federal matching. The bill does, however, continue certain special provisions for the categories with reference to amount of income which may be disregarded in determining eligibility and amount of grant.

6. The means of eligibility determination for benefits under the program should preserve the dignity of applicants.

HR 16311 specifically provides with respect to assistance for the aged, blind and disabled that a State plan must provide for "the use of a simplified statement, as prescribed by the Secretary, to establish eligibility, with effective methods for verifying eligibility through use of sampling and other scientific techniques".

This procedure is not spelled out for determining eligibility for Federal payments under the Family Assistance plan. The bill provides, "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 benefits".

Eligibility for State supplementary assistance would be determined in the same manner as for Federal family assistance benefits.

7. The system should be fully based on direct cash payments.

The assistance to persons in the adult categories (aged, blind and disabled) would be based on direct cash payments as would State supplementary assistance. However, the Federal Family Assistance plan provides for basic cash benefits plus food stamps. (Proponents of the bill state that this provides the equivalent of \$2,400 annually for a family of four, \$1,600 in family assistance benefits and \$800 worth of food stamps.)

8. A work incentive component should be included to support the efforts of the working poor to maintain economic independence and employment initiatives and to encourage the nonworking poor to move in this direction.

HR 16311, Family Assistance plan, includes benefits to the working poor and a work incentive component under which a family with earned income up to the "break-even point" (\$3,020) always receives higher total income than that received from Federal benefits and State supplementary assistance.

There is, however, no requirement that States provide supplementary assistance to any family in which "both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed". The Federal government will not share in the cost of any State supplement to these "working poor" families.

9. Minimum wage law coverage should be extended so as to provide a wage floor under more of the jobs occupied by the working poor.

Minimum wage regulations are provided under different legislation and no change is made in this bill.

10. The Federal Government and the private sector must take new initiatives in order to assure that all employable persons have access to suitable jobs.

HR 16311 includes provisions to train for employment including authorization of funds for on-the-job training, provision for special work projects conducted through grants and contracts with public or nonprofit private agencies or organizations. The bill does not contain provisions "to assure that all employable persons have access to suitable jobs."

11. Mothers of preschool or school age children should be aided in their efforts to seek employment, but not as a mandatory condition for receipt of benefits under the new income maintenance system.

HR 16311 would exempt the mother of a preschool child or children from the registration for work or training requirement, but would not exempt the mother of school age children from such requirement unless the father or other adult male relative, who is subject to such registration, is in the home.

12. Government should assume greater responsibility for assuring that day care facilities are available to all mothers who choose to work outside the home.

HR 16311 requires the Secretary of HEW, both directly (by contract or grant to public or private agencies) and through grants to any public or nonprofit private agency which is designated by the appropriate elected or appointed official or officials and which demonstrates a capacity to work effectively with the manpower agency in such area, to provide necessary child care services for individuals participating in training or employment under the manpower program, or in vocational rehabilitation programs.

The Secretary is authorized to make grants for up to 100 per cent of the costs of child care projects.

NATIONAL GRANGE,
Washington, D.C., September 22, 1970.

Re H.R. 16311, the Family Assistance Act of 1970.

Hon. RUSSELL B. LONG,
*Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: The National Grange is greatly concerned about the level, cost and efficiency of public welfare assistance in the United States—and the proposals that have been advanced by the Administration for Federal family assistance under H.R. 16311, as passed by the House of Representatives, and as presented to your committee in revised form.

So far as we know, experts on and students of the problem agree that the present welfare system of the nation (if it can be termed a system) is an unsatisfactory and discouraging hodge-podge which must be thoroughly overhauled or completely replaced, in order to come up with a self-consistent program. We share these views.

We applaud the proposal of the Administration to place a federal floor under family assistance payments and to provide minimum national standards of eligibility. We recognize that the need is great. We also heartily approve of the stated intention to encourage work and independence and discourage idleness and dependence on welfare, on the part of welfare recipients. The Grange has repeatedly over the years expressed like views in action by its delegate body in annual sessions and in its latest session in November of 1969 passed the following resolution on the subject:

"Resolved, that the National Grange recommend that employable welfare recipients be required to work at gainful employment, when given an opportunity, for at least a part of their income, to be eligible for welfare payments, and that welfare payments shall not be correspondingly reduced to the point where it erases their incentive to work. We feel that this principle of reduced welfare payments should be applied in such a manner that it will encourage welfare recipients to seek gainful employment . . ."

While applauding the intentions of the Administration we do not believe that either H.R. 16311 or the Administration Revision would accomplish these purposes. Actually, the revision, in what seems to have been a praiseworthy effort to eliminate flaws in the bill, makes a number of changes that appear to unfairly penalize certain families and to lessen rather than increase work incentives. On balance, the revision is probably a poorer plan than the original, unsatisfactory one, although some improvements have undoubtedly been made.

It is not our purpose here to pick flaws in the Administration Revision or to make comparisons between it and the House bill in an effort to decide which is more objectionable. The staff of your committee has made an analysis of the two programs which clearly shows the revision has serious shortcomings and has not obviated the objections to H.R. 16311. Something must be done to restore or create in welfare recipients a desire to work and earn a living for their families. This can not be done by reducing welfare payments dollar-for-dollar of earned income—in some instances, due to the loss of indirect benefits from a welfare

status, reducing income to an even greater extent, despite the application of intricate "countable income" provisions.

We suggest that this committee give consideration to a provision of law that, simply stated, would allow a welfare recipient 50% of his (or her) earnings without cut in the amount of welfare benefits. In other words, half of the earnings would not be included in a family's "countable" income.

Following is a chart showing the results of such a provision, as compared with H.R. 16311 and the Administrative Revision, in two states shown on the committee staffs' chart 6, Welfare Reduction or Cutoff in 22 states under Administration Revision—Part One:

	Welfare payment to family of 4 with countable income of —		
	\$1,000	\$2,000	\$3,000
California:			
H.R. 16311	\$2,652	\$1,936	\$936
Administration revision	1,652	652	0
Grange suggestion	2,152	1,652	1,152
Maine:			
H.R. 16311	2,016	2,016	1,188
Administration revision	1,016	16	0
Grange suggestion	1,516	1,016	516

In California, it will be immediately noted, if the family income went up from \$1000 to \$2000 it would cost in welfare payments \$716 under H.R. 16311, \$1000 under the Admin. Rev. and only \$500 under the Grange suggestion. Likewise, if income increased from \$2000 to \$3000, the additional loss would be \$1000 under H.R. 16311, \$652 under the Admin. Rev. and again, \$500 under the Grange suggestion.

In Maine, an income increase from \$1000 to \$2000 brings *no* reduction in welfare payments under H.R. 16311, a cut in welfare payments under the Admin. Rev. of the full additional \$1000 of income, and a loss of \$500 in welfare payments under the Grange suggestion. If income increased from \$2000 to \$3000, the family would lose, in welfare payments, \$828 under H.R. 16311, \$16 under the Admin. Rev., and \$500 under the Grange suggestion.

The plan which the Grange suggests should be considered and explored, would naturally result in some welfare payments to persons with higher total income who would be ineligible under H.R. 16311 or the Admin. Rev. It appears to us that this is a necessary outcome if the end of work incentive is to be achieved and that neither total incomes nor the amount of welfare payments in relation to actual earned income are excessive. To illustrate the situation let us consider the results in the above mentioned states if the income of the family of four used as an example goes over \$3000. In Maine an increase in income to \$4000 would reduce possible welfare payments to \$16 and payments would be entirely cut off when family income reached \$4032. This does not seem to be an extreme result—the annual needs standard for a family of four in Maine is \$4188.

In California, when income went up from \$3000 to \$4000, welfare payments would go down from \$1152 to \$652; at \$5000 the welfare payment would still be \$152; and the cut-off in payments would not be reached until an income figure of \$5304. To some this may seem too high a figure. The Grange does not know what the annual needs standard for a family of four in California is. Perhaps it is sufficiently higher than in Maine that this cut-off figure of \$5304 is not unrealistic.

California's average expenditures per poor person are the highest in the nation, ten times the amount in Maine, according to figures of the Department of Health, Education and Welfare. Out of \$662 million in replacement of State funds by Federal funds under the Administrative Revision, the Department estimates 35% or \$233 million will accrue to California (chart 12 of Commission Staff Analysis). On these premises, it does not appear that the above cut-off figure of \$5304 in California represents too high a standard.

To avoid a high eligibility figure in California and some other states, the legislation would have to impose a lower limit in some way or other. To do so, however, would almost necessarily create the disincentive to work which Secretary Richardson has referred to as "income notches".

In any case we urge this committee to take a serious look at the suggestion which the Grange has offered for consideration. We appreciate the opportunity to express our thoughts and views on this most important matter, and ask that this letter be made a part of the hearing record.

Sincerely,

JOHN W. SCOTT, *Master*.

CURRENT ISSUES AND DILEMMAS OF THE REVISED
FAMILY ASSISTANCE ACT OF 1970

(By John W. Delaplaine, Howard University Graduate Center for
Community Studies)

The revised Family Assistance Act of 1970 is the greatest piece of social legislation presented to Congress since the thirties, yet, at the same time, it has serious defects, at least one of which is overriding. The issue many legislators face today is basically one of strategy; whether to accept the bill, any bill, to establish the (conservative) principle of a negative tax on low incomes and to improve legislation next year, or to withhold approval and try to develop a better bill for the next session. Amendment this session appears out of the question. Neither the magnitude of the benefits to the major beneficiaries nor the major defects of the proposed legislation have been fully presented. I am writing this analysis in order to clarify issues as an advocate planner primarily for the silent majority of those who are poor, and have not been heard from—the families headed by an unemployed male or one working part time or full time, and families headed by working females (the vast army of the subemployed). Views of the welfare rights groups have already been quite capably stated.

I became aware of the full implications of the revisions and amendments to the bill only yesterday while making calculations for proposed testimony favoring the bill. The revised Act would, in essence, set up two classes of families, female-headed families and male-headed families. Regardless of earnings of the male, female, or any family member, no male-headed family would be eligible for Federally-assisted State supplementation, except for the phase out of existing AFDC-Unemployed Fathers (UFs), and for the aged, blind and disabled (covered elsewhere in the Act). This creates no problems in nine States where no individuals will receive State supplements but it provides a powerful incentive toward family breakup in all other States. On the average, the State supplement payment to the individual is significantly larger than the Federal Family Assistance Plan (FAP) payment. It is a simple matter to calculate the financial disincentive for having a man in the house. This was done for combinations of family size, income of the male head and income of all those in the family other than the male head.

Thus, using HEW's own data in HR 10311 (Table 8), it can be calculated that the "kickout point"¹ for getting rid of the male is about \$3000 in New York for a father, mother and three children, as long as the mother and her children have earnings at or below the median in poverty areas, although this point declines slightly with earnings of the female. Thus, in this example, both the family and the male will be better off financially, at all male incomes below the kickout point, if the male head took his income with him and went off to live elsewhere by himself or with another woman without FAP supported children. Furthermore, unless the male makes more than \$5000 to \$6000, there is too low a financial incentive for the family to have a working male (i.e., less than a 50 percent incentive). The kickout point increases with family size, and exceeds, for example, \$4500 for a New York family with eight children and no female earnings. If the working poor provisions of the Act are eliminated to save costs, as some have suggested, the kickout point increases by an additional \$1000 if the male head is the only wage earner.

Let me quote from HEW's background paper in HR10311, Page 11:

"The present AFDC system encouraged 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."

Thus, the Act discriminates against male-headed families, fails to provide State supplement payments where they are most needed (to poverty

¹ See Annex 1.

families headed by either a working or nonworking male), and continues the incentive toward family breakup (contrary to the original intent of the Act) and actually increases this incentive in many instances. Practical alternatives are:

1. To provide now for State supplementation to both male and female-headed families:
2. To provide now for State supplementation for male-headed families in the near future, or
3. To provide Federal matching funds for those States wishing to supplement incomes of male-headed families.

HEW estimates the cost of full State supplementation at \$1 billion, a necessary expenditure if poor families are to be helped to stay together. The Federal contribution would have to be increased above the 30 percent level if State supplementation of male-headed families were to be adopted.

High priority should be afforded full State supplementation of the male-headed families. Offsetting cost reductions might be made, if absolutely necessary in postponable areas of secondary benefits of the Act, such as day care, training, adult categories and food stamp expansion, but this too would be detrimental.

Before treating the other major problems raised by the bill, I would like to comment on some remarkable benefits of the Act. First, the major beneficiaries would be the working poor. According to HEW (HR10311 Revised, Table 7), 2.5 million families with full time or part time work experience would be eligible for Federal FAP payments, estimated at \$2.33 billion or \$930 per family. Most of these families receive no benefits today. According to a recent study I co-directed for Senator McGovern's Committee on Nutrition and Human Needs, the working poor were significantly poorer than the welfare poor and their universe was considerably larger in all states and counties studied. While the working poor are estimated to represent over two-thirds of the poor eligible for FAP, they would receive a far higher proportion of the new input of Federal funds. Most of these families would be headed by a male.

Second, the Act would provide significant and urgently needed Federal (not State) benefits to families headed by an employed male not covered by unemployment insurance and living in a State not covered by an AFDC-UF program (HEW estimates that only 90,000 AFDC-UF cases are now covered). Equally important, the Act provides for full Federal funding for the program. Unemployment has climbed by 1.35 million persons in the last twelve months of which over 0.5 million are married men. Only 43 percent of all unemployed are today drawing unemployment insurance. Unemployment is particularly acute and still growing in States such as Alaska, California, Connecticut, Michigan, Rhode Island, and especially, Washington. In Washington State alone, fifty to 100 thousand additional persons will eventually require assistance. Third, the Act benefits those now on welfare in those States with low present levels of public assistance. Fourth, the Act provides many significant and important new funds for services such as day care and expanded food stamp operations, in excess of \$1 billion.

The indirect multiplier effect of the Act in the attack on poverty is particularly significant. Thus, the FAP input into the poorest State, Mississippi, would increase the entire total per capita income of the entire State by over 8 percent, based on the historical income multiplier of \$3.1 of total personal income per dollar of Federal funds. Furthermore, the Act would expand food stamp sales to bring the permanent jump in total personal income of the entire State to over 10 percent. Local incomes would be induced in trade, services and other sectors of 210 percent of the Federal input. Nationwide this percentage would average about 160 percent. By providing markets the Act would be a significant spur to job creation and to local economic development and minority economic development, all important activities in providing local employment and opportunities to rise out of poverty and welfare.

Finally, the Act aids the poorest of the poor, especially the minority groups who are concentrated at the lowest end of the income scale. HEW calculates that 44.4 percent of the FAP payments would be made to nonwhite families who constitute 38.6 percent of the families eligible for FAP versus about 12 percent of the U.S. population. Spanish-American, Indian and other minorities would similarly benefit.

Returning to major shortcomings, one can list, in addition to the exclusion of male-headed families from State supplementation and the accompanying dis-

incentive to family life: (1) categorical exclusions of childless couples and single persons from FAP payments; (2) coercive work requirements; (3) full federal administration; (4) archaic treatment of categorical food payments rather than a straight payment by check; (5) elimination of any Federal incentive to the State to raise the base above the poverty level; (6) lack of a cost of living adjustment provision and/or a schedule for automatic and periodic increases in the base to achieve a fixed goal; (7) a lowering of specific benefits to above 15 percent of AFDC families through items listed above, and others; (8) higher benefits for some classes of poor (aged, blind and disabled) than others, and; (9) an inadequate base to initiate the incentive scheme.

The present Act evolved from consideration of political and fiscal realities for these items, i.e., compromises needed to secure enough votes for passage of the bill. Attempts can be made after passage to correct the deficiencies, to expand coverage, to expand levels of payment, to correct inequities, and to provide more meaningful incentives for more adequate State supplementation. Because of acute job shortages which will last for some time in many areas, the coercive work requirements are going to cause difficult problems. Our recent experience in 1970 with all manpower programs in a recession and especially with our difficulties in providing job-related training activities to more than 2 percent of the 100,000 WIN welfare enrollees should cause us to ponder the Administration's approach. Nevertheless, if these are necessary to secure passage, then there is no alternative but to accept them and work out a solution later.

My own recent planning experience in the District of Columbia, in Model Neighborhoods in five cities, in the cities of Gary, Indiana and Seattle, Washington for the Mayor's offices, and in economic and manpower studies in Spanish-American, Indian, Appalachian and other black, white, and mixed areas, has demonstrated quantitatively that there is no alternative to the general approach of a negative tax on incomes, or more narrowly, to a Family Assistance Act. Thus, for example, how else could we tackle in the short run the growing problems of families consisting in part of the 100,000 black adults living in the District of Columbia and making less than \$3000 per year. There is an urgency to pass the Family Assistance Act, yet the defects should not be overlooked, and as suggested above, one defect appears to be overriding and it will probably accelerate rather than correct the problems caused by the existing welfare system.

The issue is whether to pass the Act and provide immediate, urgently needed benefits to many and to improve later if possible, or to postpone passage (perhaps forever) to clear up major defects such as the discrimination against male-headed families. Unfortunately those most concerned have not been heard from—the working poor, particularly male-headed families, and the families headed by an unemployed person. While available evidence suggests that they would opt for the work incentive principle, one can only wonder what their reaction would be if all the issues were correctly presented. This is the silent majority of the poor, not now vocal nor organized, nor represented adequately by any group.

ANNEX 1.—KICKOUT POINT CALCULATIONS FOR NEW YORK STATE

Earnings	Female-headed family with 3 children			Male-headed family with wife and 3 children					Excess without male or his income
	FAP payment	State supplement	Gross income	Earnings of female	Earnings of male head	FAP payment	State supplement	Gross income	
0.....	\$1,600	\$2,156	\$3,756	0	0	\$1,900	0	\$1,900	\$1,856
0.....	1,600	2,156	3,756	0	\$1,000	1,760	0	2,760	996
0.....	1,600	2,156	3,756	0	2,000	1,260	0	3,260	496
0.....	1,600	2,156	3,756	0	12,992	764	0	3,756	0
\$1,000.....	1,460	2,109	4,569	\$1,000	0	1,760	0	2,760	1,809
1,000.....	1,460	2,109	4,569	1,000	1,000	1,260	0	3,260	1,309
1,000.....	1,460	2,109	4,569	1,000	2,000	760	0	3,760	809
1,000.....	1,460	2,109	4,569	1,000	3,000	260	0	4,260	309
1,000.....	1,460	2,109	4,569	1,000	13,569	0	0	4,569	0
2,000.....	960	1,942	4,902	2,000	0	1,260	0	3,260	1,642
2,000.....	960	1,942	4,902	2,000	1,000	760	0	3,760	1,142
2,000.....	960	1,942	4,902	2,000	2,000	260	0	4,260	642
2,000.....	960	1,942	4,902	2,000	12,902	0	0	4,902	0

1 The kickout point where the male earnings leave the family no worse off than if he were absent.

Source: H.R. 16311 revised table 8, p. 53.

ECONOMIC DEVELOPMENT COUNCIL OF NEW YORK CITY, INC.
New York, N.Y., September 17, 1959.

Hon. RUSSELL B. LONG,
*Chairman, Committee on Finance, U.S. Senate,
 Washington, D.C.*

DEAR RUSSELL: Attached is a "Statement for Presentation to the Senate Finance Committee on the Proposed Family Assistance Plan H.R. 16311 (as amended)."

This statement was approved on September 14th by the Board of Directors of the Economic Development Council of New York City, an independent, non-profit organization of businessmen. The nature, purposes, and programs of the Council are set forth in our Fourth Annual Meeting Report, also attached.

The statement is based on intensive study by the Council's Committee on Welfare over a period of more than a year and we would like to have your committee have the benefit of this study in your consideration of legislation covered by H.R. 16311. The concluding paragraph says in part: "Our nation needs a new policy relative to poverty and its solutions. We cannot for long sustain the present system which tends to perpetuate rather than to resolve poverty. We believe that F.A.P. is a step toward a sound program." This outlines our basic philosophy on the welfare problem.

I trust that you and the members of the Finance Committee will take this statement under advisement as you consider H.R. 16311 and the vital issues which this measure involves.

Sincerely,

GEORGE CHAMPION.

STATEMENT FOR PRESENTATION BY THE ECONOMIC DEVELOPMENT COUNCIL OF NEW YORK CITY, INC.

Business has a deep and vital concern with the problems of poverty in the United States. In the post-war period our nation has experienced an unprecedented growth in the production of goods and services, high levels of employment and widening economic opportunity for its people. Yet, during this same period increasing numbers of American citizens have fallen behind in the advancement of our economy and now rely on public support for their existence.

The Economic Development Council of New York City, Inc., organized in 1965 by business leaders of the City has, as its primary concern, the growth and development of the City. The problems of poverty and welfare are of particular concern to the EDC because it is evident that increasing dependency on the City for support is placing a tremendous drain on the City's economy. With one in every eight residents relying on government for public support, to which must be added other costs for hospitals, health, housing and retraining, meeting the problems that stem from poverty consumes over three billion dollars of public funds each year—or forty percent of the City's \$7.7 billion budget.

The poverty problem involves an ingredient that is far more important than money, however. It involves people; people who are by-passed by a growing prosperity in the rest of the economy; people who, through lack of education, poor health or inability to adjust to a changing economy, are caught in an almost hopeless poverty trap.

POVERTY AND THE WELFARE SYSTEM

Poverty has been defined as a condition in which people cannot obtain through their own efforts the essential needs to sustain life. Public welfare is the system through which government attempts to respond to those needs.

Up until the mid-1960's the primary concern of the welfare system appears to have been solving the needs of people by transferring money which has relieved distress but has not led to a solution of the problem. In some areas the transfer of money has been so small that people have moved to other places where the transfer of money was larger. This has only transferred and complicated the problem. Money may alleviate the symptoms of poverty, but it does not necessarily lead the poor to jobs and self-support, which in our society is the only escape from poverty.

It is only in the last half-decade that our nation has recognized that the real failure in our welfare system has been its inability to assist the poor to move from poverty to employment. Up to that time the major emphasis was on trying to meet their financial needs. It must be a clearly established part of public

policy that the solution to poverty lies ultimately in gainful, productive employment.

The need today is to formalize the basic concept that any welfare system, if it is to be successful, must be directed toward changing people in need, so that they can become, to the fullest extent possible, self-supporting members of our society. We cannot accept a system that simply re-distributes money and does nothing to extricate people caught in the web of poverty.

We view the objectives of a modern welfare system in the following light:

The major objective ought to be to develop solutions to poverty, through instituting programs and systems that will reduce poverty rather than perpetuate it.

It must be recognized that money may alleviate the problems of poverty, but it cannot solve them. The only way out of poverty is through gainful employment, and any welfare system must be designed to assist the poor toward that objective where they are employable.

Those requiring public assistance must be prepared to accept responsibility by seeking training and employment. A system which offers public financial support must invoke some form of responsibility on the part of those who receive it.

Finally, the resolution of poverty and the public response to it through a welfare system is a national rather than a local problem. This calls for a new Federal Policy and broadened Federal financial support which will lead to the solution of poverty across the nation.

There are two basic problems involved in welfare reform. One relates to the broad context of public policy; the other is concerned with our government's capacities and abilities to administer that policy. We believe that the Family Assistance Plan proposed in H.R. 10311 must be viewed from these two broad aspects.

F.A.P. AND PUBLIC POLICY

We do not claim to have all the answers to the problems involved. However, our review of F.A.P. suggests that it is a major step toward revision in *basic policies* that is required for the following reasons:

First, it establishes as a national policy the broad purpose of assuring a floor under which income, together with food stamps and medical assistance, provides for the basic needs of poor and near poor families. While we realize that some may view the amount of support to be inadequate, it is a start; with provision for State supplements, basic needs should be met.

Second, it recognizes that public support is only a step in the welfare process, and that public policy requires that people in need must be encouraged and assisted to become self-supporting to the extent they are capable of achieving that objective.

Third, it provides that those who reject their responsibilities to try to become self-supporting will be denied public support, and makes it clear that government will use its resources to encourage and assist recipients of family assistance to meet those responsibilities.

Finally, it accepts as a matter of public policy that poverty is a national problem by providing for a Federal program, backed with Federal funds.

F.A.P. AND ADMINISTRATION

We must be less sanguine about government's capacity to administer a system of this size and complexity. Many of the programs and systems required to make F.A.P. a success have been designed and used under the present system of welfare *without* singular success.

The War on Poverty was declared in the 1960's. It brought into being an extensive system of manpower programs and community action. It put greater emphasis on day-care for children to enable mothers to accept employment.

The Work Incentive program brought into being a system of financial incentives to encourage A.F.D.C. mothers to find gainful employment. Unfortunately, there was no comparable incentive for the working father in a low-paying job.

We have had an extensive social services system, structured to provide services to people on welfare, but apparently so bogged down in procedures, certification and case review that it has been incapable of any massive effort to move people in large numbers into gainful employment. Despite all of the laws, money and effort the system has failed to reduce poverty.

The fact that the system has failed should not be viewed as a basis for inaction; rather, it must highlight the fact that we must seek new initiatives and

new methods. To continue down the present path is to accept a system that is destructive of human life, wasteful of the public treasury and a source of divisiveness in our society.

We do not under-estimate the problems involved in administering a Family Assistance Plan. They are massive. To carry out the broad policy proposed in F.A.P. requires improvements in all our existing programs and systems to make them effective.

Our view is that administrative overhaul of the entire system is an essential step in the process. This means, in a City like New York, present management systems and procedures must be revised, greater coordination between agencies developed, and personnel retrained and reoriented toward the new welfare policy introduced by F.A.P.

Because New York City has one-tenth of all welfare recipients in the nation, we believe that New York City should be selected as a center for the design and development of certain critical parts of systems required to make F.A.P. administration a success. If there is a problem in welfare administration, it unquestionably exists in New York. It is our view that New York City, should be a laboratory for the Federal Government to design and test out specific systems for managing and controlling F.A.P.

Administrative overhaul requires that manpower training be better tied in with actual job opportunities, and that job placement and follow-up be improved. We look for guidance here from the Coordinated Area Manpower Planning Studies (CAMPS) now in operation throughout the nation. Business is prepared to work with government, as it has in the past to improve the process of training and placement, for we recognize that unless business is involved, manpower training cannot succeed.

One of our major needs in New York City and elsewhere is a better design for developing, staffing and operating day-care centers. While we are pleased that there is included in F.A.P. an increased authorization for the development of such centers, we believe that provision must be made to utilize every available community resource for this purpose. Our organization is currently engaged in a study of the problems involved in expanding day-care center programs in New York City.

Two areas where more effective efforts are needed to control welfare demands lies in the area of family planning and parental support. Our research reveals that out-of-wedlock births in New York City constitute an automatic "escalator" in the number of persons requiring public support. We estimate that about 28,500 persons are added to the rolls each year due to illegitimacy; of these, some 16,000 children are born to mothers already on welfare. There is a need to develop better understanding of family planning methods, together with programs to encourage their use by people on welfare.

Parental support for mothers and children on welfare is almost non-existent in New York City. In 1969 the City collected about \$4.2 million for family support payments under court order on welfare cases through the City Office of Probation. This represented less than 0.7 percent of the total amount paid out in A.F.D.C. support payments. The inability of the present system to enforce financial responsibility on absent fathers is an open invitation to abandonment. This is one area where stronger government systems are needed, directed particularly at working fathers who make no effort to contribute to the support of their families.

Relative to the administration of welfare, we believe that the intent of Title XX of F.A.P., which is directed to improving State planning and welfare services, again sets a broad policy mandate that is much needed. Unless the Federal F.A.P. is supported by a system of welfare services at the State and local level which is directed toward accomplishing the basic objectives of F.A.P., the new policy will be hamstrung.

Similarly, Section 452, (c) (9), which spells out State responsibility for enforcing the financial obligations of parents, strengthens the F.A.P. concept. These two measures were additions to the legislative proposal made after the Senate Finance Committee hearings in April, 1970, and in our estimation have strengthened the potential for better administration of the program. In these two areas—local welfare administration and parental responsibility—we need new approaches and new systems, and suggest that funds be allocated for their development, using New York City as a center for their design and testing.

The concept of F.A.P. in terms of providing a basic minimum income, through the whole approach to training and employment, and including the improvement

of social services at the local level, is an effort to reach our economic system's actual and potential dropouts and discards. Only through returning them to productive employment can we help them to escape poverty. But it must be noted that F.A.P. deals directly only with a portion of our population—in terms of adults, those who are unable to "make it" in our society. To make certain that our younger generations do not fall into the poverty trap in the future requires a re-orientation and rejuvenation of our educational systems, especially at the grammar, high and vocational school levels.

We would conclude with a final note. Our nation needs a new policy relative to poverty and its solution. We cannot for long sustain the present system which tends to perpetuate rather than to resolve poverty. We believe that F.A.P. is a step toward a sound program.

STATEMENT OF WILLIAM SHAKER, PROFESSIONAL ENGINEER, REGARDING THE FAMILY ASSISTANCE LEGISLATION

MORE JOBS OR ADDITIONAL WELFARE

I believe that the current welfare situation must be changed; but I don't think that the Family Assistance legislation, in its present form is practical or fiscally responsible.

I agree with the authors of the Family Assistance Plan in that something must be done to relieve poverty and its deadly affects on the Nation. A recent study (that I made) of 45 southern counties showed that 63 per cent of the families in those counties had incomes under \$3000. These same counties exhibited a net out-migration of 32 percent during the 10-year period ending in 1960. Most of this out-migration has been to northern cities—the majority of which has been non-white. A sample of 11 northern cities revealed a net non-white in-migration equivalent to an increase of 64 percent in their non-white population. The employment in the core of these cities decreased by 11 per cent with an accompanying shift in total population of only —2 percent.

If current trends are allowed to continue, the period between 1960 and 1985 will evidence the following statistics for the cities of this Nation: a decrease in the number of jobs available by 90 per cent and an increase in the Black labor force of 110 per cent. The southern cities will probably receive a greater share of the social symptoms of poverty as these deadly trends continue.

But placing more people on welfare rolls is not an effective answer to the problem. A large portion of the poverty population is composed of persons not presently qualified to fill jobs. Many of these people have been displaced by automation (chemical weedkillers wiped out 50,000 jobs in the Mississippi Delta, alone, during the years of 1966 and 1967). Most of this group of people could be readily trained to perform productive work—if that work could be provided. Also included in the poverty population is a group of people that is not remotely qualified to do any job: not at all oriented to the world of work.

An effective solution must make jobs and training programs available to the presently unqualified. These people are resources that should be utilized in a productive way. And they can! That is when a way is found to put them to work providing goods and services to fill their own needs (the ever swelling welfare rolls present a vast potential market—if the family assistance legislation is enacted into law, a minimum of 15 per cent of this Nation's population will be on the welfare rolls).

The opportunity to feel productive is essential to meaningful social relationships. Providing jobs will do much more than reduce the economic waste of unemployment. It will give those at the poverty level purpose—something that welfare programs do not provide.

The Family Assistance legislation would theoretically stimulate employment—a difficult task in the light of inadequate training programs and poorly distributed job opportunities.

President Nixon promised an alternative to welfare in his acceptance speech in Miami Beach:

"... But for those who are able to help themselves—What we need are not more millions on welfare rolls—but more millions on payrolls.

"Instead of government jobs, and government housing, and government welfare, let government use its tax and credit policies to enlist in this battle the greatest engine ever developed in the history of man—American private enterprise."

If this bill is enacted into law, the number of persons on welfare will increase by approximately 140 per cent. Under this bill, the welfare rolls in the state of Mississippi will grow to approximately 35 percent of that state's population.

The incentive portion of this bill will do little to change these people from welfare rolls to payrolls because jobs are not available.

This Nation can ill afford to engage in such a costly experiment. This bill will not solve the problem. Enactment would only frustrate solution of the problem by precluding enactment of an effective program. And this Nation must implement an effective program very quickly. The increase in the federal welfare budget (between \$8.5 and \$15 billion) would be a relatively small cost. The cost of no real solution to the problem would be staggering.

Proposal

A way must be found to provide additional jobs—otherwise, no incentive program can function. These new jobs would be those required to meet the increasing needs of unemployed/underemployed persons. The most effective way to accomplish this would be for business and industry to do it and to measure the results against the proven yardstick of profit and loss.

The application of private enterprise to this national problem is the heart of this proposal. Basic needs of those living in poverty can be met if meaningful work can be provided. Simply stated, the steps would be: 1) develop new jobs, 2) put unemployed and underemployed to work, 3) existing needs will be satisfied, higher level needs created, 4) new manufacturing and service industries develop to meet new demand, and 5) the process repeats itself.

A massive frontal attack on the poverty problem is needed. Many of the solutions can be provided by big business. Legislation along the lines that I am proposing would provide concessions to overcome short-term disadvantages that would be faced by industry during the implementation of the plan.

The proposal is for industry to hire and train unemployed and underemployed persons. (This will ensure that the people are trained for jobs that do or will exist). Participating industrial firms would be required to agree to certain long-term conditions. Labor intensive industries would be established in economically depressed areas—the rural South, Appalachia, the central cities.

It is generally agreed that large corporations are a major storehouse of special capabilities required to solve many of our national problems. The role that should be played by business and industry is, however, rather vague.

Unfortunately, a good part of business involvement today is motivated by "social conscience"—not necessarily good management considerations.

The businessman's "bag" is to perform well against the yardstick of profit and loss. Good management presupposes a method of measurement.

The profit and loss system is very powerful and can overcome the severest obstacles. For example, Dow Chemical Company "lost" \$375 million in the period between 1965 and 1970 due to increased labor cost and price attrition. In spite of these problems, the firm enjoyed a compound annual growth in earnings of approximately 8 per cent. The reason: profit motivation.

In order for job legislation to be effective, it must be designed so that business will participate as part of the on-going operations of the firm. The management processes of delegation, review and the watchful eye of the stockholder will force success.

Under my proposed legislation, business would be compensated for *short-term* labor force and geographic disadvantages. The proposed bill would also provide the carrot necessary for success.

Incentives would be used to: 1) place a firm locating in an underdeveloped area and using undertrained (and perhaps undermotivated) labor on equal ground with a firm locating in a highly developed region which enjoys a highly trained labor force; and 2) provide business with the added incentive to participate in the program. This portion of the incentive will tap the innovative and creative abilities of private enterprise so that short-term obstacles will be overcome.

Analysis of foreign experience will show mixed results with regard to the type of tax incentive (tax holiday) that I am proposing. Some countries have seen tremendous economic progress which can be partly attributed to the proper application of tax incentive programs. Taiwan, one of the more successful developing countries, enjoyed a real per capita income increase of 80 per cent between 1962 and 1965. Taiwan, along with other developing nations has benefited from U.S. foreign aid. Much of her progress has been attributed, however, to reliance on private enterprise, proper government coordination, and tax incentives.

Industrial tax incentives are of two major types: investment incentives and tax vacations (tax holidays).

Investment allowances permit deductions in excess of depreciation costs to be taken in the early years of a project, thereby reducing income tax.

A tax vacation is relief (or partial relief) from corporate income tax for some stated number of years (an example of this is the tax incentive program used to encourage the development of Puerto Rico).

The investment allowance approach is biased in favor of capital intensive manufacture. The tax vacation approach is better suited where the objective is the creation of jobs--which is the case here.

I developed an example to illustrate how a tax vacation program might work. This example compares the alternatives of locating a new industry in a depressed area (the Mississippi Delta) versus location in a highly developed part of the country. The resulting cash flows are shown in exhibits 1, 2, and 3.

Present value is a method that business uses to evaluate decisions. It places a time value on money. The present value method equates future earnings to today's dollars by taking into account the interest (discount) that those dollars would earn.

In this example, the present value of the cash flows for business and the federal government is \$6 million and \$367 million, respectively.

Everyone would benefit from legislation of this type: the poor, the government, and industry. *Why?* Because people are removed from welfare rolls and put on payrolls.

I urge that the Family Assistance legislation be defeated in favor of a more positive program along the lines that I have described.

CASH FLOW -- INDUSTRY

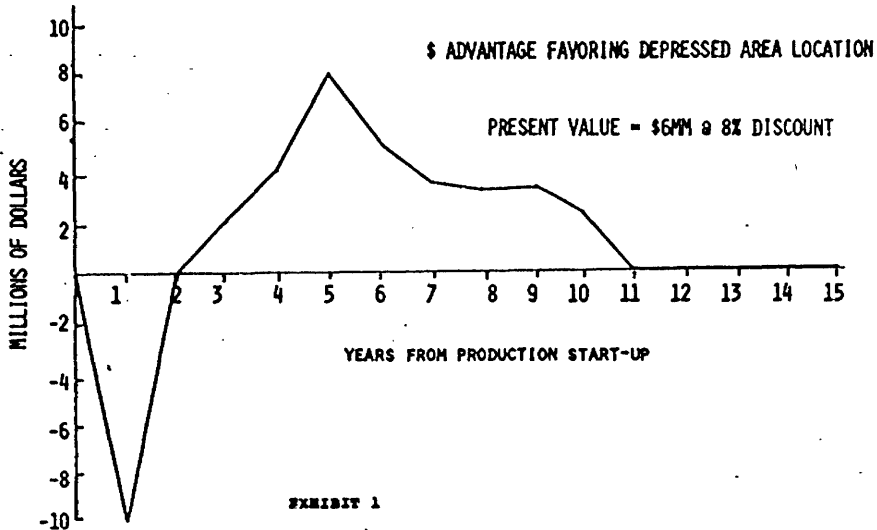


EXHIBIT 1

CASH FLOW -- GOVERNMENT

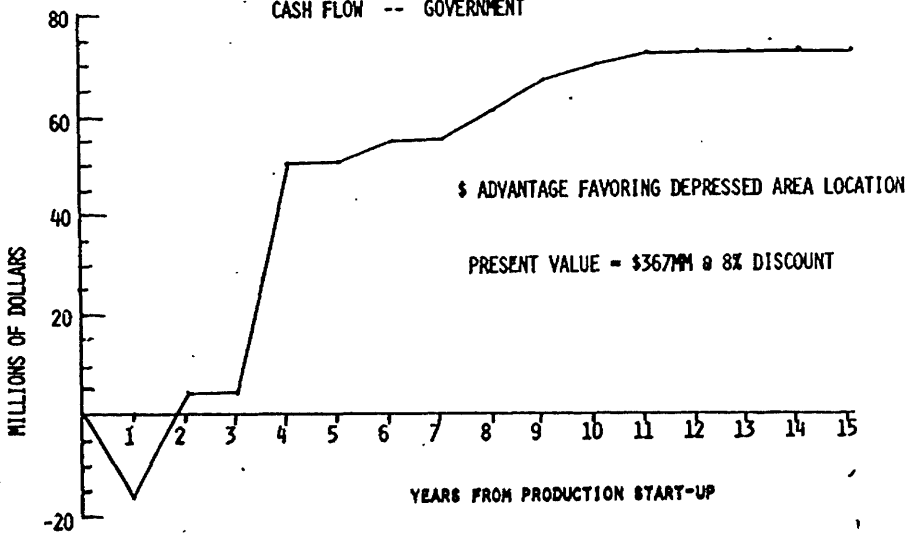


EXHIBIT 2

CASH FLOW SUMMARY

YEAR	# OF PEOPLE EMPLOYED		INDUSTRY CASH FLOW							GOVERNMENT CASH FLOW								
			DEPRESSED AREA				DEVELOPED AREA			\$ DIFF. BETWEEN					DEPRESSED AREA		DEVELOPED AREA	
	DEPRESSED AREA	DEVEL. AREA	AMOUNT OF TAX VAC.	COMPARATIVE EFFECT.	PROFITS BEFORE TAXES	PROFITS AFTER TAXES	PROFITS BEFORE TAXES	PROFITS AFTER TAXES	\$	CORP. INCOME TAX @ 50%	PERS. INCOME TAX @ 20%	PERS. INCOME TAX @ 20%	WELFARE PAYM. DEPRES. AREA	CORP. INCOME TAX @ 50%	TAX ON WAGES @ 20%	TAX ON DIVID. @ 20%	WELF. PAYM. DEPRE AREA	\$
	12M AVERAGE WAGE	12M AVERAGE WAGE			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1	5.0M	12M	100%	27%	12MM	12MM	44MM	22MM	-10MM	0	6.5MM	2.4MM	-48.7	22MM	19.2MM	4.4MM	-70MM	-15.4MM
2	8.3M	12M	100%	50%	22MM	22MM	44MM	22MM	0	0	10.7MM	4.4MM	-35.0	22MM	19.2MM	4.4MM	-70MM	4.5MM
3	10.0M	12M	100%	55%	24MM	24MM	44MM	22MM	22MM	0	13.0MM	4.8MM	-27.6	22MM	19.2MM	4.4MM	-70MM	4.6MM
4	16.5M	12M	100%	60%	26MM	26MM	44MM	22MM	4MM	0	21.5MM	5.2MM	0	22MM	19.2MM	4.4MM	-70MM	51.1MM
5	16.5M	12M	100%	68%	30MM	30MM	44MM	22MM	8MM	0	21.5MM	6.0MM	0	22MM	19.2MM	4.4MM	-70MM	51.9MM
6	16.5M	12M	80%	68%	30MM	27MM	44MM	22MM	5MM	3.0MM	21.5MM	5.4MM	0	22MM	19.2MM	4.4MM	-70MM	54.3MM
7	16.5M	12M	70%	68%	36MM	25.5MM	44MM	22MM	3.5MM	4.5MM	21.5MM	5.1MM	0	22MM	19.2MM	4.4MM	-70MM	55.7MM
8	16.5M	12M	40%	82%	42MM	25.2MM	44MM	22MM	3.2MM	10.8MM	21.5MM	5.0MM	0	22MM	19.2MM	4.4MM	-70MM	61.7MM
9	16.5M	12M	20%	95%	44MM	25.2MM	44MM	22MM	3.2MM	16.8MM	21.5MM	5.0MM	0	22MM	19.2MM	4.4MM	-70MM	67.7MM
10	16.5M	12M	10%	100%	44MM	24.2MM	44MM	22MM	2.2MM	19.8MM	21.5MM	4.7MM	0	22MM	19.2MM	4.4MM	-70MM	70.1MM
11	16.5M	12M	0	100%	44MM	22MM	44MM	22MM	0	22.0MM	21.5MM	4.4MM	0	22MM	19.2MM	4.4MM	-70MM	73.3MM
12	16.5M	12M	0	100%	44MM	22MM	44MM	22MM	0	22.0MM	21.5MM	4.4MM	0	22MM	19.2MM	4.4MM	-70MM	73.3MM
13	16.5M	12M	0	100%	44MM	22MM	44MM	22MM	0	22.0MM	21.5MM	4.4MM	0	22MM	19.2MM	4.4MM	-70MM	73.3MM
14	16.5M	12M	0	100%	44MM	22MM	44MM	22MM	0	22.0MM	21.5MM	4.4MM	0	22MM	19.2MM	4.4MM	-70MM	73.3MM
15	16.5M	12M	0	100%	44MM	22MM	44MM	22MM	0	22.0MM	21.5MM	4.4MM	0	22MM	19.2MM	4.4MM	-70MM	73.3MM

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NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.
 WEST TENNESSEE CHAPTER,
 Memphis, Tenn., September 21, 1970.

Senator RUSSELL B. LONG,
 Finance Committee, Office Building,
 Washington, D.O.

DEAR SENATOR LONG: The West Tennessee Chapter of the National Association of Social Workers would like to share with you our position in regard to welfare reform. We are mindful of the responsibilities you have in re-shaping the welfare system of the nation and the difficulties in finding the exact formula. It is our hope that in some measure, this information will help you in reaching these decisions.

The West Tennessee Chapter as one of 172 chapters of the National Association of Social Workers believes that a welfare system must operate to get people out of poverty rather than perpetuate the cycle of poverty. In order to achieve this objective, we must guarantee two basic things:

- (1) A basic minimum income floor guaranteed to those in need.
- (2) A comprehensive array of Social Services to serve as a bridge out of poverty.

The position of the West Tennessee Chapter which parallels the position of our National Organization was unanimously passed by its members.

We appreciate your efforts on behalf of all people in our nation in trying to make the American Dream a reality.

Sincerely,

BERNARD DANZIG,
 Chapter Chairman.

OFFICIAL POSITION OF THE WEST TENNESSEE CHAPTER OF THE NATIONAL ASSOCIATION OF SOCIAL WORKERS REGARDING H.R. 16311 (REVISED) THE FAMILY ASSISTANCE ACT OF 1970

As summarized by the National Association of Social Workers this local chapter concurs in the belief that the Bill as written would provide:

1. A Federal floor of income for families.
2. A broadening of Eligibility to include the "working poor."
3. A more consolidated and uniform system.
4. The possibility of Federal Administration.
5. About 2 billion more dollars into the hands of poor people.

However, when measured by the yardstick of NASW criteria for an Adequate Income Maintenance program and Optional Social Service Delivery System there is clear agreement that the Family Assistance Plan as now written just does not measure up.

In this light we deem it our Chapter privilege and responsibility to take a policy position as follows:

1. ADEQUACY OF BENEFIT LEVEL

A money payment system is needed which will provide an adequate income floor for families or individuals found below the poverty index (\$2.43 per day per person as indicated in the Helmenan Report Recommendations) which uses the United States Bureau of Labor Statistics moderate budget level, with periodic cost of living adjustments to be reached in stages by July 4, 1976. (That is the 200th Anniversary of this country and the date NASW favors as the deadline to achieve this basic right for all citizens). The \$1600.00 level as set forth in H.R. 16311 (Revised) is obviously unreal and an unacceptable compromise with the need to support children, the blind, disabled and aged at a decent level.

2. ADMINISTRATIVE EFFICIENCY

We advocate a single system, Federally administered and fully Federally funded, as the most efficient, economical and equitable system. The Family Assistance Plan mixes up Federal and local responsibilities, provides three different options and will continue the sub-standard practices in most states.

3. MAXIMIZATION OF INDIVIDUAL FREEDOM—AND THE QUESTION OF WORK INCENTIVE AND SUITABLE EMPLOYMENT

We support a National Manpower Policy which provides employment opportunities for each person who on his initiative, is willing and able to work, to have full employment assured by job development in the public service sector. We also support the concept of the Government as the "employer of the first instance" for youth and other new entrants to the world of work. Any questions or problems about employment belong in manpower legislation, which we believe must be entirely separate from a needs program such as Welfare or Income Maintenance. The present F.A.P. bill penalizes welfare recipients without making jobs available.

4. UNIVERSALITY AND RIGHT TO SERVICE

We support a universally available quality system of social services for individuals and families located in the private sector and available to all who request or require services. These services must be received promptly as a matter of right and unrelated to ability to pay. The present F.A.P. Bill incorporates social services legislation into the money payments bill. It continues the "means test" approach, thus perpetuates two social services systems in the United States, one for the desperately poor and one for middle America.

5. ADEQUACY OF FUNDING

We advocate the maintenance of the present open-end appropriation for funding Social Services until the Nation can develop an "Investment Approach" with a trust fund for development programs, a "Demographic Incidence" approach for remedial programs and an "Open-End" approach for emergency situations. We resist the closed-end authorization for all Social Services in the H.R. 16311 Bill because we believe that people have a right to services on an "as needed" basis just as fully as people have a right to adequate income on an "assured" basis. Also, since the F.A.P. program will more than double the Number of people that public policy is trying to assist to a level of self-sufficiency such an "income strategy" must have an equal capability in the national "service strategy." To arbitrarily restrict funds for service at a time when money payments are being expanded to additional millions of Americans is to severely handicap both programs. Goals should be set for each program (income and services); goals can be achieved in each if we leave ourselves open to develop the human capabilities by providing adequate funds to accomplish this.

6. MANPOWER AND SERVICE COMPONENT

We support a range of personnel—volunteer, technical and professional—to effectively perform the social services which will serve as bridges out of poverty. The manpower provisions of H.R. 16311 do not contain a broad enough range of personnel nor an assured continuum of competence. The funds for all levels of education must be assured for proper planning and program development, hence the necessity for adequate amounts, clearly identifiable.

STATEMENT OF THE HEALTH AND WELFARE COUNCIL OF THE NATIONAL CAPITAL AREA, SUBMITTED BY MARKHAM BALL, CHAIRMAN, COMMITTEE ON FEDERAL LEGISLATION

The Health and Welfare Council is the central agency for developing and coordinating the support of the private sector for health, welfare and related community services in the greater Metropolitan area of Washington. It is a non-profit organization financed chiefly by the United Givers Fund and is responsible for the allocation of UGF funds to eligible private voluntary agencies. The Council is a citizen-led organization representative of all segments of the Metropolitan area.

The organizations affiliated with the Council represent the entire range of private social service agencies. Some of our agencies operate under contract with public agencies; nearly all of them deal in some way with people whose lives are influenced by federal welfare assistance.

We offer these comments on the proposed Family Assistance Plan in light of our experience and our concern with the problems of the poor.

I PRINCIPLES OF AN ADEQUATE WELFARE SYSTEM

Over a year ago, our Council reviewed the operation of the present welfare program, found the system grossly inadequate, and identified reforms that we think are necessary if that system is to do an adequate job of meeting human needs. We identified five basic principles on which, in our view, a truly adequate welfare system must be based. These principles are:

1. *All people have a right to sufficient income to meet their basic human needs.*—There should be federal standards of minimum benefits to assure that these needs are met in every state. We believe that minimum subsistence benefits should be available to everyone in need—those in low paying jobs, as well as the unemployed, those without families, as well as dependent children and their parents. We also believe that adequate standards can be achieved throughout the nation only if the Federal Government pays all, or virtually all, of these basic benefits.

2. *All people should have an opportunity to work to support themselves.*—Real opportunities and real incentives for work and job training should be available to everyone.

3. *Family stability should be encouraged.*—No family's benefits should be reduced or denied because the family includes a parent who is employed or deemed employable.

4. *Human dignity and the individual's right to manage his own affairs should be preserved.*—The system must encourage, not destroy, self-respect and self-reliance. Because we believe this, we believe that social services and work and training programs should be made available, but that participation in them should not be required of recipients. The goal of the welfare system must be to help people move from dependency to self-reliance—and we do not think that self-reliance can be compelled.

5. *The system must be reasonably easy to understand and administer.*—We favor a single federal administration, and the use of the simplified "declaration method" of determining eligibility for welfare.

II. THE PROPOSED FAMILY ASSISTANCE PLAN

Against these principles we have measured the proposed Family Assistance Plan, as it was revised by the Administration last June. We find in the Plan a number of constructive, if often limited, steps toward the kind of system that will meet the needs of our community and the nation. We note in particular, the following major advances:

The bill adopts the principle of a nationwide standard of minimum benefits, and establishes a single national standard of eligibility for benefits.

The bill would extend federal welfare benefits to the working poor, who are excluded from the present system, and thus would come closer to providing help to all who live in poverty.

The bill provides welfare recipients with new incentives to work, including the right to keep more of the money they earn without loss of welfare benefits.

Finally, the bill offers new opportunities for job training. It recognizes that supporting services are necessary in order to make training and employment possible, and, in particular, it provides a substantially expanded child care program for the families of participants in work and training programs.

At the same time, the bill in its present form contains serious weaknesses. Unless the most serious of these weaknesses are removed, the bill, as a whole, would represent retrogression, rather than welfare reform. The steps that the bill would take toward an adequate welfare system would be more than offset by the steps it would take in the wrong direction.

We outline below the most significant ways in which we think the bill should be improved to better meet the needs of the poor, as these needs appear to the HWO voluntary agencies who work with the poor.

1. *The basic minimum payment under the Family Assistance Plan, now proposed at \$1600 per year for a family of four, should be raised to a level commensurate with need.*—Over time, the HWO agencies have learned the obvious: the very first thing that poor people need is money. We believe strongly in the value of social services for the poor. Many of our agencies are providers of these services. But we know equally well that the counselling and other assistance that our agencies offer cannot really change things for families that do not have enough cash to live on. Until these families can buy food, clothing and shelter and have some cash to cope with emergency needs, welfare agencies can do next

to nothing to help them in any permanent sense, and there is little most can do to help themselves.

We believe therefore that the bill should clearly state a federal policy to provide all Americans with an income adequate to sustain them in a state of health and minimal decency. We do not think anyone seriously suggests that \$1600 per year for a family of four is enough to do this. The bill should set goals of federal benefit levels calculated to meet actual needs and it should fix a timetable for reaching these goals. The goals should be adjusted for cost of living increases and for differences in living costs in different areas. At current price levels and in our area, we estimate the minimum that it costs to meet the basic needs of a family of four as approximately \$5,000 to \$5,500.

2. Assistance should be provided equally to all in need.—We know of no justification for denying benefits to individuals or married couples without children. Yet the bill excludes these people, not only from cash benefits, but also from the work and training opportunities of the Family Assistance Plan.

We know of no justification for denying state supplemental benefits to the "working poor"—families headed by a father with a full time job. The Administration proposal recognizes the inequity and the work disincentive involved in excluding the working poor from benefits (and it includes the working poor in its plan for basic family assistance benefits. The same inequity and disincentive would continue to exist, however, with respect to state benefits.

3. Existing benefits now paid to needy families should not be cut back. In particular, the program of aid to families with unemployed parents (AFDC-UP) should be continued.—Failure to provide assistance to families headed by unemployed fathers is a double evil. It ignores the needs of families just as poor as those being assisted by welfare, penalizing a family because the father cannot find a job (and we have found that most unemployed men do want jobs, but are unable to find them.) It also is a strong inducement to unemployed fathers to desert their families.

The Administration proposal would end federal support for state AFDC-UP programs. These programs now provide assistance to some 90,000 families in 23 states and the District of Columbia. In the District of Columbia, an AFDC-UP program began just last month. If the Administration's proposal is adopted, however, this program may have to be abandoned before it is a year old. It would be ironic if this needed reform in our local welfare program were to die as the result of a "welfare reform" bill. It would mean that more families would have to break up or have their benefits reduced. It would be yet another indication—particularly to the poor—that the system is arbitrary, unfair, uninterested in keeping the promises it makes.

One of the premises on which the Administration's original welfare reform proposal was based was that no individual should be worse off under the reformed program than under the existing program. This principle was stated in the President's message on welfare reform a year ago. It should not be forgotten now.

4. So long as supplementary state benefit payments are a necessary part of the plan, the bill should encourage state payments at more nearly adequate levels.—First, the bill should provide financial incentives to the states to increase supplemental payments to levels commensurate with needs. There is nothing in the bill that would encourage the states to raise their present, and largely inadequate, benefit levels. Indeed, the proposed "poverty level" ceiling on state payments that will be federally assisted would be an incentive to some states to reduce benefits to the federally defined poverty level.

This is retrogression. The bill should require the Federal Government to share in the costs of benefit payments above present levels—at least until benefits reach levels that actually meet basic needs.

Second, the required state benefit level for a given family should be computed, not on the basis of January, 1970 payments to a family with no income, but on the basis of payments to a family with the same amount of countable income. Under the present proposal, families in 22 states and the District of Columbia (those jurisdictions that pay less than full need) stand to have benefits reduced below present levels if they have countable income. This is a clear disincentive to work and clearly unfair.

5. The bill should provide a single, unified system of federal administration.—We believe that the incentives to the states under the present bill to "contract out" to the federal government the administration of state supplemental programs are a decided advance. We do not think families should have to go through two or three sets of qualification procedures—a federal application and a fed-

eral check for basic benefits, a state application and a state check for supplemental benefits, and perhaps a trip to yet another federal office to register for work or training.

We suggest that the bill fix a definite date after which all determinations of eligibility and all payments of basic and supplemental benefits shall be the responsibility solely of the Federal Government.

6. Participation in work and training programs should not be compelled. Rather, the bill should provide standards to ensure that programs offer real incentives and opportunities for productive work and training.—People on welfare are little different in their attitudes toward employment than other people. This is confirmed by an increasing number of studies, including the OEO-funded income maintenance project in New Jersey. It is confirmed by the experience of the workers in our agencies. Most people want to work and support themselves.

For this reason we think the bill's requirement that an individual accept employment or training is unnecessary. It may, indeed, be counter-productive.

We understand and share the concern of spokesmen for the poor who fear that such provisions may be used to coerce the poor into dead-end jobs at substandard wages. We fear that the prospect of coercion, no matter how infrequently coercion is actually applied, will so alienate the poor as to defeat entirely the objectives of the work and training programs.

If the past decade's experience with work and training programs has taught us anything, it is that the simple loss of a paycheck does not prevent enrollees from dropping out of programs in large numbers. We know by now that for a work and training program to be successful, it must offer positive incentives, and must take positive steps to remove the obstacles that now bar many poor people from employment.

We suggest therefore that the following standards for work and training programs be added to the bill, whether or not participation in these programs is made mandatory:

All training should be for specific jobs. The experience in this community and, we think, in the nation at large is that this is by far the best way to insure that a training program will actually lead to employment. Where possible, the "hire first" principle of the JOBS program should be applied: a trainee should be first hired, then trained on the job. In any event, training of an individual should not begin until an employer has firmly indicated his intention to hire him when trained. Particularly in this time of high unemployment, there is a very real risk that jobs will not be available for all people who must register for training or employment. We do not believe that people who enter training in good faith should bear the risk that there will be no jobs for them when their training is completed.

Since available training slots in the early years of the program will be far fewer than the number of people available for training, the Congress should fix priorities for entry into training programs. Even if, as we hope will not happen, some people are ultimately required to accept work or training against their will, the first to enter these programs should be people who choose to do so. The present WIN program in the District of Columbia has been filled from its inception with persons enrolled voluntarily.

Raising children should be recognized as important and meaningful employment. In no event should mothers of school age (or pre-school) children be forced to accept work or training against their will. Our agencies have for some time been concerned with the plight of the "latch-key child," the child with no supervision after school and during school holidays. A study of one member council has shown that it is these children who are most likely to become involved with law enforcement authorities. Many mothers of school age children want to work, and can make proper arrangements for the care of their children in their absence. If, however, all welfare mothers are made to work, the deterioration of the family and the damage to the children that can result seem far too serious to justify the marginal return of the work these women would do.

If employment is to be compulsory, standards of what constitutes suitable employment are necessary. The bill should provide that no one shall be compelled to take a job that does not pay the federal minimum wage, or that does not offer the prospect of advancement to a minimum wage job within a reasonable time. Any job under the program must offer the opportunity for advancement based on ability.

The bill should direct the Secretary of Labor to choose in each locality the one or more organizations best qualified to run training and employment programs. He should be able to contract with state, federal and local agencies, community action agencies and voluntary agencies. Very often—and we have seen this happen in our area—local, citizen-led organizations are better able than a state or federal agency to reach the people who need jobs and bring them into work and training programs.

7. *A program of public service employment should be provided, in this bill or in separate legislation.*—The present problem of massive under-employment that exists in the District of Columbia arises primarily from the simple fact that there are not enough decent jobs, jobs that pay enough to support a family, available for those that want them. A 1968 survey by the D.C. Manpower Administration showed that about a quarter of our employable inner city residents are under-employed—totally without work (4.5 percent), working part time (7.5 percent), or working full time for less than \$3000 per year (11 percent). These under-employment figures are doubtless higher today. They reflect a pattern that must exist in many cities besides our own.

The problem of under-employment can be met in part by making the new jobs that develop through the growth of the economy more accessible to the poor. These new jobs in our area tend to be skilled jobs in the suburbs. Many of our inner city poor are now barred from these jobs by lack of skills, lack of transportation, lack of many other things—but not essentially by lack of will.

It seems unrealistic, however, to expect the economy every year to produce adequate jobs for all who need them. In our area at least, a program of public service employment will be necessary if there is to be full employment within the foreseeable future.

A number of our agencies have had experience, under the "New Careers" program of the Economic Opportunity Act, with hiring and training the poor to work in the fields of health, recreation and community development. We have found that this kind of program not only creates new jobs for people who need them, but also helps provide needed health and welfare services that would otherwise not be available. We think a program of public service employment, to provide jobs when and where jobs are not otherwise available, should be an integral part of welfare program.

8. *The bill recognizes that adequate child care facilities are necessary if working mothers are to take advantage of work and training programs, and it takes commendable steps toward providing this care. We think, however, that the provisions for child care could be still further strengthened.*—Experience with the WIN program in this city, and studies that have been made elsewhere, indicate that a major obstacle that keeps welfare mothers who want to work from working is lack of adequate day care for their school age and pre-school children. The voluntary agencies are deeply involved in ongoing child care programs. We believe that properly run child care programs are invaluable educational experiences for the children themselves. And we also know that if any substantial numbers of welfare mothers are to work, there must be day care for their children.

The need for child care facilities and for trained personnel to run them is great. The National Capital Area Child Day Care Association, one of the members of our Council, has estimated that at least 12,000 children aged 3, 4 and 5 from low-income families in the District of Columbia now need day care. Yet the number of places for disadvantaged children now available in day care centers in the District is less than 4000. This is the situation in a community that has been a leader in providing child care facilities. The need in other communities must be as great or greater.

The present bill recognizes these unmet needs by providing funds both for the construction of new child care facilities and for the training of personnel. We would recommend the following changes to strengthen the child care provisions of the bill:

The bill should require national standards (with some flexibility to meet local needs) for child care services, covering facilities, program and personnel. State and local regulations cannot be relied on everywhere. In the District of Columbia, child care centers that comply with present local regulations are all too often inadequate, and at worst they are damaging to the children.

Care should be not merely custodial but should be designed to meet the educational, nutritional and health needs of the children.

Care should be provided for elementary school children after school.

Community-operated centers, drawing on the support of the people in their neighborhoods, should be encouraged.

The bill should encourage training and employment of the poor as child care center workers. At least half of the positions in a properly staffed center can be filled by trained non-professionals, and experience has shown that the poor themselves, with training, can fill these jobs. We have found that the entire educational program of our centers improves if the parents of the children participate in the work of the centers. A number of our agencies find that they operate with greater understanding of the needs of the poor if they employ the poor, and they find that these parents are often their best spokesmen in the community. With many welfare mothers anxious to find jobs and with child care center staff in short supply, it is only common sense to train and employ these mothers as teachers' aides and in other vital jobs in the centers.

We favor integration of poor with middle class children in child care centers. Parents who can afford to pay fees should do so, and the bill so provides. The bill should make it clear, however, that no family should be required to pay a fee unless it has an income sufficient to meet its needs with minimal decency. In most areas this means income considerably above the "poverty level."

III. CONCLUSION

Welfare reform is not a subject about which only the needy or only certain public officials are concerned. The private agencies represented by our Council, and the very many volunteers who support these agencies, are also vitally concerned. We recognize the present welfare system and its inadequacies as basic facts of life for our community and for a great many of the people served by our agencies. We recognize that voluntary agencies can make a full contribution to the solution of the welfare problems that face us only if there are adequate public programs on which to build.

We are concerned, of course, with the costs of developing an adequate public welfare system. But we observe every day the costs of an inadequate system, not only in the constantly rising economic costs of half-way help for families unable to break the welfare cycle, but also, painfully, in thousands of wasted lives. If the nation must tax itself more to truly reform the welfare system, or if it must back substantially on other kinds of expenditures, then it must. We cannot afford a society in which so many exist without the means to support themselves in health and decency and without the prospect of any basic improvement in their lot.

TESTIMONY OF CYRIL F. BRICKFIELD, LEGISLATIVE COUNSEL, NATIONAL RETIRED TEACHERS ASSOCIATION, AMERICAN ASSOCIATION OF RETIRED PERSONS

I am Cyril F. Brickfield, Legislative Council for the American Association of Retired Persons and the National Retired Teachers Association. The more than two million members of our Organizations have traditionally expressed a keen interest in Social Security, Medicare and other programs dealing with the health and well being of all citizens. As national, nonprofit and nonpartisan organizations of older Americans dedicated to easing the burdens of life for the elderly and retired citizens of our country, we must involve ourselves in the formulation of landmark social legislation in order that the needs, aspirations and concerns of America's more than twenty million older persons are accorded that recognition which can today be denied to those who are accustomed to acting and speaking with restraint. We therefore appreciate this opportunity to express our view on H.R. 16311—"The Family Assistance Act of 1970".

While, historically, much has been accomplished through our existing system of social insurance and public welfare, serious and fundamental problems still remain. The present system is composed, in some cases, of hasty responses to depression needs and, as a whole, can be viewed as a patchwork of emergency measures, some of which are ill-conceived and contradictory and, therefore ineffective and wasteful. These measures designed to remedy problems existing at inception, have failed in that purpose and have in turn, created new ones; the disintegration of the family unit, the development of chronic welfare dependency, and the destruction of individual dignity and self-esteem.

"Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the tax payer, the present welfare system has to be judged a colossal failure . . . It is failing to meet the elementary human, social and

financial needs of the poor." (President Nixon's statement to the nation on welfare, August 8, 1969)

Thus, we feel that a basic restructuring—as opposed to additional piecemeal improvisation—is imperative if this nation is to come to grips with the pervasive and persistent problem of poverty and its pernicious effects on the national well-being. Certainly, the transition from an essentially state to an essentially federal approach to public welfare which is embodied in H.R. 16311 is a key to this basic restructuring.

We commend the distinguished Chairman and members of this Committee for their very comprehensive analysis of H.R. 16311 and the subject matter which it encompasses, and we hope that this work will lead to a correction of the worst failings and shortcomings of our present welfare system.

Since our Organizations are primarily concerned with the interests of older Americans, we shall refrain from commenting on the details of the proposed reform of Aid to Families With Dependent Children. Rather, we wish to address ourselves to those provisions of the bill which affect the older person directly—the proposed reforms of the Adult Assistance Categories contained in Title II.

As a nation we should be able to guarantee to every person, physically unable to provide for himself, a decent minimum income as a matter of right. We fully recognize the enormous complexity of the problem posed in reconciling income maintenance with work requirements and job training for those who are young and physically capable of contributing to economic productivity. But this problem centers on the details of the proposed reform of the program for Aid to Families With Dependent Children under Title I. Thus, there is no reason why the elderly, blind, and disabled should be forced to endure continuing deprivations while solutions are being sought to the above problem. Should additional analysis and re-evaluation of the proposed reform of the AFDC Program be found necessary, we do not feel that such delay should prevent enactment of the proposed reforms of the Adult Assistance Categories.

In view of the relatively stable caseloads in the adult programs, an increase of approximately 3.5 percent in 1968, for example, we feel that the major problems in this area are: (1) very low benefits in some states (less than \$39.40 a month under O.A.A. in Mississippi in June of 1969, ranging up to \$116.25 in New Hampshire) and (2) differences in eligibility requirements among the various states.

We support the Family Assistance Act's combined program of Federal-State assistance for the needy aged, blind and disabled. We endorse the proposed Federal floor of \$110 a month of income and assistance, which would be assured to every eligible adult recipient, regardless of the state in which he resides. This new income floor should raise benefit levels for over one-third of the present O.A.A. recipients and eliminate some of the inequity in the level of welfare benefits provided by the various states.

It must be recognized that neither the problem of family stability nor the problem of adequate work incentives is tied to the problem of welfare dependency on the part of these people. Perhaps social and rehabilitative services could improve the self-care and self-support capacity of some of these recipients; but in the end, there remains an irreducible level of dependency among these categorical recipients. It, therefore, remains an obligation of society and of government to provide a level of support adequate to preserve the individual dignity of the needy aged, blind and disabled.

We approve the provision making national and uniform the definition of resources used in determining eligibility for the program. Moreover, we approve the option given to the states for Federal administration of The Adult Assistance Program (when coupled with Federal administration of the Family Assistance Plan, and the state supplement program); a single administrative mechanism for the making of transfer payments should be able to take advantage of all the economies of scale which such an automated and nationally administered system can provide.

We further endorse, as essential to the functioning of the aforementioned provisions, the liberalized formula for Federal financial participation; it should provide the substantial fiscal relief required by the states, whose sources of

additional revenue are exhausted. With liberalized standards for eligibility under the Adult Assistance Program, it is probable that many new recipients, with relatively low payments, will be added to the welfare rolls; should this result in a drop in the average level of payment to \$35 or less, the Federal Government would be assuming up to 90 percent of the cost of the program.

In conclusion, Mr. Chairman, our Associations believe that the Family Assistance Act's proposed provisions for reform of the Adult Categories constitute a major step toward assuring a minimum Federal standard for those in our society who, through the result of birth, age, or accident, are unable, through their own efforts, to derive an adequate income from the economy. We urge that the Congress take this step.

PLATTE COUNTY DIVISION OF PUBLIC WELFARE,
Columbus, Nebr., September 8, 1970.

HON. ROMAN HRUSKA,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HRUSKA: We are very much concerned about several provisions of the 1967 Amendments to the Social Security Act which liberalized the formula for computing assistance grants to ADC recipients.

We solicit your consideration on this matter and ask that you note the resolution as passed by the Platte County Board of Public Welfare.

Douglas Count, Nebraska, of course, has the greatest population and we know that they are also disturbed over these provisions; and no doubt they and other Nebraska counties have expressed concern.

Thank you for your consideration on this matter.

Very truly yours,

WILBERT THIELE,
Chairman, Platte County Board of Public Welfare.

PLATTE COUNTY, COLUMBUS, NEBR.

Resolved: Whereas, Provisions of the 1967 Amendments to the Social Security Act provided a formula whereby, in determining eligibility of families with dependent children, the first \$30.00 plus $\frac{1}{2}$ of the balance of income earned is disregarded, and

Whereas, said amendments provide no ceiling or maximum amount on earnings to which such exemptions can be applied in public assistance programs, and

Whereas, because there is no maximum amount placed on these exemptions, it is quite possible for families to have relatively large annual incomes and still receive an Aid to Dependent Children grant plus food stamps and medical benefits, and

Whereas, a lack of a maximum amount on such exemptions can and does result in inequitable grants to families with no income, and

Whereas, in too many cases this lack of a maximum amount on such exemptions can and does result in a disproportionate emphasis on employment; therefore, be it

Resolved, That we, the Board of Public Welfare, Platte County, Nebraska, hereby petition the Congressional Representatives and the United States Senators of our District to do all in their power to change the Federal law to provide an appropriate ceiling amount on earnings to which such exemptions can be applied in public assistance programs while preserving the highly desirable work incentive features of the current law.

WILBERT THIELE, Jr.,
Chairman, Platte County Board of Public Welfare.

Motion by Boettcher, seconded by Rich.

I move the adoption of the foregoing resolution.

Adopted: September 2, 1970.

Certified copy:

ELSIE RUDA,
Director of Public Welfare, Platte County, Nebr.

THE NEW ENGLAND COUNCIL,
Boston, Mass., September 15, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This statement is submitted on behalf of the New England Council for Economic Development to comment on H.R. 16311, the proposed welfare reform bill which is presently pending before your Committee.

The New England Council was established in 1925 at the request of the six New England Governors. It is a broadly representative private non-partisan group interested in the sound economic development of the region. Through its interstate relations program, the Council maintains close liaison with some 25 regional conference groups of New England State officials, including the New England Conference of Public Welfare Administrators. This experience has provided the Council with substantial background in analyzing the pending legislation.

The New England Council supported H.R. 16311 when the bill came before the House for very basic reasons—that a better way must be found to reduce the growth in welfare dependency by keeping families together, providing for the working poor, establishing a minimum national welfare standard, and developing very positive ways to obtain work or training for those able to work.

We are deeply concerned, however, about the fiscal impact of H.R. 16311 on the New England states and the extent of which it would relieve the states of a significant part of the mounting financial burden of welfare. As passed by the House, the bill, in our opinion, provides no real relief for New England. The addition of the working poor to the welfare base, which we strongly support, will have the result of increasing substantially the states' Medicaid costs and thereby reducing the states' savings for this added caseload. Our concern is with the disparity between states in the Federal fiscal relief they would receive in their current and continued welfare burden. The payment of \$1,600 plus 30% of the excess to the poverty level of \$3,720 would have minimal financial benefits for the six New England states because of existing levels of support. The "hold harmless" clause which provides an indefinite guarantee of no higher welfare costs to the states after 1971 also is of small benefit to New England since it would apply only to Vermont. Our analysis of the bill has convinced us that instead of the pluses expected, New England taxpayers will end up with added burdens for the support of a national welfare minimum in those states which do not have adequate welfare programs. While the "hold harmless" guarantee does help New England from being a net loser, this is a small comfort when one considers the revenue savings states with inadequate welfare programs will enjoy from what will be total Federal assumption of the cost of their welfare effort.

We believe the basic difficulty in the bill can be resolved only through recognition of regional and state differences. It would seem wiser to structure coverage of the new system properly at the outset by including those categories of recipients which have been omitted from the pending bill. While this would raise the initial cost of the family assistance plan, we feel that this could be offset by adjusting the minimum allowance on the basis of real per capita income by states and region.

We urge the provisions for Federal support be modified to provide a fairer basis of distribution. If the poverty level was scaled down from \$3,720 by state and region in proportion to differences in real per capita income and if the minimum was kept in relation to the poverty level by state, the coverage could be expanded and a more equitable distribution of Federal funds could be achieved. Within the framework of a national program, this formula has the advantage of recognizing state effort in meeting welfare needs and relative differences in the cost of living in different areas of the country.

Also the formula should be modified to provide payments adjusted to reflect differences within states between urban and rural areas. The formula should be based upon some index of real per capita income using commerce data on personal income and Labor Department costs of living surveys.

The "adjusted family assistance" scale would further minimize the disincentives to work which have been so criticized. The present plan sets welfare support at a high level relative to per capita income in poor states, and low in richer states unless the states "add on" which most do. The recommendation we are making would, in effect, result in the establishment of varied minimum amounts

by states and regions and urban and rural areas and the "adjusted family assistance" would be far more equitable than the proposed flat scale which discriminates against most of the urbanized states.

Interestingly enough this principle underlies § 503 of the bill which provides for a scale of payments relating to the ratio of per capita income of Puerto Rico, the Virgin Islands, and Guam to the lowest per capita income of the 50 states. Furthermore, the use of state per capita income as the basis of distribution of Federal aid is well-established. There is general recognition that the use of flat, across-the-board scales for the nation is not the best way to set pay scales or benefit levels under Federal programs. For example, the postal employees salary adjustment provides for differentials in pay scale between high and low cost living areas. The use of such a "family assistance" index for each state, adjusted within each state, would reconcile state welfare administrators and governors of urban states to the lack of adequate Federal funding. Since the \$1,600 minimum has already been criticized as too low and probably would require future adjustment, the concept of a family assistance index or each state should be adopted now. It would assure annual adjustments as cost of living and per capita income levels rise. In summary, we are suggesting that a new formula be incorporated in H.R. 16311 for the equitable allocation on a national scale of limited funds.

It is also important to plug the gaps in coverage. For example, it is simply not acceptable to exclude the unemployed father, which merely encourages the man to leave the household, something this bill set out to correct. With the revised formula, it should be possible to include at least unemployed fathers without additional cost.

We note the possibility that the Committee will postpone final action on this bill or defer its enactment until a series of demonstrations can be conducted in Vermont and two other places. We urge the Committee to set the effective date of the bill, as revised, for January 1972. This legislation has received considerable study and state and local welfare administrators have been consulted regularly by both the Administration and the Congress. If the proposed legislation is enacted by this Congress, we believe that it could be implemented by early 1972.

Welfare reform is a matter of urgent concern to the New England region. We hope that the Committee will consider these views in its deliberations on the pending legislation.

Very truly yours,

A. THOMAS EASLEY,
Executive Director.

TESTIMONY OF THE WELFARE COUNCIL, NEW YORK CHAPTER, NATIONAL ASSOCIATION OF SOCIAL WORKERS, SUBMITTED BY CHARLES H. KING, PRESIDENT

The New York City Chapter, National Association of Social Workers, representing 5,000 social workers who have dealt with the "social" problems of millions of people in New York City and the laws set up to deal with some of these problems, has been particularly interested and engaged in the struggle to remake the welfare system. The Family Assistance Plan, as originally proposed by President Nixon on August 8, 1970, was at first considered by many social workers as "a foot in the door"—moving towards real reform of the public welfare system in the United States. A harder look, however, has raised serious question as to whether it can be accepted as reform legislation. In many respects it represents a regressive step. The income level it proposes is totally inadequate for even a minimum adequate standard of living, as defined by the Bureau of Labor Statistics, which as you know, has set a substantially higher income level for a family of four.

The Family Assistance Plan seems to be based on the myth that people are poor because they prefer not to work. Its "reform" label fosters complacency on the part of the general public and diverts attention from the central factors which cause dependency on public assistance, on which action is needed, and which is sorely lacking in this Bill. The proposed program fails to correct inequities and chaos of the present welfare system. In fact, it intensifies some of the worst features of that system. This legislation, if enacted, would perpetuate an unsound welfare system for years to come.

Our analysis of the Family Assistance Plan's deficiencies and weaknesses—and the questionable value of amending the proposed legislation leads us to reject

the Family Assistance Act of 1970. We recommend rather that we begin *now* to work towards future enactment of sound welfare legislation.

We believe that a sound welfare program should be based on the following principles:

In the United States, the richest country in the world, all persons should be entitled to an adequate income, provided in a dignified manner. Poor people should not be relegated to second class status. Productive jobs should be available at adequate wage levels for all persons able to work. Persons who are unable to work, however, should not be forced to apply for employment under the threat of the loss of their income grants.

The product of an income maintenance system should be socially and physiologically healthy families whose children have equal opportunity to share in something other than a cycle of dependency.

I. INCOME LEVELS

A. A minimum income should be guaranteed to all families and individuals, assuring them of an adequate standard of living. Identical amounts should be provided to all persons in equal financial need, thus abolishing all categories of assistance. The proposed income level is inadequate and there is no provision by which an adequate level, (i.e., the Bureau of Labor Statistics' Lower Living Standard) would be reached within a stated period of time. The assistance levels to the Aged, Blind and Disabled are also inadequate.

B. A national minimum income standard should be established which is tied to the scientifically established standards established by the Bureau of Labor Statistics, and which automatically changes as the Bureau of Labor Statistics' standard changes.

On the basis of information available, only eight states stand to benefit from the Bill. These states contain only 18% of the nation's public assistance recipients. In all other states, *no increases* in assistance will result from this Bill.

C. The Federal government should be responsible for 100% of the costs of the system. No timetable has been established whereby the Federal Government will assume full financial and administrative responsibility for the program.

II. CATEGORIES AND COVERAGE

A. The differential in payment levels between the adult categories and families is illogical and discriminatory.

B. Childless couples and single adults (not covered in the Aged, Blind and Disabled categories) should be covered.

C. Unemployed fathers of dependent children should be covered if the family unit is to be encouraged as the core of a healthy society.

III. WORK PROVISIONS

The basic function of an income maintenance system is to prevent individuals and families from falling into or remaining in poverty. Such a program cannot be tied to compulsory work provisions. Opportunity for education and productive employment at adequate wages would eliminate the need to force people to work and should be available to them through this legislation. Jobs taught and performed at technologically advanced levels, paid at a comfortable living wage and clearly having a recognized social purpose are the only authentic inducements to bring recipients into the labor market, of their own volition. A citizen forced to work is not productive and a citizen forced to take training does not learn.

The proposed legislation is based on the premise that most persons on Public Assistance are able to work. Statistics show that only 1% to 5% of all recipients are capable of employment. (New York City caseload statistics are: 60% children; 20% mothers caring for children; 14% Aged, Blind and Disabled; 3% unemployables who are working and 2% unemployed.) The conclusion is therefore inescapable; the legislation's purpose is to force mothers of school age children to join the labor force.

B. Forced work provisions requiring that the recipient register with the State Employment Service or forfeit his assistance payments, is intensified in this legislation. The original legislation submitted by the Administration mandated the acceptance of an "appropriate" job. The legislation ultimately passed by the

House, removed the word "appropriate". Thus the recipient must accept any job to which he is assigned by the State Employment Service.

C. The work and training requirements would place potential workers in low-paying, low-skilled jobs with no assurance that the jobs would be performed in areas essential and beneficial to the population as a whole. In a social and economic system where work is the principal source of livelihood and well-being, full employment is not only a necessity but a right for every employable person. If at any time, jobs are not generally available, government has the responsibility to provide and finance socially useful jobs in fields now in need of skilled workers (e.g., health, housing, education, transportation and ecology) and to provide training for the skills needed.

D. Sufficient child-care facilities of high standards should be established to enable mothers to have a real choice of seeking employment and/or training, or remaining at home to care for their children.

The requirements for child-care facilities for the recipient population are inadequate and would be segregated by income level. Child-care facilities should include educational goals and should be open to children from all income levels. They should include after-school facilities, evening and weekend facilities, and a program for supervised home care of children when they are sick.

Home maintenance and care of children should be recognized as productive work and socially desirable, as the family unit is the core of our society—and should be remunerated as such.

IV. MINIMUM WAGE PROVISIONS

The minimum wage must be raised to an adequate level with coverage extended to all occupations.

V. ADMINISTRATIVE PROVISIONS

A. Any income assistance program should be administered totally by the Federal government.

The administrative provisions of the proposed Bill are complex and would be difficult to implement. Authority under the Bill would be divided among seven programs and administered by seven different structures, intensifying the present administrative chaos in the welfare system. While the Bill purports to be Federally administered, the hard decisions concerning eligibility, employment, etc. will be made by state and/or local authorities. There is more than enough evidence at hand to suggest that this will result, at best, in uneven administration between states, and at worst, in the continuation of incredibly discriminatory and punitive programs in many jurisdictions.

B. Nationally uniform appeals procedures should prevail in every state.

VI. FUNDING

In the current proposal the cost of the income maintenance system would continue to fall on the low and middle income population. The method of funding should be revised so that the major part of the burden does not fall on the working people, as it now does. Tax reforms must be initiated to shift a significant portion of the burden for social programs to corporate interests and financial institutions, which as partial contributors to the social problems, and as beneficiaries of our economic system, must meet their fair share of the financial burdens of those social problems.

In conclusion, we urge the Senate Finance Committee to continue its assertion of vitally needed leadership by recommending the changing and/or redrafting of the Bill to include the principles we have mentioned here today and to insure the preparation of a truly meaningful bill which in fact, solves instead of perpetuates the problem of human need in our country.

A COMMENT BY THE CENTER ON SOCIAL WELFARE POLICY AND LAW,
NEW YORK, N.Y.

INTRODUCTION

The Columbia Center on Social Welfare Policy and Law is a national center for law reform in welfare and other government benefit programs. Since its inception in 1964 the Center has become familiar with all aspects of the Social

Security Act, particularly the so-called categorical assistance programs which are amended by the Family Assistance Act, and the ways in which these programs are administered by the states. The Center has conducted welfare litigation under the Act and has worked closely with welfare recipients, recipient organizations, and public welfare administrators on the local, state, and federal levels.

We submit the following comments on H.R. 16311, as recently revised by the Administration, from the perspective of our familiarity with the way in which written welfare laws affects individual recipients.

The Family Assistance Plan, by providing help to the working poor and creating a minimum federal grant level, may work a major improvement over current programs. It is essential to realize, however, that certain provisions of the bill may encourage administrative arbitrariness, racism, and family break-up. Moreover, certain current recipients may actually realize less income under FAP than under current programs. The following comments will suggest certain areas in the bill which should be altered in the interest of meaningful reform.

SUMMARY

I. FAMILY ASSISTANCE PLAN (FAP)

§ 442 (a) and (b)—*Level of Benefits.* The Family Assistance Plan should guarantee an adequate income, determined according to United States Bureau of Labor Statistics cost estimates for a low living standard.

§ 442(a) and § 443—*Eligibility for Assistance.* FAP should provide aid to all persons with income below assistance levels, including single persons and couples without children.

§ 442(b)—*Amount of Assistance.* Ideal amounts should be paid to FAP recipients and persons receiving Aid to the Aged, Blind and Disabled, unless specific needs justify different levels.

§ 442(e)—*Puerto Rico, the Virgin Islands, and Guam.* Payment levels in Puerto Rico, the Virgin Islands and Guam should be the same as those in the States.

§ 443(b)—*Meaning of Income.* Actual costs of going to work, including all payroll deductions, should not be considered income. The work incentive should be calculated on the basis of gross income.

§ 443(b) (3)—*Child Care Costs.* No limit should be placed on the amount which is deducted from income as the cost of child care.

§ 445(c)—*Income and Resources of Non-Contributing Adults.* The income of a spouse of a parent should not be attributed to any family member whom he is not legally obligated to support.

§ 446(a) (2)—*Payment of Benefits.* Payment should be made to the family head and to other relatives, when available, except where extreme mismanagement of funds or incompetence can be shown.

§ 446(b)—*Overpayments and Underpayments.* No recovery of overpayments should be made while a family is eligible for FAP. The House language should be restored which prohibited penalizing members of the family who were without fault in causing the overpayment.

§ 446(c) *Hearings and Review. Hearings.*—There should be no obligation to repay benefits received pending a hearing decision when the decision is against the appellant. Standards for hearing procedures should be written into the Act.

Aid should be granted and continued pending a hearing decision to all applicants contesting an agency decision that they are ineligible.

Judicial Review.—In reviewing hearing decisions the court should be able to reverse findings of fact which are not supported by substantial evidence.

Aid should be continued pending judicial review of a hearing decision concerning eligibility for or amount of assistance.

§ 446(d) *Provision of Counsel.*—Lawyers should be provided, without fee, to all recipients seeking to challenge an agency determination at a hearing or in court.

§ 446(e) *Application Procedures.*—Eligibility decisions should be based on information supplied by the applicant or recipient.

II. REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

§ 447,448—*Registration for Employment Services.*

§ 430-439—*Manpower Services, Training, Employment, Child Care, and Supportive Services.* There should be no requirement that applicants accept referral to local employment agencies for placement in jobs or training programs. The labor market and income incentives will insure that those who are able to work do so.

Lack of adequate child care facilities should be good cause for a parent's refusal to accept work or training.

Referrals should be made only to suitable employment, meeting standards as to health and safety, and commensurate with the applicant's training and ability.

Referrals should be to positions paying at least state or federal minimum wages.

When there is one employed person in the family, no other family member should have to register for manpower services.

III. §§ 451-454; 461. STATE SUPPLEMENTATION.

Administration.—There should be a single administrative entity responsible for all decisions as to eligibility for FAP and state supplementation. FAP rules as to eligibility and procedures should apply to state supplementation, and the states should not be permitted to impose additional eligibility requirements.

Amount.—The states should supplement up to current need levels. The exact measure of these need levels should be clear in the Family Assistance Act. Federal reimbursement should be provided for aid to all persons eligible for FAP.

§ 464—*Obligation of Deserting Parents.*—The section allowing reimbursement for family assistance payments out of any sums due a deserting parent by any United States government agency should be deleted.

Reliance should be placed on traditional means of establishing the right to, and collection of, support.

IV. AID TO THE AGED, BLIND AND DISABLED

§ 1002(a)(10) *Hearings.*—Hearings prior to termination of aid should be provided to recipients of Aid to the Aged, Blind and Disabled.

§ 1602(b)(3) States should not be permitted to refuse aid to any alien who has not resided in the United States for a specified period of time.

V. PUBLIC HEARINGS, RULE-MAKING AND RECOGNITION OF WELFARE ORGANIZATIONS

FAP should require the Department of Health, Education, and Welfare and the Department of Labor to hold public hearings on proposed regulations. Organizations of welfare recipients should be given standing to present their views at rule-making and in general before the agency.

I. FAMILY ASSISTANCE PLAN (FAP)

§ 442 (A) AND (B) LEVEL OF BENEFITS

The proposed legislation sets income levels that are inadequate to secure a decent standard of living. The bill fixes an income floor of \$1,600 for a family of four. Food stamp benefits can potentially bring this amount to \$2,460, but only for some families. Food stamps are not available in all localities, and, where available, not utilized by all assistance recipients. In the eight Southern states where FAP will be the only public assistance programs, slightly more than 40 percent of those persons now receiving welfare also use food stamps.¹ Their

¹ *Recipients of Public Assistance Money Payments and Amounts of Such Payments, By Program, State and County, February 1970*, United States Dept. of Health, Education, and Welfare, Social and Rehabilitation Service, National Center for Social Statistics, NCSS Report A-8 (2/70), and *Monthly Report of Participation in the Food Stamp Program*, United States Dept. of Agriculture, Food and Nutrition Service, April 1970.

purchase price, which must be laid out monthly, is a deterrent for many.³ The Administration has provided for an optional food stamp check-off, an automatic reduction of FAP by the cost of food stamps.⁴ However, there is no explicit mechanism for forwarding the actual stamps with FAP payments, nor for guaranteeing that food stamp programs will be operative nationwide when FAP becomes effective. If the Administration desires recipients uniformly to realize \$2,460 in benefits it should convert the entire Food Stamp program into a cash payment system, which would be added on to all public assistance grants. To prevent reducing current grant levels, state supplementation would then be measured by the sum of Aid to Dependent Children and the food stamp bonus for which a family was eligible on January 1, 1970.

Although those who are able to obtain jobs will realize an income higher than the FAP minimum for at least 8.4 million people there will be no income supplement.⁵ While FAP is designed to provide substantial benefits to the working poor, it should not be forgotten that the bulk of AFDC recipients are young children and their mothers, and families where one or both parents are dead or disabled, who will be totally dependent on FAP and any available state supplementation. The United States Bureau of Labor Statistics estimates that as of June, 1969, an average family of four required \$6,567 to meet minimum needs at a low living standard.⁶ When expenses connected with going to work are subtracted from this figure, such a family still required \$5,500,⁷ and this amount was recommended as a minimum public assistance grant by the White House Conference on Food, Nutrition, and Health in December, 1969.⁸

The Consumer Price Index, on which BLS estimates are based, has risen 7.6 percent since June, 1969, and 2.6 percent since December, when the White House Conference met.⁹

The FAP grant of \$1,600 provides less than one-half of the national "poverty level."¹⁰ This figure is set annually by the Social Security Administration as a minimal subsistence allowance, but it is widely regarded as inadequate in terms of actual need:

Technically, an income at the poverty level should enable families to purchase the bare necessities of life. Yet an itemized budget drawn at that level clearly falls short of adequacy. There are many items for which no money is budgeted, although these items may be needed. Funds for them can only come out of sums already allotted to the basic necessities of life.¹¹

Sixteen hundred dollars provides less than the \$1,778 which the United States Department of Agriculture has determined is required for minimum food costs under its low-cost food plan, which is itself inadequate for maintaining health and wellbeing:

Although families can achieve nutritional adequacy from the low-cost plan, it has been estimated [by USDA] that only about a fourth of those who spend amounts equivalent to the cost of the plan actually have nutritionally adequate diets. Menus based on this plan will include foods requiring a considerable amount of home preparation, as well as skill in cooking to make varied and appetizing meals.¹²

³ See Nick Kots, *Let Them Eat Promises*, 54 (1969). A FAP family of four must pay \$34 a month to receive \$106 in stamps.

⁴ Family Assistance Act § 465(b) and (c).

⁵ Those currently relying on AFDC less those eligible because of the unemployment of the father.

⁶ "Three Standards of Living for an Urban Family of Four Persons," U.S. Department of Labor, Bureau of Labor Statistics, Information Department, March 1970.

⁷ Assistance recipients are either unable to work or will presumably be able to meet work costs out of earned income under the income disregard provisions of the Family Assistance Act. § 443(b)(1) through (4).

⁸ Resolution of the Plenary Session, White House Conference on Food, Nutrition, and Health, December 1969.

⁹ United States Department of Labor, Bureau of Labor Statistics, August 1970.

¹⁰ The poverty level is incorporated into the Family Assistance Act, § 453(c)(1), as the maximum level of state supplementation to which the federal government will contribute. The level for a family of four as of 1969 was \$3,720. This figure is to be updated according to the Consumer Price Index, § 453(c)(2).

¹¹ *Poverty Amid Plenty: The American Paradox*, Report of the President's Commission on Income Maintenance Programs, 1969, pp. 32-33.

¹² *Three Standards of Living*, *supra*, p. 9.

§ 442 (A) AND § 445—ELIGIBILITY FOR FAMILY ASSISTANCE

The Family Assistance Act would aid only families with children, excluding single adults or married couples without children living at home.¹²

Two executive commissions within the past five years have recommended across-the-board aid to needy individuals,¹³ as do several alternative welfare reform bills before the Senate. Although FAP does go beyond present programs in providing for federal aid to intact families with an employed parent, it nevertheless perpetuates the normative categorizing of the poor which is characteristic of current aid programs.¹⁴ There is no equitable basis for extending help to persons with children and denying it to those without, when needs are identical. Given the relatively small cost of extending such aid to persons without children,¹⁵ there is no reason to deny the extension.

§ 442 (B)—AMOUNT OF ASSISTANCE

Equally discriminatory are the differentials between amounts guaranteed to recipients of Family Assistance (\$500 per year per adult, § 442(b)) and to beneficiaries of Aid to the Aged, Blind, and Disabled (\$1,320 per year, § 1603(b)(1)), the so-called "adult" aid categories.¹⁶ This feature of the Family Assistance Act perpetuates invidious distinctions which have come about partly because the adult categories were enacted at different times rather than as a single, unified program, and partly because of local prejudices in favor of needy adults and against recipients of Aid to Families with Dependent Children (the AFDC program, which is the predecessor of the proposed FAP).¹⁷ AFDC payments now average approximately \$45.00 per person nationally. In the adult categories states have traditionally paid much higher grants. Nationwide payments in 1969 averaged \$71.35 in Old Age Assistance, \$95.80 in Aid to the Blind, and \$87.10 in Aid to the Disabled. The highest payments in these categories were \$116.12 (OAA, New Hampshire), \$149.00 (AB, Massachusetts and California), and \$136.00 (APTD, Iowa).¹⁸

The Administration has given no rational basis for this extreme differentiation in grant levels. The budget for adult recipients includes the same components as that for families—food, shelter, clothing, and certain personal expenses. Medical needs are not met through basic grants. There is a work incentive-income disregard in each program, although in the adult categories it is a patchwork, varying according to whether one is aged, blind, or disabled, which should be standardized in any federal plan.

The Bureau of Labor Statistics has calculated living costs for retired couples at low, moderate, and high living standards, and compared them with its similar budgets for younger families.¹⁹ For items of basic need such as food and clothing,

¹² § 422(a) authorizes aid to "each family (as defined in section 445)." Section 445 defines a family as two or more persons, related by blood, marriage, or adoption living in one household, one of whom is a child, who is not a spouse of the other, and who is in his care.

¹³ *Poverty Amid Plenty, supra*, and *Having the Power We Have the Duty*, Report to the Secretary of Health, Education, and Welfare by the Advisory Council on Public Welfare, June 29, 1966. See also the recently released recommendations of the Committee for Economic Development, summarized, the New York Times, April 7, 1970, p. 16.

¹⁴ Two exhaustive Law Review articles have explained refusals to extend aid to the able-bodied poor without children as extensions into the welfare laws of old vagrancy law concepts. Since vagrancy concepts are becoming less and less important in the criminal law, the articles ask why they should be maintained in welfare legislation. Rosenheim, *Vagrancy Concepts in Welfare Law*, 54 Calif. L. Rev. 611 (1966), tenBroek, *California's Dual System of Family Law: Its Origin, Development, and Present Status*, 16 Stan. L. Rev. 257 (1964), 17 Stan. L. Rev. 614 (1965).

¹⁵ It has been estimated at "somewhat less than one billion dollars." H.R. Rep. No. 91-904, 91st Cong. 2d Sess., p. 50 (1970). Since only one-third of those eligible are likely to apply for FAP, the cost will be substantially less. See Testimony of Jacob K. Javits before the Senate Finance Committee regarding the Family Assistance Act, August 26, 1970. See *infra*, p. —.

¹⁶ In addition, adult recipients may maintain \$1,500 in resources per person and still be eligible for aid, whereas Family Assistance recipients are allowed an exemption of \$1,500 per family.

¹⁷ Of course, there is the same connection to the vagrancy laws as was shown to exist with respect to eligibility. See p. 5 *supra*.

¹⁸ *Welfare in Review*, pp. 30-33 (January-February 1970).

¹⁹ *Monthly Labor Review*, November 1969, pp. 3-16.

the younger family of four had to spend more of its consumption dollar than the retired couple. The BLS retired couple's lower budget in 1969 was \$2,671, over 80% of which is met by H.R. 16311. (The poverty level for an aged couple in 1968 was \$2,100.) By comparison, only 27% of a family of four's budget is met under Family Assistance.

§ 442 (E)—PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

Grants to FAP recipients in Puerto Rico, the Virgin Islands, and Guam are substantially lower than in the rest of the United States. Payments are to bear the same ratio to FAP as the ratio of per capita income of Puerto Rico, the Virgin Islands, or Guam to the lowest state per capita income. For example, if per capita income in Puerto Rico is three-fifths that of Mississippi (50th in per capita income in 1968),²⁰ FAP in Puerto Rico would be $\frac{3}{5}$ of \$1,600 for a four-person family, or \$960. The same rule governs payments to adults under Aid to the Aged, Blind and Disabled. In the Virgin Islands and Guam, FAP will be less than current AFDC payments, placing a considerable burden on local supplementation.²¹

Needs in these territories are greater than in any part of the U.S. In the Virgin Islands living costs are 20% to 25% higher than in Washington, D.C. and in Guam they are 18% higher.²² Virtually all consumer items are imported, and many are subject to high tariffs. A lowest per capita income means that many more persons are doing without basic needs. The FAP formula in effect means that the greater the poverty in a territory, the less we will do to alleviate that poverty. It is as though because per capita income in Mississippi is half that of New York, FAP will provide only \$800 per four-person family in Mississippi. The Administration sought in FAP to equalize somewhat assistance payments between the states. There is a close relationship between citizens of the territories, and of Puerto Rico in particular, and poverty is a problem which is shared by American citizens no matter where they happen to reside. Where extreme need is established, rates should not be arbitrarily lowered.

§ 443 (b)—MEANING OF INCOME

FAP recipients can keep \$720 per year plus one-half of the remainder of all earned income without losing any of their benefits, as a work incentive. This incentive, plus certain other amounts (child care costs, federal income taxes) are exempt from being counted as income for the purpose of determining actual grant. The AFDC work incentive program contains similar exemptions. Under WIN, however, the work incentive is often greater than it will be under FAP, because of the way in which the exemptions are computed.

Under current law only cash received is counted as income.²³ Actual costs of going to work, such as taxes and other payroll deductions, as well as transportation, tools, or special clothing, are not considered income. FAP excludes only federal income taxes and child care costs. All other payroll deductions (e.g. Social Security, state and local taxes, union dues) plus costs of working must be met out of the work incentive-income exemption. High work costs can take up the entire exemption, making work virtually profitless.

Under current law, the work incentive itself is calculated on the basis of gross, not net income:

The applicable amounts of earned income to be disregarded [$\frac{1}{2}$ of the remainder under AFDC] will be deducted from the gross amount of "earned income," and all work expenses, personal and non-personal, will then be deducted. Only the net amount remaining will be applied in determining need and the amount of the assistance payment.²⁴

The FAP incentive is calculated on gross income, less federal taxes, earnings of students, and child care costs. The amount of extra cash a recipient realizes from every dollar earned will therefore be lower in many states under FAP than under current programs.

²⁰ *Statistical Abstracts of the United States*, U.S. Dept. of Commerce, p. 320 (1969).

²¹ *Welfare in Review*, United States Department of Health, Education, and Welfare, January-February 1970, p. 33. Payments per person in August 1969, in Guam were \$35.05, and in the Virgin Islands, \$31.25. These are approximately equal to the basic FAP benefit levels. Whether or not the state supplementation rules apply to the territories is unclear; certainly these rules should apply.

²² U.S. Department of the Interior, Territories Division, August 1970.

²³ 45 Code of Federal Regulations, § 233.20(3).

²⁴ 45 Code of Federal Regulations, § 233.20(a)(7).

To maximize the work incentive, the method currently followed by HEW should be maintained under FAP and state supplementation: from gross income, deduct the incentive of 720 plus $\frac{1}{2}$ of the remainder; then deduct all taxes and other payroll deductions; then deduct personal work expenses such as transportation, etc. and other work or training expenses.

§ 443(b) (3)—CHILD CARE COSTS

The Administration's revisions state that child care costs are not to be counted as income, so long as these costs do not exceed the cost of obtaining comparable care at public day-care projects. This means that a family seeking its own child care arrangements must do so at a cost not to exceed the amount it would have to pay the government for institutional care, regardless of whether such care is best for its children, or whether public care is actually available in the community. H.R. 16311 leaves decisions as to appropriate child care arrangements to the family concerned. We advocate that the administration revision be eliminated as an undo incursion into family decision-making and an erosion of the work incentive.

§ 445 (C) INCOME AND RESOURCES OF NON-CONTRIBUTING ADULTS

This section requires that Family Assistance benefits be reduced by the income of adult members of the family unit, whether or not they are legally obligated to support all of the members of a recipient family. The income of a parent or spouse of a parent is presumed to be income to the family. Requiring income of the parent's spouse to be budgeted for the needs of the entire family, even if he is not legally liable for their support, creates the danger that needy children will go without aid, because of their mother's marriage, a practice which the Supreme Court has invalidated under the Social Security Act. In *King v. Smith*²⁶ the Court ruled that an AFDC family's grant could not be terminated because of the suspected presence of an adult male in the household. H.E.W. has implemented this decision by requiring that income of a household member not be attributed to a family (unless actually available) unless that person is liable, under a state law of general applicability, for the support of someone in the family who is receiving assistance.²⁷

The Supreme Court recently upheld this regulation under the Social Security Act:

Any lesser duty of support might merely be a device for lowering welfare benefits without guaranteeing that the child would regularly receive the income on which the reduction is based, that is to say, not approximate the obligation to support placed on and normally assumed by natural or adoptive parents.²⁷

Section 445(c) as now written penalizes children whose mothers chose to remarry. In most states a step-parent need not support his wife's children unless he chooses to adopt them. Attributing his income to the entire family (not just to his wife, whom he is liable to support) creates a strong disincentive to marriage and family stability.²⁸

For these reasons the phrase "or spouse of a parent" in § 445(c) should be deleted.²⁹

§ 446(a) (2) PAYMENT OF BENEFITS

This section provides that assistance payments can be made to one or more members of a family or to any person "interested in or concerned with the welfare of the family." The provision can be activated when the Secretary "deems it appropriate," and in practice is to be used when the family head is found to have refused work or training without good cause.³⁰

²⁶ 292 U.S. 309 (1968).

²⁷ 45 Code of Federal Regulations, § 203.1 (1969).

²⁸ *Lewis v. Martin*, 397 U.S. 552, 557 (1970). The Court invalidated a California statute which presumed that all income of a stepfather or "man assuming the role of spouse" was available to the entire family.

²⁹ "By breaking up homes, the present welfare system has added to social unrest and robbed millions of children of the joy of living." (The President's Message on Welfare Reform, in *The President's Proposals for Welfare Reform*, U.S. House of Representatives, Committee on Ways and Means, 91st Cong. 1st Sess., p. 93-94 (1969)).

³⁰ A similar recommendation was made in "Report on Welfare Proposals," the Association of the Bar of the City of New York, Joint Subcommittee of the Committees on Federal Legislation, Civil Rights, Labor and Social Security, and Municipal Affairs, 1970, p. 17.

The phrase "interested or concerned with" leaves open the possibility that payments will be made to a caseworker or other public official, who may then be in a position to dictate the ways in which the grant is spent. (He may well have been responsible for referring the unwilling family head to work or training.)

A recipient's right to decide how to use his grant payments without official scrutiny is now guaranteed by the Social Security Act under the "money-payment principle."²¹ Payments to other than responsible relatives may be made when extreme mismanagement or incompetency is shown. The state agency must make continued efforts to "develop greater ability on the part of the relative to manage funds in such manner as to protect the welfare of the family." If the condition necessitating third party payments continues, the agency must seek judicial appointment of a legal guardian to receive the funds.²² Federal financial participation is available only to the extent that third party payments due to mismanagement or incompetency are limited to 10 percent of the caseload.²³

These safeguards are removed under FAP. The Secretary retains total discretion as to when and to whom third party payments are to be made. Proposed guidelines give preference as payees to resident family members, but resident non-family members are next in priority. There is no mention of the possibility of appointing a legal guardian.²⁴

Third party payments deny a family its right to control important details of its life. Such a step should not be permitted without showing incompetency at a prior hearing, at which the family-head must be proven incompetent by a preponderance of the evidence. A legal guardian should be appointed to receive payments, and he or she should be a family member or other person not an employee of the agency administering FAP.

§ 446(b) OVERPAYMENTS AND UNDERPAYMENTS

The Administration revised § 446(b) to eliminate a reference to Secretarial discretion as to recovery of overpayments. At the same time it eliminated the injunction that the Secretary "avoid penalizing members of the family who were without fault in connection with the overpayment." Extensive discretion remains with the Secretary, as the Senate Finance Committee has noted.²⁵ Recovery is prohibited when it would "defeat the purchases of [the Act] or be against equity or good conscience," phrases which are explicitly undefined by the Administration.²⁶ FAP payments are by definition designed to meet only subsistence needs, so that this entire provision would appear to be meaningless, since recovery will always defeat the purposes of the Act. There should be no recovery of any overpayment so long as a family is deemed in need and entitled to FAP benefits. Reliance on the criminal fraud sanctions in § 462 can remedy intentional wrong-doing without penalizing faultiness error.

If a recovery provision is deemed necessary, families should be afforded the protection against recovery in the absence of fault which was contained in H.R. 16311 as passed by the House.

§ 466(c) HEARINGS AND REVIEW

HEARINGS

§ 466(c) (1), the provision for hearings before termination of benefits, is generally consistent with *Goldberg v. Kelly*, the March 1970 Supreme Court decision

²¹ § 448 (a).
²² 42 U.S.C. § 606(b) : "The term 'aid to families with dependent children' means money payments . . ."

²³ 42 U.S.C. § 606(b) (2) (A) and (B).

²⁴ 42 U.S.C. § 603 (a).

²⁵ H.R. 16311, *The Family Assistance Act of 1970, Revised and Resubmitted to the Committee on Finance by the Administration*, Committee on Finance, United States Senate, 91st Cong., 2d Sess., June 1970, p. 68. (Hereinafter *Administration Revisions*.)

²⁶ *Material Related to Administration Revision of H.R. 16311*, Committee on Finance, United States Senate, 91st Cong., 2d Sess., July 1970, p. 36 (hereinafter *Senate Committee Materials*).

²⁷ *Administration Revisions*, p. 69.

holding that prior hearings are constitutionally compelled.⁴¹ The court in *Goldberg* noted that a prior hearing is necessary because:

Termination of aid pending resolution of a controversy over eligibility may deprive an *eligible* recipient of the very means by which to live while he waits. Since he lacks independent resources, his situation becomes immediately desperate.⁴²

Now that the Court has spoken, exact standards as to the content of the hearing process should be incorporated into FAP. Not every prior hearing satisfies the due process clause. The Supreme Court required:

That a recipient have timely and adequate notice detailing the reasons for a proposed termination, and an effective opportunity to defend by confronting any adverse witnesses and by presenting his own arguments and evidence orally.⁴³

An effective opportunity to be heard must include the right to retain an attorney should the recipient desire it.⁴⁴

Finally, the decisionmaker's conclusion as to a recipient's eligibility must rest solely on the legal rules and evidence adduced at the hearing . . . To demonstrate compliance with this elementary requirement, the decision maker should state the reasons for his determination and indicate the evidence he relied on . . . though his statement need not amount to a full opinion or even formal findings of fact and conclusions of law. And, of course, an impartial decision maker is essential.⁴⁵

It is impossible to reconcile with *Goldberg* the requirement that if a recipient is unsuccessful in his prior hearing he return all benefits paid him pending the decision. For persons living on extremely low incomes this is a strong deterrent to exercising any constitutional right of appeal. When an appellate procedure achieves the status of a constitutionally guaranteed right, that right simply cannot be circumscribed by financial burdens.⁴⁶

The prior hearing provision clearly covers "families already receiving assistance"⁴⁷ But *Goldberg* did not decide whether the prior hearing requirement applies at the time of application, in other words, whether applicants who apply for aid and are refused, but who can show immediate need and wish to appeal must be given assistance pending a hearing decision. The Utah district court has so held, extending *Goldberg* to apply to initial eligibility determinations:

The rule established by *Goldberg* was grounded on the constitutional hypothesis that welfare benefits "are a matter of statutory entitlement." . . . As such summary denial of welfare assistance cannot be distinguished from summary termination. Just as the entitlement is created by statute for the benefit of needy persons meeting specified qualifications, so the rights surrounding that entitlement are created when the statutorily defined need arises and not after the benefits have been dispensed. Consequently, it is at this time that the constitutional protections surrounding those rights must be first applied. Accordingly, we hold that the right to the procedural protections described in *Goldberg* must be applied at all stages of the welfare process whenever the proposed administrative action contemplates the denial or termination of statutorily created welfare benefits.⁴⁸

Forty-six percent of all AFDC determinations are reversed after hearing.⁴⁹ The onus of administrative lawlessness, when it manifests itself as a wrongful

⁴¹ 397 U.S. 254 (1970).

⁴² 397 U.S. at 264.

⁴³ 397 U.S. at 267-8.

⁴⁴ 397 U.S. at 270.

⁴⁵ 397 U.S. at 271.

⁴⁶ "Constitutional rights would be of little value if they could be . . . indirectly denied, *Smith v. Allwright*, 321 U.S. 649, 664 (1944) . . . or manipulated out of existence," *Harman v. Forssenious*, 380 U.S. 528, 540 (1965). See also *Shelton v. Tucker*, 364 U.S. 479 (1960).

⁴⁷ *House Report No. 91-904*, on H.R. 16311 of the Committee on Ways and Means, 91st Congress, 2d Session, p. 19 (1970). Hereinafter *House Report*.

⁴⁸ *Barrett v. Lindsay* (D.C. Utah 1970) CCH Poverty Law Rep. ¶ 11,370.

⁴⁹ Handler, "Justice for the Welfare Recipient," 43 Social Service Rev. 12 (1964) and see, Davis, Discretionary Justice, p. 181 (1969); "The degree of lawlessness of Welfare Administrators is widely recognized."

eligibility determination should not fall on eligible but wrongfully rejected applicants who may literally starve waiting for a fair hearing. If it is decided by Congress that they are not to be covered by a "prior hearing," at a minimum, such individuals should have a "prompt hearing."⁴⁴

JUDICIAL REVIEW

Section 446(c) (3) provides that "the determination of the Secretary after . . . hearing as to any fact shall be final and conclusive and not subject to review by any court." The reasons why this clause should be exercised are fundamental. The issue rises to Constitutional dimensions:

Among the attributes of law upon which "freedom is dependent . . ." are the "restrictions it places on the discretion of authority. From Caesar to Napoleon to Hitler, disaster followed when that lesson was ignored. Vague as the contours of the broadest delegation may be, the delegation cannot be boundless. To foreclose review is to make possible the exercise of boundless power . . . an attempt to limit such review would be unconstitutional."⁴⁵

As long ago as 1886, the Supreme Court in *Yick Wo v. Hopkins*⁴⁶ asserted the necessity of judicial review of the factual basis for administrative action. The Court condemned as unconstitutional the arbitrary manner in which officials applied an otherwise valid licensing ordinance so as to discriminate against Chinese laundries.

For the very ideal that one man may be compelled to hold his life, or the means of living, or any material right essential to the enjoyment of life, at the mere will of another, seems to be intolerable in any country where freedom prevails, as being the essence of slavery.⁴⁷

In *American School of Magnetic Healing v. McAnnulty*,⁴⁸ the Court upheld the right of review as regards the "legal right [of plaintiffs] under the general acts of Congress to have their letters delivered . . ." in the face of the statutorily unauthorized refusal of the Postmaster. The Court said:

Otherwise [if there is no review], the individual is left to the absolutely uncontrolled and arbitrary action of a public and administrative officer, whose action is unauthorized by any law and is in violation of the rights of the individual. . . .⁴⁹

And in *Schwartz v. Board of Bar Examiners*,⁵⁰ and *Konigsberg v. State Bar*,⁵¹ the Court overturned the refusal of state officials to admit plaintiff lawyers to the bar where substantial evidence did not support the officials' determination as to "good moral character."

Even in applying permissible standards, officers cannot [consistently with due process of law] exclude an applicant where there is no [evidentiary]

⁴⁴ A prompt hearing (including decision) would take place within a few days of the negative determination and could be very informal, allowing, however, oral confrontation of hostile evidence and witnesses. *Goldberg* at 269-270 (such procedures required by due process in the prior hearing situation). The problem with legal provision for prompt hearings is that the time limits are not likely to be observed. In the *Goldberg* case, it was conceded that the New York time limits (a "fair" hearing within ten days and decision 12 days thereafter) are not in fact observed. *Goldberg* at 260, n. 5.

⁴⁵ Raoul Berger, "Administrative Arbitrariness and Judicial Review," 65 *Colum. L. Rev.* 55, 72-73 (1965). Professor Berger argued his position—that administrative arbitrariness is always reviewable—in numerous articles during the course of a protracted debate with Professor Davis. See 4 Davis, *Administrative Law Treatise*, 1965 Supp. 128-16, p. 15; Berger, "Administrative Arbitrariness—A reply to Professor Davis," 114 *U. Pa. L. Rev.* 783 (1966); Davis, "Administrative Arbitrariness—A Final Word," 114 *U. Pa. L. Rev.* 816 (1966); Berger, "Administrative Arbitrariness—A Rejoinder to Professor Davis' Final Word," 114 *U. Pa. L. Rev.* 816 (1966); Davis, "Administrative Arbitrariness—A Postscript," 114 *U. Pa. L. Rev.* 823 (1966); Berger, "Administrative Arbitrariness: A Sequel," 51 *Miss. L. Rev.* 601 (1967); Davis, "Administrative Arbitrariness is Not Always Reviewable," 51 *Miss. L. Rev.* 643 (1967); Berger, "Administrative Arbitrariness: A Synthesis," 78 *Yale L. J.* 965 (1969). While the two men disagree over the interpretation of the Administrative Procedure Act and over case law, both argue that arbitrariness should always be reviewable.

⁴⁶ *Id.* at 370.

⁴⁷ 187 U.S. 94 (1902).

⁴⁸ *Id.* at 110.

⁴⁹ 353 U.S. 232 (1956).

⁵⁰ 353 U.S. 252 (1956).

basis for their finding that he fails to meet these standards [citing *Yick Wo v. Hopkins*].⁶³

In these cases, the Court required officials to observe due process and equal protection requirements, even though only so-called "privileges" were involved (e.g., a laundry license, use of the mails, the practice of law). Professor Jaffe has written that such a "notion of 'privilege' is . . . a perversion of thought and of language" because "vast numbers of the citizenry are deeply affected [by 'privileges'] in their daily life." It is precisely in such a field "that the rule of law is most important."⁶⁴ The Court has indicated its complete agreement,⁶⁵ most recently in *Goldberg v. Kelly*.

Welfare benefits are of vital importance to those receiving them, as *Goldberg* underscores. If these benefits are cut off and substantial evidence— ". . . such relevant evidence as a reasonable mind might accept as adequate to support a conclusion"⁶⁶—does not support the determination, the cut-off will be arbitrary. To deny judicial review would arguably deny due process of law because of arbitrariness and the important interests at stake (the Court would weight the personal as against the institutional interests, as it did in *Goldberg*). The issue has never been specifically decided because review has rarely been denied. The review provisions of the Administrative Procedure Act exemplify the view that review should not be cut off. The Court has referred to APA's generous review provisions and "construed that Act not grudgingly but as serving a broadly remedial purpose."⁶⁷ 5 U.S.C. 706(2) (E) specifically authorizes courts to review for substantial evidence. So does 42 U.S.C. 405(g), which authorizes review of social security determinations.

Congress proposes to backtrack by denying factual review to recipients of Family Assistance. This is inconsistent with its usual action and probably inconsistent with due process.⁶⁸ The motivation is probably the feeling that welfare administrators act always with good intentions and in the interests of poor people. Veterans, whose claim to their benefits is more deserving in the eyes of most people than are the claims of merely poor people, have suffered severely arbitrary action at the hands of administrators.⁶⁹ Poor people will inevitably be treated less well. In these days of growing disrespect for authority, especially among the poor, Congress should not deny the Judiciary the power to right administrative arbitrariness. This is hardly a time for the Legislative Branch to remove a basic safeguard that administrative action will always be reasonable and fair.

In addition to expanding the scope of judicial review, Congress should provide that welfare benefits will not be cut off until the applicant is accorded judicial review if he desires such review. The procedural protections of *Goldberg* should be extended to all stages of the welfare process, which includes judicial review of agency action, as *Barnett v. Lindsay* held.⁷⁰ The cost to the government will be small, since only a small percentage of hearing decisions are appealed. Benefits to individuals will include the avoidance of starvation (the result of benefit termination to eligible recipients) and the dangerous disaffection arbitrary administrative action induces in the poor.

§ 446(d) PROVISION OF COUNSEL

The Family Assistance Plan should require that counsel, or funds to retain counsel, be made available to all applicants and recipients who are contesting administrative determinations affecting their benefits. Hearings are provided to ensure that applicants and recipients do get that to which they are legally entitled, and surveys have revealed that a high percentage of challenged determina-

⁶³ Schwab at 289.

⁶⁴ Jaffe, *Administrative Review of Judicial Action*, 369 (1965).

⁶⁵ See Van Alstyne, "The Demise of the Right-Privilege Distinction in Constitutional Law," 81 Harv. L. Rev. 1439 (1968).

⁶⁶ *Consolidated Edison Co. v. NLRB*, 305 U.S. 197 (1938). See 4 Davis, *Administrative Law Treatise*, §§ 29.01-29.11, pp. 114-188 (1958).

⁶⁷ *Data Processing Service v. Camp*, 397 U.S. 150, 156 (1970).

⁶⁸ In the light of *Goldberg*, and prior cases (as discussed in Van Alstyne). See Jaffe, *supra*, pp. 376-389.

⁶⁹ See Davis, "Veterans Benefits, Judicial Review, and the Constitutional Problems of 'Positive' Government," 39 Ind. L. Rev. 183 (1964).

⁷⁰ D.C. Utah, 1970. CCH Fed. L. Rep. ¶ 11,370. See page 18, *supra*.

tions are reversed after hearings.⁶¹ "The right to be heard would be, in many cases, of little avail if it did not comprehend the right to be heard by counsel."⁶² The existence of large numbers of lawyers in the Legal Services Program of the Office of Economic Opportunity, who now serve welfare recipients without fee, minimizes the potential cost to the government of guaranteeing counsel in all FAP cases.

The Department of Health, Education and Welfare, which must daily reconcile the competing needs of economy, administration, and justice for recipients, has, since 1968, encouraged states to provide comprehensive legal services to clients. The federal government provides 75% of the cost of such services.⁶³ Successful demonstration projects supplying legal services for a broad range of problems have been implemented in eight states.⁶⁴ Provision of counsel should be continued and expanded.

§ 446 (e) APPLICATION PROCEDURES

Applications for Aid to the Aged, Blind, and Disabled are to be in the form of a "simplified statement" § 1602(a)(6). This means that a statement by the applicant of the relevant facts as to his eligibility is to be accepted in granting or denying assistance, without extensive investigation and verification of the information therein. Random spot checks are to be replied upon verification purposes. The system is designed to prevent prying into the personal affairs of applicants, including, for example, the unconsented questioning of neighbors, landlords and creditors, and to conserve the administrative costs that these investigations entail.⁶⁵ Such a system should be included in the Family Assistance Plan.

The Administration first claimed that the simplified method would be used in all programs,⁶⁶ but now indicates that "we would expect to utilize some form of a "declarative" or "simplified" system of claims, but with considerable extra documentation."⁶⁷ There is obviously a need for clarification, by statute, of the status of the declaration method in FAPP.

HEW has required all states to begin instituting the simplified payment system on an experimental basis in the adult categorical assistance programs.⁶⁸ Preliminary results of experiments in the use of simplified statements indicate no increase in inaccurate grant payments or in fraud.⁶⁹ In New York, spot checks indicate that incorrect rejections of applicants or case closings were more numerous than incorrect acceptances.⁷⁰ Cases of actual fraud can be dealt with through the criminal sanctions imposed by § 462.

⁶¹ Handler, "Justice for the Welfare Recipients," 43 Social Service Rev. 12 (1969) (46 percent of AFDC determinations); Viles, "The Social Security Administration Versus the Lawyers . . . and Poor People Too," 39 Miss. L. J. 371, 395 (1968) (64 percent of disability determinations reversed in 1966-1967).

⁶² *Powell v. Alabama*, 287 U.S. 45, 68-69 (1932); *Goldberg* at 270.

⁶³ Dept. of Health, Education, and Welfare, Social and Rehabilitation Service, State Letter No. 1053, Nov. 8, 1968.

⁶⁴ Dept. of Health, Education, and Welfare, Social and Rehabilitation Service, unpublished data, March 30, 1970.

⁶⁵ See Reich, "Midnight Welfare Searches and the Social Security Act," 72 Yale L. J. 1347, 1359 (1963); Handler, "Controlling Official Behavior in Welfare Administration," 54 Cal. L. Rev. 479 (1966). One form of such intrusion, the home visit and investigation, has been held violative of the Fourth Amendment in *James v. Goldberg*, 303 F. Supp. 935 (S.D. N.Y. 1969), *prob. juris. noted sub. nom., Wyman v. James*, — U.S. —, 38 U.S.L.W. 3319 (Feb. 24, 1970).

⁶⁶ Hearings before the Committee on Ways and Means, House of Representatives, 91st Cong., 1st Sess. 321 (1969), p. 128.

⁶⁷ Administrative Revisions, p. 69-70. The Administration proposes to incorporate much of 20 C.F.R. § 401, *et seq.*, dealing with evidence in Social Security matters, which would be very different from the reliance on the recipient characteristic of the simplified method. See 45 C.F.R. § 205.20.

⁶⁸ 45 C.F.R. § 205.20(a)(2), 35 Fed. Reg. 8366 (May 28, 1970).

⁶⁹ "Use of the Declaration in Public Assistance," and "Declaration in a Simplified Method of Eligibility Determinations," Facts about Welfare, National Study Service, Inc., Public Welfare Reporting Center, May 1969.

⁷⁰ "Does the Declaration System Really Work" 1 *Welfarer*, September 1969, p. 2.

II. REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING AND EMPLOYMENT

§§ 447, 448—REGISTRATION FOR EMPLOYMENT SERVICES

§§ 430-439—MANPOWER SERVICES, TRAINING EMPLOYMENT, CHILD CARE, AND SUPPORTIVE SERVICES PROGRAMS

The Administration has altered H.R. 16311 in several ways which are designed to strengthen the work requirement. For the most part these consist of adding coercive features to the work sections, rather than increasing incentives. Under the house-passed bill, the states were required to supplement FAP payments to families eligible under AFDC standards and those eligible because of the unemployment of a parent. This meant that in some states, families with fully-employed but low earning male heads would have received less than other intact FAP families, because they did not qualify for state supplementation. The Administration has now eliminated all supplementation to families where the male head is unemployed, and neither parent is dead or disabled. This means that all families now receiving AFDC because of the unemployment of the father will lose all benefits above FAP.¹³ The same will be true of families where the head works only part time or at a very low wage. The same family would profit financially if abandoned by the father; it would receive FAP plus state supplementation. The implications are clear: this is the bill's severest penalty for not working and it operates automatically, without regard to the job market or individual ability.

Secondly, the Administration has raised from \$300 to \$500 the amount a family loses when its head refuses to register or accept employment.¹⁴

Third, the Administration has altered a House provision whereby a registrant could refuse employment if he demonstrated the capacity to secure more productive work. Under the House bill, a person with relatively high skills or learning ability could attempt to achieve his fullest potential:

If the individual has demonstrated capacity, through other available training or employment opportunities, of securing work that would better enable him to achieve self-sufficiency

he could refuse an offer of employment with good cause.¹⁵ Under the Administration revisions one can refuse employment only:

If the individual has the ability, based on skills or prior experience, to acquire other employment that would contribute more to his self-sufficiency, but only if the Secretary of Labor is satisfied that such employment is actually available in the community, and the individual has not been given adequate opportunity to obtain it.¹⁶

All opportunity for upgrading one's earning capacity is eliminated. Any long-range benefits to both the family and the government are sacrificed because men will be moved into any available jobs without regard to individual needs or future potential.

Finally, the Administration has tried to increase work incentive by indicating its intent to eliminate sudden cut-offs from other government benefit programs which result as soon as income reaches a given level. These incentives depend, however, on future legislation which is always to some degree problematical.

We urge that the penalties for not working be considered against the background of high unemployment prevailing in today's economy. Unemployment reached 5 percent in May of 1970 and has continued to rise. Blue collar unemployment was 6.2 percent in May, and 8.0 percent for black workers.¹⁷

¹³ New York now pays between \$203 and \$231 plus shelter, fuel and utility costs to a four-person family with an unemployed parent. 18 New York Code of Rules and Regulations, § 352.4.

¹⁴ § 447(a); § 448(a).

¹⁵ H.R. 16311, § 448(b)(4).

¹⁶ Administration Revisions, § 448(b)(4), p. 2165.

¹⁷ Monthly Labor Review, U.S. Department of Labor, Bureau of Labor Statistics, July 1970, p. 2-3.

It was and is a prime purpose of the Social Security Act to permit parents to raise their children at home and to alleviate extreme economic hardship which might force them to seek alternatives.⁷⁴ Society had determined that it valued the rearing of children by their own parents, and would subsidize families rather than have children placed in institutional settings because their parents could not afford to maintain them at home. "The past deference in these matters to the wishes of welfare mothers accorded with the American disdain for arbitrary interference by government with intimate family concerns."⁷⁵

The Family Assistance Plan governs the lives of all those welfare families now completely dependent on AFDC. The vast majority are headed by women. Yet the bill's coercive work provisions apply to them just as to families with a mother and father present, where should the father go to work, the mother remains at home free to perform all necessary household functions. The need for maintaining a stable family environment is no less acute today. FAP should strengthen rather than inadvertently weaken family life. Yet the Administration has apparently abandoned that goal by removing any choice as to whether parents work or care for their children, except as to mothers of pre-school children.

Even in families where there is no person who has registered for employment, the father, though not the mother, must also register.⁷⁶ To permit some increase in family autonomy, this section should be revised to require that when there is one family member who is employed or in training, no other member need register. The choice then would be left to the family as to who shall care for the children and who shall pursue other goals.

STANDARDS AND PROCEDURES UNDER THE WORK REQUIREMENT

Under H.R. 16311 there are virtually no standards which delineate the kinds of jobs or training which recipients can be compelled to accept. The Administration and the House Ways and Means Committee proposed such standards. Benefits could be denied for refusal of "suitable" employment, which was defined by considering:

The degree of risk to [the] individual's health and safety, his physical fitness for the work, his prior training and experience, his prior earnings, the length of his unemployment, his realistic prospects for obtaining work based on his potential and the availability of training opportunities, and the distance of the available work from his residence.⁷⁷

Unless such standards are restored to the bill, individuals will be stripped of any basis on which to object to job referrals; there will be no meaning in the bill's injunction that work may be refused for "good cause." Clear language is needed which indicates that one has good cause for refusing employment whenever the work offered is detrimental to the individual's health or safety; when his prior training and experience demonstrate the ability to obtain other work; when he wishes to enter upon a program of training or education to increase his ability for self-support; or when the job would require him to travel too great a distance.

The bill should permit referral only to positions which pay at or above federal or state minimum wages, and conform to other legislative labor standards. The only guidelines remaining in § 443(b) prohibit referral to jobs vacant due to a labor dispute or which pay less than legal minimums or prevailing wages, or which require or forbid union membership. Jobs not covered by labor legislation, those coming under the "prevailing standards" test, are typically those dead-end jobs in which state employment officials are likely to place wel-

⁷⁴ 42 U.S.C. § 601. "For the purpose of encouraging the care of dependent children in their own home or in homes of relatives . . . to maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized . . . a sum sufficient to carry out the purposes of this part." And see Social Security Board, *Social Security in America: The Factual Background of the Social Security Act*, as summarized from Staff Reports to the Committee on Economic Security, p. 23 (1937).

⁷⁵ Graham, "Public Assistance and the Employable Mother," 3 Univ. of Richmond L. Rev. 223, 229 (1969). And see *Meyers v. Nebraska*, 262 U.S. 390 (1923); *Pierce v. Society of Sisters*, 268 U.S. 510 (1924); and *Griswold v. Connecticut*, 381 U.S. 479 (1965).

⁷⁶ § 447(b) (3).

⁷⁷ Family Assistance Act of 1970 as reported by the House of Representatives, Committee on Ways and Means, § 443(b) (1).

fare recipients: those in agriculture or domestic employment. Prevailing wages for a domestic in Mississippi are \$4 a day; for a mill hand, \$.65 an hour.⁵⁰ The Secretary of Labor, testifying before the House Ways and Means Committee, first indicated that employment services might refer people as domestics at \$4 a day if the jobs fulfilled other requirements.⁵¹ Later his deputy indicated that such referrals would not be made but that in other cases women would be referred as domestics.⁵² Public assistance in such job markets becomes a subsidy for employers needing cheap labor.⁵³

Referral to such positions does nothing to increase self-sufficiency and independence, and the costs of working can easily outweigh any FAP savings.⁵⁴ Racist policies in the past have been easily masked by work requirements with few standards. In Georgia, for example, the state welfare administration refused AFDC to all black families during the harvest season: field work was presumed available to them but not to white women.⁵⁵ Nor are dead end jobs likely to be confined to the South. Local officials in New York have required physically ill persons to cut brush in knee-deep snow as part of a special work program.⁵⁶

Extension local discretion to administer the work requirement enhances the likelihood of such instances' repeating themselves. In the past manpower progress has been marred by the attitudes and practices of local employment agencies, the same agencies which are to administer the Family Assistance Act employment program.

A study of the Concentrated Employment Programs (a major federal job training program) in eight cities concluded that in the employment services, where graduates of the program are placed, discrimination is widespread against minorities in general and in particular against persons who come out of the training program.⁵⁷ The Nixon Administration, as a first step towards granting increased power to state governments in welfare and related areas, has shifted complete control of the 82 Concentrated Employment Programs to the state employment services. (Previously training was conducted by independent community groups or community action agencies. Trainees were then referred to the employment services.) Criticism of this shift in control has come from government officials, as well as community trainers, on the grounds that the state employment offices are neither sympathetic to nor equipped to deal with the poor.⁵⁸

The work section should be amended to make it clear that lack of adequate child care facilities will be considered good cause for refusing employment. The administration has stressed the child care aspects of the bill, but as now written FAP does not make the absence of day care grounds for refusing work. Moreover, adequate child care should be defined in the act as meeting certain federal standards including minimum health and safety regulations, an educational enrichment program, and a location convenient to the home and the parent's place of work. Of course, a family which wishes to utilize other, non-public child care arrangements should be free to do so.

There are reliable indications that poor people want to and will voluntarily take advantage of help in getting jobs or training. Under the WIN program

⁵⁰ *House Hearings*, p. 321, Hunt, Hunt and Scheper, "Nixon's Guaranteed Annual Poverty," 8 *Ramparts*, No. 6, 65, 69 (Dec. 1969). Average agricultural wages in the South are \$1.08 per hour. *Hearings*, p. 320. The authors of "Nixon's Guaranteed Annual Poverty" point out that "the annual increase in available industrial jobs is only about half the number of farm jobs eliminated yearly by agricultural automation." P. 69. In such poor labor market, they argue, recipients will be placed in non-unionized, low paying, deadend jobs.

⁵¹ Testimony of George Shultz, Secretary of Labor, *House Hearings*, *supra*, p. 348.

⁵² *House hearings*, *supra*, p. 348.

⁵³ Levi, "Mr. Nixon's 'Speenhamland'", 15 *Social Work*, 7 (January 1970). The author describes the Speenhamland Act of 1795 in Britain, whereby the government subsidized the income of low earning workers rather than raise minimum wages. The Act kept wages down and helped promote large industrial profits.

⁵⁴ After school day care for one child will cost the government \$400 per year. Testimony of Robert Finch, Secretary of Health, Education, and Welfare, *House Hearings*, p. 125. A mother earning \$30 per week will save the government only \$360 in FAP payments over what it would pay a mother with no earnings.

⁵⁵ *Anderson v. Burson*, 300 F. Supp. 401 (N.D. Ga., 1968). The State changed this regulation after the suit was filed.

⁵⁶ *People v. Pickett*, 19 N.Y. 2d 170 (1967) and *People v. La Fountain*, 21 AP. Div. 710, 249 N.Y.S. 2d 74 (1964), in which General Assistance recipients were prosecuted for fraud for refusing this work assignment.

⁵⁷ "Congress to Evaluate Manpower Program," *The New York Times*, Feb. 20, 1970, p. 20.

⁵⁸ "82 Job Programs Shifted to States," *The New York Times*, Oct. 13, 1969, p. 1.

volunteers were plentiful.⁵⁹ Sanctions for refusal to work had been applied in only 200 cases as of October, 1969.⁶⁰ In fact, a joint Labor-HEW task force on WIN discovered that under-utilization of the program has been due to the ignorance of caseworkers and lack of outreach plus insufficient child care and medical facilities, rather than to the intransigence of recipients.⁶¹ Results of the OEO experiment in income maintenance without a work requirement indicate that work effort will increase among persons receiving supplementary payments.

The data suggests that: 1. There is no evidence that work effort declined among those receiving income support payments. On the contrary, there is an indication that the work effort of participants receiving payments increased relative to the work effort of those not receiving payments.⁶²

No work requirement can erase the lack of effective training programs and worthwhile jobs available to the poor.

Persons are disadvantaged in the labor market because employers and potential fellow employees discriminate against them on racial and ethnic grounds, because social forces have established school systems which make them into unemployables and which are prevented from responding to their needs, because they are still residentially confined to areas where it is often uneconomical for plants to locate; because the relative cost of hiring them and raising their productivity are often excessive, in view of the multitude of ways in which they are disadvantaged; because mitigating their advantage seems to run counter to the short-term interests of those trade union members who are but two steps ahead of them in the labor market queue; and because certain government agencies, presumably charged with the responsibility of supplying services on an equitable basis to all, remain at best indifferent to efforts to equalize labor market opportunities.⁶³

Successful manpower programs, in terms of numbers of participants placed in jobs, in a recession may simply mean that an equal number of non-participants did not receive jobs. Work requirements, like the AFDC Work Incentive Program (WIN), which made sense in an era of full-employment, require rethinking during a low-employment period. It may be valid public policy to combat inflation with high unemployment; but we should not then punish the victims of this policy by denying relief to those who do not work.

III. STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFITS

§§ 451-454, 461

The state supplementation provisions are the heart of the Family Assistance Plan. Forty-two states will have to supplement FAP for 86.6% of all current AFDC recipients.⁶⁴ Half of all recipients live in 10 states which must supplement above \$50 per person per month.⁶⁵

ADMINISTRATION

The administrative structure of FAP and state supplementation is likely to make assistance more complicated to obtain and more subject to arbitrary decision-making than it is under present, state-administered systems. FAP is to be administered by a federal agency within HEW; state supplementation by existing state agencies. Conceivably an applicant will have to appear before a federal official and, in a separate location, a state official, to have his total eligibility assessed. He will be subjected to two separate determinations of whether he must register with the employment service and of how to interpret the employment service's disposition of him for manpower purposes. Eligibility for and amount of state supplementation depends, in many cases, on the amount of FAP payments; state officials' determination of what the applicant's FAP

⁵⁹ *House Hearings*, p. 263.

⁶⁰ *House Hearings*, p. 262.

⁶¹ *Administration Revisions*, p. S1.

⁶² *Preliminary results of the New Jersey Graduated Work Incentive Experiment*, Office of Economic Opportunity, February 1970, p. 3.

⁶³ Leonard J. Hausman, "Approaches to Equal Employment," *Monthly Labor Review*, July 1970, p. 88.

⁶⁴ *Welfare in Review*, January-February 1970, p. 33.

⁶⁵ California, Connecticut, Illinois, Massachusetts, Michigan, Minnesota, New Jersey, New York, Pennsylvania, and Wisconsin. *Welfare in Review*, January-February 1970, p. 33.

grant should be may not coincide with the final FAP payment. Food stamps and surplus commodity distribution remain in state control, under the supervision of the U.S. Department of Agriculture. The state employment service and the U.S. Department of Labor form another administrative layer with the power to withdraw or reduce grants. Day care can be virtually independent of any of these agencies, although it may be crucial to a parent's need to register for work.

Eligibility requirements may be different under state or federal rules. While under § 452(b) (1) FAP requirements apply to the states, there is no unambiguous statements that these requirements are to be exclusive. Moreover, the FAP rules on payments and procedures apply to the states only at the discretion of the Secretary. These rules cover very important aspects of the assistance program, for example, deciding which family members are eligible to receive benefits; establishing ranges of income within which a single benefit amount shall apply; deciding when a grant may be "adjusted" (raised, lowered, or suspended) because of overpayments or underpayments; prior hearings and judicial review; and application procedures and the furnishing of information by families.

H.R. 10311 leaves the states free to limit their assistance rolls by imposing additional eligibility requirements, not related to need. Several such requirements are now utilized by the states. Many states, for example, impose a three-month waiting period before granting AFDC to women abandoned by their husbands, unless divorce or separation proceedings are begun or the absent parent has been deported or incarcerated.⁹⁸ Some states refuse aid to any family where the absent parent is in the armed forces.⁹⁹ Most terminate aid for refusal to allow a welfare worker to enter one's home.¹⁰⁰ Many refuse aid to a family unless the mother divulges the name and whereabouts of her children's father,¹⁰¹ a practice specifically disapproved by HEW.

H.R. 10311 should include an unambiguous statement that no additional eligibility requirements may be imposed by state supplementation plans in addition to those governing FAP. The states should be specifically required to provide hearings prior to termination or reduction of aid, and to follow FAP procedures on applications, overpayments and underpayments, and the furnishing of information.

HEW and the states may agree that the state or the federal government will administer both FAP and state supplementation. (The federal government may, under such an agreement, administer a wide variety of other benefit programs.) The federal government will pay all administrative costs if it administers state supplementation.

This inducement to federal administration is not likely to appeal to states concerned with expanding caseloads and wary of federal officials' giving away their money. Administrative costs in Fiscal Year 1969, the latest for which data are available, equalled approximately 4 percent of all cash assistance payments.¹⁰²

HEW is planning no mechanism with the ability to take over FAP or state supplementation in 1971, and has written into the bill a provision for postponing federal administration for two years.¹⁰³ In fact, HEW is most likely counting on total state administration of both FAP and supplementation.¹⁰⁴ Such a plan would, of course, be preferable to split administration. However, the closest surveillance will be necessary to make sure that the states apply federal requirements to the FAP portion of their grants, and not impose their own additional eligibility rules.

⁹⁸ Such rules were recently invalidated in *Damico v. California*, 2 CCH Pov. L. Rep. § 10,478 (Civ. No. 46538, N.D. Cal. Sept. 12, 1969), and *Doe v. Hersh*, No. 4-69 Civ. 403, D. Minn. June 30, 1970.

⁹⁹ See for example, Maine, *Public Assistance Payment Manual*, Ch. III, Sec. C, p. 2.

¹⁰⁰ This was held violative of the Fourth Amendment in *James v. Goldberg*, 303 F. Supp. 935 (S.D. N.Y. 1969), *prob. juris. noted sub. nom. Wyman v. James*, U.S. 38 U.S.L.W. 3319, Feb. 24, 1970.

¹⁰¹ Silver and Etroymson, "Suggested Attacks on the NOLEO Requirements," Parts I and II, 4 *Clearinghouse Review*, 1 and 2 (May, June 1970).

¹⁰² The total cost of administration, services and training was \$627,311,000. Department of Health, Education, and Welfare, National Center for Social Statistics, NCSS Report F-3 (FY 69) "Public Assistance: Cost of State and Local Administration, Services and Training", Table 7. No separate figure is available for administrative costs, but the Nixon Administration reports that service costs in 1969 were \$478,976,000, *Administration Revisions*, p. 103, leaving approximately \$148,335,000 for administration and training.

¹⁰³ § 461(a) (3).

¹⁰⁴ § 461(e).

AMOUNT OF ASSISTANCE

The administration has not to date indicated clearly exactly how much money recipients can depend on in those 42 states which will have to supplement FAP.

Until June, 1970, the Administration insisted that states which paid more than FAP benefits provide would have to assure recipients within their borders of an income equal to AFDC benefit levels.¹⁴⁸ This concern for maintaining current levels stemmed not only from a desire to protect those currently receiving aid, but from a recognition that "\$1,600 per year for a family of four (\$133.33 per month) is not adequate to support needy families without other sources of income."¹⁴⁹ State benefit levels are themselves designed to meet minimal subsistence needs so that any lowering of grants below these levels would create severe hardship for both current and future recipients.

In revising H.R. 16311 the Administration seems to have abandoned the concept of maintaining current levels. The House bill requires supplementation according to current standards of need, § 452(a). A family's needs are determined, FAP and its countable income subtracted, and the remainder is furnished by the state. Several states, however, pay less than full needs. They set a maximum amount which one family can receive,¹⁵⁰ or they pay only a percentage of actual need.¹⁵¹ In determining grants, however, full needs are computed and income subtracted, before applying such maximum grant or percentage reduction rules. Under the Administration revisions this is not so. The states will determine what they would actually pay to a family with no income; i.e. after determining its maximum grant of percentage reduction. Then income is subtracted to determine the amount of supplementation. This means that families with low incomes will receive greatly reduced payments, or no payment at all, and therefore will have a commensurately lower total income and a *lower work incentive*.¹⁵²

The Administration has also eliminated all state supplementation to intact families where neither parent is disabled. This means that families lacking one parent will receive much more than two-parent families: FAP plus state supplementation. Intact families with an unemployed parent will receive only FAP (12.5 percent of all male-headed families.)¹⁵³ Those with an underemployed head will have income below state benefit levels if their earned income is low. We return, therefore, to those incentives for family break-up which the Nixon Administration presumably sought to avoid. Requiring state supplementation of unemployed fathers and the working poor will cost approximately \$1 billion.¹⁵⁴ But a study prepared in New York by Mayor John Lindsay and Commissioner Mitchell Ginsberg indicated that only 1/3 of eligible working poor would apply for FAP, at least initially. Thus the cost would be cut to \$300,000,000.¹⁵⁵

Under neither version of FAP is the exact measure of state supplementation made clear. Grants in the states vary according to individual shelter costs and "special needs." The latter include grants to provide for emergency needs, major clothing or furniture, special diets for pregnant women or infants, or other needs above the basic necessities. FAP should clarify exactly what figures are to be used to measure state benefit levels, to protect those with established, vital needs from loss.

Section 453 authorizes the Secretary to reimburse the states for up to 30 percent of the total amount expended as supplementary payments, but only up to the poverty level.¹⁵⁶ This gives any state which now or in the future pays over the poverty level a financial incentive to reduce benefits.¹⁵⁷ There is no concomitant

¹⁴⁸ The President's Message on Welfare Reform, Aug. 11, 1969; Statement of Hon. Robert Finch, Secretary of Health, Education, and Welfare, *House Hearings*, p. 126.

¹⁴⁹ Statement of Hon. Robert Finch, p. 126.

¹⁵⁰ Alaska, Arkansas, California, Delaware, Georgia, Indiana, Maine, Missouri, Nebraska, Tennessee, and Wyoming.

¹⁵¹ Alabama, Arizona, Florida, Kentucky, Louisiana, Mississippi, Nevada, New Mexico, North Carolina, South Carolina, and South Dakota.

¹⁵² This is fully documented in "Senate Finance Committee Materials, pp. 10-15:

In Maine . . . a family of four with zero income would receive [a maximum grant of] \$2,016 under AFLC, H.R. 16311, or the Administration revision. With \$1,000 of countable income, however, this \$2,016 would be reduced to \$1,016 under the Administration revision while under present law or H.R. 16311 it would remain at \$2,016 (p. 12).

In Louisiana, a family of four with \$1,000 of countable income would receive cash assistance of \$738 under present law and H.R. 16311, but only \$600 under the Administration. With countable income of \$2,000, this family would be entirely removed from the assistance rolls under the Administration revision, while under present law and H.R. 16311, it would be entitled to welfare payments of \$228. (P. 14.)

¹⁵³ *Administration Revisions*, p. 30.

requirement for states to raise benefits in accordance with the cost of living (see § 402(a) (23) of the Social Security Act).

A general deterioration in the situation of that class of persons now eligible for AFDC is likely under FAP as now written. This class includes those most dependent on some form of aid: families unable to earn any income because of the death, disability or continuous absence of a parent. The state supplementation provisions should be amended to provide real protection against need and a real incentive toward family stability and independence.

§ 464—Obligation of Deserting Parents

Under this section any individual who deserts or abandons his spouse or child is made liable to the United States for all Family Assistance paid to such spouse or child, as well as the federal share in supplementary payments made to them, less any amounts he has actually paid for their support which were taken into account in determining family assistance benefits. This amount is to be collected by the United State out of "any amounts otherwise due him or becoming due him at any time from any officer or agency of the United States or under any Federal program."

This means that once a FAP recipient alleges desertion, the putative father or spouse can be deprived, by administrative fiat, of amounts otherwise due him under the law. No court need determine that a debt exists; the debtor has no statutorily prescribed recourse once the Secretary's decision has been made; and he hasn't even the right to advance notice that funds are being kept from him. In other words, he is being deprived of property without even a semblance of due process of law.¹¹⁹

Moreover, the liability will in nearly all cases be satisfied out of payments which, by existing statutes, are exempt from any form of attachment by creditors. This is true, for example, as to Old Age, Survivors, and Disability Insurance, against which the majority of claims will no doubt be brought (42 U.S.C. § 207); and as to agricultural subsidies and diversion payments, [5 U.S.C. § 590(h)].¹²⁰ When these laws were passed, Congress determined that protection of payments thereunder was important in terms of overall statutory purpose. It is submitted that the Family Assistance Act should not defeat the intent of Congress without very careful consideration of the impact upon the legislation which is being altered.

Under § 452(c) (9), provisions of the Social Security Act are incorporated into FAP requiring the state to secure support from deserting parents or spouses.¹²¹ The problem of securing support from deserters seems to be one of enforcement and not lack of power. The § 452(c) (9) mandates can easily be applied to federal officials administering FAP. Once the United States is given a right to reimbursement it has ample opportunity in the federal courts to enforce that right. This route should not be by-passed at the expense of alleged putative fathers.

IV. AID TO THE AGED, BLIND, AND DISABLED

§ 1602(n) (10) HEARINGS AND JUDICIAL REVIEW

The reasons for requiring a hearing prior to termination of aid to families, or rejection of an initial application, discussed above under § 446(c), are equally applicable to the aid programs for the Aged, Blind and Disabled. In fact *Wheeler v. Montgomery*,¹²² decided with *Goldberg v. Kelly*, concerned old age assistance

¹¹⁹ Dept. of Health, Education, and Welfare, "Background Paper, June 1970, Amendments to the Family Assistance Act," p. 5. (June 10, 1970.)

¹²⁰ Testimony of Senator Jacob K. Javits before the Senate Finance Committee regarding the Family Assistance Act, Aug. 26, 1970.

¹²¹ Defined in § 453(c) (1). The poverty level is established by the Department of Health, Education, and Welfare. Section 453(c) (1) states the level for 1969. The amount is to be computed each year according to the increase in the Consumer Price Index published by the Department of Labor's Bureau of Labor Statistics.

¹²² At present only New York and New Jersey pay over the poverty level.

¹²³ See *Eniadach v. Family Finance Corp.*, 395 U.S. 387 (1969), holding a Wisconsin statute permitting garnishment before a judicial determination of debt violative of due process.

¹²⁴ Family Assistance grants are also exempt, § 446(d). This section defeats the purpose of the act of which it is a part by withholding benefits from the offending parent, and his future family, should they ever require FAP.

¹²⁵ The NOLEO (Notice to Law Enforcement Officials) issue is thoroughly discussed under current law and under FAP, in Silver and Efroymsen, "Suggested Attacks on the NOLEO Requirement" 4 *Clearinghouse Review*, Nos. 1 and 2, May and June 1970.

¹²⁶ 397 U.S. 280 (1970).

terminations. The Court followed *Goldberg*, and held that due process requires prior hearings. The principle of *Barneit v. Lindsay*—that initial applicants must receive benefits until accorded a hearing—is of course equally applicable to the Adult Categories. Congress should codify these constitutional decisions and amend § 1602(a) (10) to reflect them.

§ 446(c) (3) authorizes judicial review of the Family Assistance Plan hearings required by § 446(c) (1). The section thus recognizes that hearings and judicial review are a crucial part of the administrative process, correcting the inevitable abuses. The right of judicial review is a necessary corollary of hearing rights. Indeed, a denial of judicial review, as argued above, is inconsistent with the constitutional right to due process of law. Therefore, Congress should make judicial review available to adult assistance recipients, either by authorizing access to federal court, as § 446 does for families, or by requiring states to make access to state courts easily available.

§ 1602(b) (3) CITIZENSHIP REQUIREMENTS

This section allows the states to refuse aid to any alien who has resided in the United States for less than five years. There is no similar section in FAP, and its presence here will lead to state laws which are unconstitutional.

Laws which deny public assistance on the basis of length of residence have been discredited under the equal protection clause of the Constitution in *Shapiro v. Thompson* and *Gaddis v. Wyman*.¹¹⁷ The Court in *Shapiro* stressed that welfare applicants face immediate need, lacking the "means to subsist—food, shelter and other necessities of life."¹¹⁸ and that no state interest could justify denying aid to that category of applicants who had not resided in the state for one year.

Two federal courts have applied the principles of *Shapiro* to invalidate laws which exclude aliens, either in toto or those residing in the state less than twenty years.¹¹⁹ The courts relied on the long-held suspicion of discrimination against aliens as a class, and the rights of non-citizens under the equal protection clause.¹²⁰

Rather than permit the state to enact laws which violate the Constitution, Congress should delete any reference to residence requirements for aliens.¹²¹

The exclusion permitted by § 1602(b) (3) is far too broad to be justified under federal immigration law. It is true that the Immigration and Nationality Act permits, in certain cases, deportation of aliens who become public charges within five years of their arrival. However, deportation can only take place when the dependency arises due to "causes not affirmatively shown to have arisen after entry."¹²²

V. PUBLIC HEARINGS, RULEMAKING AND RECOGNITION OF WELFARE ORGANIZATIONS

Extraordinary discretion is vested by the Family Assistance Act in the Secretary of Health, Education, and Welfare and the Secretary of Labor to establish the substantive features of FAP through administrative regulations.¹²³ It is essential that there be a maximum of participation on the part of potential FAP recipients in the procedures by which these regulations are adopted. At present, welfare regulations are exempt from the rulemaking requirements of the Administrative Procedure Act¹²⁴ because they relate to "public property, loans, grants,

¹¹⁷ *Shapiro v. Thompson*, 394 U.S. 618 (1969); *Gaddis v. Wyman*, 304 F. Supp. 713 (S.D. N.Y. 1969), *aff'd per curiam, sub. nom. Wyman v. Bowens*, 397 U.S. 49 (1970).

¹¹⁸ 394 U.S. at 627.

¹¹⁹ *Richardson v. Graham* (No. Civ. 69-158 Tuc., D. Ariz., May 27, 1967); *Leger v. Solte*, No. 69-2869 (E.D. Pa., July 13, 1970).

¹²⁰ *Takahashi v. Fish and Game Commission*, 334 U.S. 410 (1948); *Yick Wo v. Hopkins*, 118 U.S. 356 (1886).

¹²¹ In *Shapiro* the state attempted to justify its residence requirement on the basis of a section of the Social Security Act, similar to 1602(b) (3), which permitted residency requirements of up to one year. The Court replied that, "Congress may not authorize the States to violate the Equal Protection Clause." 394 U.S. at 633.

¹²² Immigration and Nationality Act of 1952, 8 U.S.C. § 1251(a) (8) (1969).

¹²³ See "Material Related to Administrative Revision of H.R. 16311," prepared by the staff of the Senate Committee on Finance, 91st Cong., 2d Sess., pp. 36-39 (Committee Print 1970).

¹²⁴ Requiring adequate notice, an opportunity for interested persons to participate, and provision for petition for the issuance, amendment or repeal of a rule, 5 U.S.C. § 553.

benefits or contracts."¹²⁵ A number of legislative amendments have been proposed in recent years to remove these exemptions.¹²⁶

While the welfare reform bill perhaps should not be the place to amend the Administrative Procedure Act, the procedural provisions of the APA should be incorporated into rulemaking under the bill. The requirement of APA enforcement was originally enacted because of a belief in the value of public participation. Surely encouraging such participation, which has been a fundamental goal of government activity in the War on Poverty since the Economic Opportunity Act of 1964, is even more important in 1970 than it was in 1946, when APA was enacted.¹²⁷

Effective participation in public hearings by poor people necessitates recognition of legal status and rights for welfare organizations. Participation in rulemaking should be permitted to any group representing the interests of assistance recipients. This would simply grant recipients the same status as a multitude of business and professional organizations enjoy before the regulatory agencies.¹²⁸ HEW now meets regularly with the National Welfare Rights Organization. Congress should provide that such relationships be maintained, and extended to other representative groups.

THE AMERICAN PARENTS COMMITTEE, INC.,
New York, N.Y., September 11, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: On behalf of the American Parents Committee, I wish to present our views on the proposed Family Assistance Act of 1970 as it affects children. For almost a quarter of a century, our organization has worked for improved Federal legislation for American children in the fields of health, nutrition, education and welfare.

On balance the proposed legislation is highly retrogressive with respect to children. We maintain that services for children should be expanded, not reduced.

While we applaud the Administration's goal in this legislation, to provide a national minimum income for all families in need, and equality of treatment for all families with children across the nation, we particularly strongly object to the following:

¹²⁵ 5 U.S.C. § 553(a)(2).

¹²⁶ See, e.g., § 2335, § 1663, and § 1663 (Subcommittee Revision) of the 88th Cong.; see Hearings on § 1663 before the Subcomm. on Adm. Proc. of the Sen. Comm. on the Judiciary, 88th Cong., 2d Sess., 1, 21, 32 (1964); § 518 of the 90th Cong., see Hearings on § 518 before the Subcomm. on Adm. Proc. and Proc. of the Sen. Comm. on the Judiciary, 90th Cong., 1st Sess., 1 (1967), § 2770 and § 2771, see 113 Cong. Rec. 38028 (Dec. 12, 1967) (introduction).

The Administrative Conference of the United States recommended the elimination of these exemptions, see mimeographed recommendations of the Administrative Conference of the United States Committee on Rulemaking, and attached consultant's report, Bonfield, "Public Property, Loans, Grants, Benefits, or Contracts," (October 2, 1969) as did the Hoover Commission, Task Force Report on Legal Service and Procedure, 158-59 (1955).

The retention of the escape clause, which allows exceptions "when the agency for good cause finds that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest, 5 U.S.C. 553(b)(B), will safeguard the government's interest in efficient administration.

¹²⁷ "Our society has reached the point once again where the very legitimacy of decision-making, both in government and in private affairs, is questioned by black and white, money and deprived, dove and hawk, hippy and straightarrow." Ferren, "Preliminary Thoughts About Public Decision-Making and Legal Aid: the Prospects for Legitimacy," 1 Conn. L. Rev. 263 (1963). For discussion of the evolution of the concept of "maximum feasible participation of the poor" (Economic Opportunity Act of 1964, 46 U.S.C. § 113(a)(8), see Rein and Miller, "Citizen Participation and Poverty," 1 Conn. L. Rev. 221 (1968). They conclude: "Our recital of difficulties and tensions in the unfolding of citizenship participation in the sixties could lead to the conclusion that it should be abandoned. That would be a grievous error. The idea of participation will be tremendously important in humanizing and democratizing institutions." 1 Conn. L. Rev. at 242.

¹²⁸ See, e.g., 49 U.S.C. § 5(b), recognizing organizations of firms subject to Interstate Commerce Commission regulation, and 38 U.S.C. § 3402(a)(1): The Administrator may recognize representatives of the American National Red Cross, the American Legion, the Disabled Veterans, the United Spanish War Veterans, the Veterans of Foreign Wars, and such other organizations as he may approve in the preparation, presentation and prosecution of claims under laws administered by the Veterans Administration."

1--The present bill will actually reduce services because of the closed-end appropriation, the elimination of the present provision that a broad scope of child welfare services must be available to all children throughout the state by 1975 (only protective services by 1975 are required in the present bill), and the limitation on services primarily to low income children rather than continuing the long established principle to serve children without regard to race, color or creed, or economic status of the parents.

2--The differential treatment between children and adults in the Family Assistance Act of 1970 with the provision for a required \$110 monthly for adults and only \$25 for children.

3--We object in this Bill to the emphasis on mothers being made to take training or employment regardless of their judgment with regard to the welfare of their children, and now even requiring the mothers to utilize existing day care regardless of their judgment as to whether it is good for their children.

In the Committee print of the bill as revised and resubmitted by the Administration, we, however, commend the following concepts hopefully to be implemented through this legislation:

(A) For the first time, a nationwide standard of eligibility for public assistance. This standard, although generally recognized as inadequate, would nevertheless provide Federal aid to families headed *either* by a mother or unemployed father, where today such assistance is available in only 25 out of 54 jurisdictions. Such a standard is consistent with the Supreme Court's invalidation of residency requirements for welfare applicants, and if meaningfully funded, can help reverse the flow of unskilled agricultural workers to the cities. We commend also the projected inclusion of food stamps and housing into total welfare assistance, to counter the disincentive to work by previous "sudden-death" provisions that cut off all assistance abruptly when a certain level of earnings is reached.

(B) Phasing out of the unemployed-fathers program, to avoid family breakups where, under the present system, a jobless father can provide better for his family by deserting them. Thirty years ago, 30% of AFDC families had absent fathers; this year, the percentage is over 75%.

(C) The recognition of Federal responsibility towards providing quality day-care for the children of parents in job-training or beginning work. The proposed addition of \$400 million for day care under the Family Assistance Plan will also be augmented by a sliding fee-scale as employed parents are able to contribute to such care. Most important, however, is the great potential for the day-care child to gain new perspectives in learning, that will help him break out of the poverty-cycle. Especially if there is no father in the home, the children are doubly handicapped by an absent and overburdened mother. With day care centers funded up to 100% by the Federal government, and administered under Federal Inter-Agency Day requirements, a young child living in poor circumstances can benefit tremendously with more than merely custodial care. Even after the crucial first 5 years of life, part-time day care after school, until the mother is free from work, can offer the growing youngster benefits not available in a deprived neighborhood. Such new insights can well make the difference between passive acceptance of deprivation and self-determination towards educational goals that could not be inspired elsewhere.

(D) The incentive (Sec. 445b) for children to continue regular school attendance, if they are to be continued on the rolls of F.A.P. It is interesting to note that for 1971, an estimated 57.7% white families, and 41.3% non-white, will comprise the total number of families eligible for assistance.

(E) Provision for children in need of foster care, who comprise 50% of all those eligible for child welfare services. At the present time, 86% of all foster-children are not covered by A.F.D.C. Under newly proposed nationwide minimum standards \$300 yearly is authorized for a foster child.

(F) Special reimbursement for adoptive parents of handicapped or "hard-to-place" children. Federal funds for foster care and adoptions efforts would increase from \$25 million to \$175 million in the first full year of operation; yet this increase is but a small percentage of the cost of institutionalizing such children, let alone the psychological benefits to the child who receives family care.

Turning now to certain parts of the bill which we feel should be questioned and reconsidered, we doubt that the bright promise of job-training for each adult welfare recipient can indeed guarantee "workfare" instead of welfare for him-

self and his family at the termination of training. To us, the provisions of Sections 431, 447-449 are perhaps necessarily vague, but nevertheless dangerously so. We are now in an unprecedented upsurge of unemployment. Despite the Administration's assurance that "the kinds of workers affected by cyclical unemployment are not typically those with earnings close to the poverty line", job-training for non-existent jobs can fuel the fires of frustrated rising expectations. We would earnestly hope that, through MDTA and other Labor Department programs, the legislative language of these sections can be tightened to conform with present realities.

The exclusion of welfare-assistance mothers with children under six from job-training requirements can, we fear, add to popular prejudice against this provision. We have always supported the belief that pre-school children should not be separated from their mothers, if the home provides a healthy and constructive environment. While we feel the choice of working outside the home should be available to welfare mothers of pre-school age children, there should be increased emphasis on voluntary family-planning services through Sec. 2021. We know that in the last 15 years, the proportion of children receiving public assistance has doubled, from 30 per 1000 population, to 60 per 1000 at present. Our national and world environment mandates "zero population" growth from the standpoint of ecology as well as limited finances.

The need for greatly increased family planning services upon enactment of F.A.P. is further underscored by a recent OEO survey, which shows that such services are available to low-income women in only about 1200 of the nation's 3072 counties. The same survey shows that infant deaths, prematurity, brain damage, and congenital malformations are closely related to short intervals between births, births to older women, births to girls in their teens, and fourth and subsequent births. These risks, the report concludes, are greatly increased when births occur to women in poor health due to impoverished living conditions and inadequate medical care.

In recent years, unwanted births have accounted for 35 to 45 percent of the U.S. population growth, according to a study conducted by Princeton University's Office of Population Research. Opinion surveys also conducted by OEO have repeatedly shown that poor women wish to limit the number of children in their families, but because they generally do not have access to family planning services, the poor have many more children than the non-poor.

The "not less than 6 percent" of MCH funds provided for family planning in the 1967 Social Security Amendments has now been expanded to 10% of the total 1971 Budget request for Maternal and Child Health programs. This request, if approved, will provide family planning services to the 1.5 million women currently included in AFDC. However, with the enactment of the Family Assistance Plan, the total number of women of childbearing age under Federal assistance could easily double. Five million women are estimated to want family planning assistance.

The new Title XX, redesignating the spectrum of welfare services as "Individual and Family Welfare Services," does not specify a particular administration unit for Federal direction of these services. Having witnessed the recent fragmentation of Federal program services for children, we are hopeful that the vigorous new leadership in HEW will reunify all child-related programs thereby gaining the support of all national voluntary organizations dedicated to the health and welfare of our nation's children.

Inasmuch as the American Parents Committee is convinced that the following specified deficiencies in the proposed Family Assistance Plan legislation prove it to be basically and fatally defective as viable legislation, we cannot support a patch-work series of amendments that do not address themselves to the basic issues. To implement the present proposals through pilot programs would, we feel, only be using the taxpayers' money to spotlight the obvious deficiencies.

Similarly the necessary ingredient of day care for the children of welfare mothers in job-training must be recognized as a public responsibility, never as a means of profit-making for franchising operations.

To label as adequate \$1600 welfare support for a destitute family of four, even with \$865 worth of food-stamps included, is to reject the Administration's own income-poverty guidelines of \$3720 for such families whose children qualify for free or reduced-price school-lunches.

To insist that H.R. 16311 offers workfare to welfare recipients is to play upon the gullibility of those who would equate job-training with job-placement. With an all-time high of 5% unemployment, the predictable frustration of those who

take job-training as a condition of receiving welfare support for their families will only add fuel to the fires of social unrest, unless actual jobs are the result of such training.

To exclude childless couples and single adults from proposed assistance is to encourage the producing of babies, in order to qualify under F.A.P. at this time when the "population explosion" threatens our already-strained social fabric.

The American Parents Committee, believing that the above facts emerge as salient objections to H.R. 16311, therefore respectfully urges that new and truly meaningful legislation address itself to these issues, through the efforts of a new, specially-established Commission on Welfare Legislation composed equally of those members of Congress most deeply concerned with development of such legislation, and of executives from the public sector who have demonstrated special capacity for consideration of the problems involved.

Respectfully yours,

GEORGE J. HECHT,

*Chairman of the American Parents Committee, Inc.
and Publisher of Parents' Magazine.*

STATEMENT SUBMITTED BY GALEN O. YODER, FOR THE WASHINGTON OFFICE REFERENCE GROUP OF MENNONITE CENTRAL COMMITTEE AND THE HOME MINISTRIES CABINET OF THE MENNONITE BOARD OF MISSIONS AND CHARITIES

Mennonite Central Committee is an organization which emerged spontaneously out of a desire of the Mennonite brotherhood to feed the hungry, clothe the naked, and to testify by human service to their faith. This desire to respond to human needs grew out of a commitment to face various emergencies both within and outside of the brotherhood.

The religious heritage of the Mennonite bodies of North America motivates and guides the service program of Mennonite Central Committee. Our people have long had an interest in the problems of poverty throughout the world. Domestically, we have programs in Indian reservations, migrant camps, rural Appalachia, and urban ghettos. Many of our young people are involved in social service programs and consequently their sentiments are based on direct service to the poor. A substantial number of our constituents share the basic value assumptions underlying this testimony.

We find ourselves to be in accord with the basic principles of the Family Assistance Act of 1970, H.R. 16311. Certain aspects of the bill, some of which are mentioned in this testimony, have not received serious enough attention. We encourage passage of welfare reform legislation with improvements that do justice to the needs of the nation's poor people. Failure to act constructively on welfare problems will precipitate further rises for poverty-afflicted citizens.

We recommend several considerations in particular. Our suggestions for modifications are built around two basic principles:

(1) Freedom and dignity are essential rights for the poor.

(2) The cohesiveness of the family unit must be maintained to the greatest extent possible.

The value of human dignity becomes especially relevant in dealing with the question of work. We recommend that the work provision be carefully thought through. We are opposed to a work provision which would cause work to be perceived as forced or useless. The dilemmas of both work incentive and training must be considered. The government should seek to guarantee decent jobs for everyone who is qualified to work. The private sector as well as the public sector should be encouraged to participate in job training. Perhaps the government could offer incentives to voluntary agencies in job training. Work training might best take place on the job. Training should be realistic.

A particular area of concern is the question of suitable employment. We strongly feel that a more flexible mechanism is needed in determining this. The Act reported by the House Ways and Means Committee required each adult to participate in "suitable manpower services" and to accept "suitable employment." It gave discretion to the Secretary of Labor to "consider the degree of risk to such individual's health and safety, his physical fitness for the work, his prior training and experience, his prior earnings, the length of his unemployment, his realistic prospects for obtaining work based on his potential and the availability of training opportunities, and the distance of the available work from his residence."

Unfortunately, the House struck the work "suitable" along with the factors to be considered in determining suitability. Instead, the House provided that no benefits should be denied or reduced because an individual refuses work in the case that "individual has the demonstrated capacity, through other available training or employment opportunities of securing work that would better enable him to achieve self-sufficiency."

We believe the original language is better than that substituted on the floor of the House. "Suitability" is a word of art, having been defined in legal and administrative decisions. This history plus the factors listed in the bill for consideration make the original language as meaningful as can be expected.

As alluded to earlier, we also propose several considerations regarding the maintenance of the family as a cohesive unit. The absence of sensitive consideration in this area will contribute the problem of moral decadence in this nation. We feel that parents are potentially the best guardians of their children.

We believe that mandatory work requirement for mothers with school-age children may contribute to the breakdown of familial and personal mores. This requirement on a mandatory basis seems undesirable as a matter of policy, unrealistic in terms of availability of child-care facilities, and unnecessary in light of experience under existing requirements.

An additional note here is that married mothers living with their husbands are apparently not required to be employed. However, mothers not living with a husband and not having pre-school age children are required to seek employment. This sounds like double jeopardy.

We cite two examples where the work requirement for the mother of school-age children might be made more flexible. A mother should not be required to take training or a job against her will in the case that there are insufficient openings for other persons wanting the same. The requirement should be modified so that priority for the different categories of training and of employment should be given to those persons wanting such training or employment.

Another case would be during summer vacation when a work requirement might mean that the mother would have to let the children become victims of street life. An additional factor in this case is that the job market is already tight during summer months. We think that it would be best to exempt mothers of school age children from work in cases where such a requirement would violate the criterion of family responsibility. This criterion could be interpreted by the Secretary. Procedures should be set up so that parents could participate in the determination process.

It is appropriate to suggest here that the procedures for appeal should be stated more adequately. It should be clear that F.A.P. clients have the right of appeal, that the procedures are as simple as possible, and that the clients will be informed of these rights and procedures on the receipt of any adverse ruling.

An adequate child-care program is crucial to the socialization process. If responsible behavior is expected on the part of the next generation, childcare must consist of more than "custodial" centers. Sec 436(a)(3) should clarify this and should call for "child development" standards in the centers. We propose also that the Secretary of Health, Education, and Welfare establish reporting procedures and annually submit to the Congress a detailed report indicating child-care needs and the extent to which existing facilities are adequate to those needs.

We hope that adequate allowances will be authorized for child-care costs to mothers who participate in training. We encourage authorization for provision of child-care services for mothers who work on a part-time as well as a full-time basis. Furthermore, we recommend that a revision be included which would direct the Secretary of Health, Education, and Welfare to establish an office in his Department to encourage the meaningful involvement of the private sector in the development of child-care facilities.

Furthermore, we are concerned about the area of social services, particularly as it applies to children. The area of social services makes provision for coping with problems which are not strictly ones of material aid. We are concerned because it deals with the quality of life. We call for a social services approach which is as comprehensive as feasible, one which is preventive rather than of a patchwork nature. As applied to children, we recommend provisions which would ensure that each child receiving child care under the Administration plan would also receive the educational, health, nutritional and related services necessary to help such a child receive his full potential.

Old people are also a vulnerable element of our population. We therefore recommend that a careful review of Title II of the Social Security Act of 1967 be made. A careful examination of H.R. 16311 reveals inequities which have been carried over from the 1967 bill. The legislation we can most readily support is legislation which provides social protection to all of the vulnerable individuals in our society.

RECOMMENDATIONS OF THE ILLINOIS MANUFACTURERS' ASSOCIATION, CHICAGO, ILL.,
SUBMITTED BY E. EDGERTON HART, EXEC. VICE PRESIDENT

This measure, now pending consideration before the Finance Committee of the United States Senate, is intended to improve the present Federal-State Welfare Programs which relate particularly to: (1) Old Age Assistance; (2) Aid to the Blind, (3) Aid to the Permanently and Totally Disabled, and (4) Aid to Families with Dependent Children.

With reference to that portion of H.R. 16311 which relates to programs (1), (2) and (3), designated above, the I.M.A. recommends that Congress consolidate into a single Federal-State Program the three programs for adult aged, blind and disabled—who have virtually no work potential—which would provide for assistance to meet basic needs, after full allowance for all other income, but with a uniform incentive to work is able. The program should not contemplate any material increase in costs over existing programs.

With reference to that portion of H.R. 16311—Aid to Families with Dependent Children (AFDC), program (4) above, a proposal which contemplates a guaranteed income to American families, the Illinois Manufacturers' Association recommends that such program be rejected. The I.M.A. submits:

That said guaranteed income proposal will further complicate the existing welfare problems;

that the "work requirements" will prove impractical in operation;

that the amount of the guaranteed income will be increased by succeeding sessions of Congress in accordance with political considerations;

that the addition of the stupendous costs of said program to the estimated deficit for the current fiscal year of from \$10 to \$15 billion would clearly mean another wave of inflationary deficit spending as well as substantial additional taxes.

The I.M.A. further recommends that in event Congress should, at some subsequent date, give further consideration to the subject of a guaranteed income that prior to such consideration and before the disposition of any legislation relating to that subject, pilot or test programs should be conducted on a local and regional basis throughout the country with the purpose of determining the practicability of said programs.

The I.M.A. further recommends that in any future inquiry that Congress may make into the adequacy of public welfare programs, including particularly AFDC programs, that Congress urge upon all concerned that a major and continued effort should be initiated to equip able-bodied adults with a capability for self-supporting employment, and to get them into such jobs. This effort should contemplate that a strategy of occupational rehabilitation be developed at the community level which would require:

(a) identifying the manpower potential of the AFDC adult group;

(b) establishing priorities among such adults in terms of trainability, availability for training, and needed child care arrangements and facilities;

(c) devising a method for identifying continuing shortages of qualified workers for entry-level jobs, public and private;

(d) providing pre-job training to meet these shortages;

(e) providing allowances to cover work-training expenses while in training;

(f) supplying the essential motivational services to AFDC adults;

(g) obtaining the continuing involvement and active participation of local employers, public and private, in the entire occupational rehabilitation program in the community.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C.

STATEMENT ON BEHALF OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
SUBMITTED BY MRS. ALISON G. BELL, STAFF ASSOCIATE FOR LEGISLATIVE PROGRAM

To ensure that the position of the Legislative Program Committee of the American Association of University Women poll would mirror the attitudes of the Association's membership on welfare reform proposals a variety of materials were mailed to leaders in each of the Association's 1,670 branches. Among these materials were the related Presidential Messages, summaries of the Administration's proposals on social security, welfare and revenue sharing and of other plans, a sketch of the history of our present welfare and food stamp programs, the policy statements on welfare from the 1969 National Governor's Conference and similar documents. Very serious consideration was given to this problem in a number of AAUW branches across the country.

In line with the responses from branches the Association's Legislative Committee wishes to place the AAUW on record in support of the concept of a basic income floor. Comments from our members which have come into AAUW's Washington office indicate that although a basic income of \$1,600 for four (which is well below the now unrealistic poverty level of \$3,400 set in 1968) may come closer to being adequate for families of four in a rural area in the more temperate parts of our country; it will unquestionably make little more than a dent, even when supplemented by the food stamp programs, upon the problems of the very poor. It was also repeatedly pointed out in these letters that in some of our metropolitan centers, present welfare payments total more than the combination of food stamps and the proposed basic \$1600. The question raised by our members is whether additional federal payments will be made to the states to cover the supplemental sums which will be necessary. In other words, what does the Congress propose as a way to close the gap between present benefits and proposed federal payments—particularly if a revenue sharing plan is not enacted?

Our members almost unanimously support employment and job training, but letter after letter to us expresses concern over a probable breakdown in morale when a recipient fails to find a job at the end of his or her training period. As some of our members ask—are federally subsidized work programs the answer? They suggest work on federally assisted highways or work as hospital aides in federally assisted hospitals. Others indicate their agreement with the provisions of the House passed bill which permit inclusion of the underemployed or underpaid—a provision which they see as a way of holding families together in the future. Under the present system many fathers leave their homes in order to put their families in a position to receive welfare payments which are often more than they can earn. We also believe an incentive to continue work would be provided by the inclusion of poor families headed by working males as eligible for welfare. Our members report that they find many welfare recipients shun jobs as it is so difficult to get back on relief under the present system.

One of our concerns is over the possibility of unscrupulous employers offering less than minimum wages to men and women in training situations. We suggest as illustration the possibility of trainee mothers working in day care centers that are profit making businesses for a dollar an hour to the advantage of their employers. We urge restrictive language written into the bill to prevent such abuses.

Letter after letter has expressed the fear that mothers will be forced out of their homes during the pre-school years of their children by the training provisions of the Family Assistance Plan before adequate child care and development components can be constructed. AAUW women would like to see federal nationwide standards set before these and other child welfare services at state and community level are implemented. We urge inclusion of language against forcing mothers out of their homes and of such safeguards as national standards for nutrition, health and education in any bill reported out by this Senate Committee.

In the eyes of our members a principal shortcoming of the House bill is its failure to cover the single poor and the impoverished childless couple and the semi-disabled. Statements vary, of course, on the numbers of the single, the aged and impoverished childless couples. It seems safe to accept the frequently quoted figure of one third of the deprived. Authorities on the subject state that of the 7.5 million people on relief in 1964, 5.5 million were children while most of the remaining were old or disabled—that in fact roughly only 100,000 so-called able-bodied men are welfare recipients. Are we justified in speaking reform if one third of the deprived are excluded from this so-called bill? Although we understand and believe in the effort to eliminate self-perpetuating poverty, ignorance and disease by concentrating on families with children, nonetheless we urge the inclusion of impoverished singles and childless couples—particularly the aged. It has been suggested that the economics of the situation would provide for later “phasing in” of these groups but we question who will care for these people while they await this “phasing in.”

Comments from our members indicate they believe in the necessity for nationwide standards for eligibility and benefits. They also indicate the bankruptcy of their communities. At the same time their comments make it clear that many AAUW members are of the opinion that welfare programs should be federally supported if the community and the state is to retain relatively little control.

Among the related concerns expressed by the AAUW Legislative Committee are the perpetuation of the food stamps programs. The roughly \$750 in food stamps which is expected to supplement the basic \$1600 family income can prove to be not much of a boon to a mother faced with a child care problem and costly transportation.

We suggest an escalatory provision should be included to reflect changes in the cost of living index.

We regret that there are no provisions in this legislation which would provide an individual with the right of appeal on decisions related to his case.

We urge that at least the major provisions of the House bill be enacted in this session in order for appropriations to be included in next year's budget and that time be provided for the working out of guidelines for its implementation before those provisions go into effect.

TESTIMONY BY MR. HOWARD SEITZ, PRESIDENT, BOARD OF DIRECTORS, COMMUNITY COUNCIL OF GREATER NEW YORK

The Board of Directors of the Community Council of Greater New York presents this brief statement concerning its views of the strengths and weaknesses of the Family Assistance Plan. Its point of view differs somewhat from that of the Coalition for Health and Welfare of the Community Council whose testimony was presented orally on August 31st.

The Directors of the Community Council of Greater New York because of their concern with basic welfare legislation, called a special June meeting to consider the Nixon Administration's Family Assistance Plan. It praised the stated objectives of the administration's initial bill for accepting Federal responsibility for national income guarantees and social benefits but deplored other provisions of the bill which the Council felt ran exactly contrary to the presumed goals.

We attach for your Committee the text of the Council's formal resolution, forwarded Thursday, June 18 to the President and key members of the House and Senate.

The Board of Directors of the Community Council of Greater New York favors the concept of President Nixon's Family Assistance Plan which recognized the responsibility of the Federal government for establishing National minimum income guarantees; the acceptance of the desirability of a national guaranteed income floor; the concept of Federal responsibility for basic welfare benefits; and the concept of appropriate employment for poor persons in order to assist in their removal from the cycle of poverty.

Although the Community Council Board accepts the above as desirable goals, it is opposed to: the proposed low income level provided by the bill; it objects to the absence of a time-table whereby the income level would be brought up to a standard (such as the Lower Living Standard of the Bureau of Labor Statistics) and calls for a time-table whereby the Federal government would assume increased financial responsibility for the program. Other defects in the

bill as proposed include failure to provide suitable employment protected by minimum wage laws; failure to provide adequate job training, education, and comprehensive day care programs. The Council further questions compelling a contribution by poor people to a health insurance program, as well as the so-called 'elimination of work disincentives by abolishing the Federal matching assistance for the employed fathers categories.' "

AMERICAN CIVIL LIBERTIES UNION,
Washington, D.C., September 15, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the American Civil Liberties Union, I would like to offer and have included in the hearing record the following comments on the proposed Family Assistance Act of 1970 (H.R. 16311). While a welcome and innovative effort to revamp our existing welfare system, the bill does contain some troublesome aspects.

The concept of a guaranteed annual income, although laudable, has been determined by our National Board of Directors to fall outside our purview of protecting and extending the constitutional rights embodied in the Bill of Rights. However, two other important aspects of the bill do raise serious civil liberties issues.

One is the serious threat to the right of privacy of welfare recipients. No meaningful limitations have been written into this bill to prevent what President Nixon has called "welfare snooping." Secondly, the mandatory work requirement of the Family Assistance Plan represents an even more fundamental invasion of the individual's freedom to control his own life to the fullest extent possible.

Invasions of privacy—Welfare snooping

Invasions of the right of privacy of welfare recipients—euphemistically called "investigations of eligibility"—are often defended on the theory that welfare assistance is an act of charity—a "privilege"—which may be granted or withheld at the whim of government or conditioned in whatever way government sees fit. Thus, it is urged, the welfare recipient should have no right to complain if he is required to surrender his right of privacy. After all, he always has the option of doing without the assistance welfare provides.

Such an argument is untenable. Welfare recipients may not be compelled to forfeit their right to freedom of speech or religion as a condition for public aid. They cannot and should not be coerced to give up their right of privacy—a vital concomitant of a free society.

The privacy of the American people has come under increasing incursions from advances in technology—computers, psychological tests, wiretapping. If the right to privacy is to remain a vital and viable safeguard of human dignity and freedom, then it must be maintained with special vigilance on behalf of those least able to assert it.

Title I of the Act authorizes appropriations for financial assistance to needy families with children "in a manner which will . . . enhance personal dignity." However, apart from this very general declaration of intent and a provision requiring states to provide safeguards which restrict the use (but not collection) of information concerning welfare applicants to purposes required by administration of the Act, (§ 452(c) (6)), the Act makes no effort to restrict or prohibit the costly and intrusive "welfare snooping" of which the President has spoken.

Under one section of the Act, the Secretary of Health, Education, and Welfare is directed to "prescribe regulations . . . 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" (§ 446(e) (1)). In another, the states are required, in order to become eligible for payments under the Act, to have agreements governing their welfare programs with the Secretary (§ 451). Neither provision prohibits unwarranted intrusions into the privacy of welfare clients.

The agreements referred to above, which are a condition of the state's receipt of federal funds, provide an ideal mechanism for requiring the states to protect

the privacy of welfare recipients. Former Secretary of HEW Robert Finch has suggested that the Administration "expects" states will establish these protections in connection with their arrangements with the federal government. However, unless the Act itself requires these agreements to contain privacy protections, we are fearful that adequate attention will not be given to this problem.

Therefore, we believe that the Act should include a more explicit guarantee of protection for the right of privacy of welfare applicants and recipients. It should also include express federal standards on privacy, requiring states, for example, (1) to determine all welfare eligibility through the declaration method rather than investigations, (2) to limit the kinds of information which can be demanded, (3) to establish definite restrictions on the use of the information, and (4) to give the individual access to information about him.

Computerization of welfare data poses threat

Another serious invasion of privacy which has received no attention in the consideration of this bill is the governmental centralization of detailed personal information on vast numbers of citizens which will result from establishment of these programs.

Section 1005 provides for direct federal payments to the aged, disabled, and needy. Information on their applicability will of necessity be placed in federal hands.

Section 461(a) authorizes the federal government to assume direct responsibility for administering some part of the general welfare program in each state. Here, too, records on each recipient would necessarily be fed into federal government information channels.

Section 446(f) directs all other federal agencies to give information obtained by them to the Secretary of HEW "for the purpose of determining eligibility for, or amount of family assistance benefits or verifying other information with respect thereto." All federally held information on these welfare recipients could, therefore, wind up in a single centralized source with HEW.

The problem is complicated by the relationship of the welfare program to the manpower training program. Section 447 requires all welfare recipients to register with local public employment offices.

Although there is no mention of a federal job data bank, former Labor Secretary George Shultz leaves no doubt that this is in the offing. In a letter to Congressman Betts on November 19, 1969, Secretary Shultz explained the federal intention to establish a "Baltimore-type" job bank in 55 cities in 1970. While this system computerizes information on available jobs, but not on individual applicants, it is intended by the government as an interim measure to a full "Utah-type" system which will match computerized information on available jobs and job applicants. In light of the fact that such job banks would undoubtedly be used to find jobs for those compelled to work by this Act, there is the danger that the very personal information collected for welfare purposes will find its way into wide circulation via these data banks without the individual's permission.

In spite of these announced federal plans to computerize information on millions of welfare recipients, nothing appears in the Administration bill, perhaps because thus far the entire matter has been handled administratively. We urge you to deal with this problem legislatively, so that the administrators of this bill will be obligated to provide for careful handling of this personal welfare data.

We urge you to take a major step toward putting a complete end to "welfare snooping" by insisting on the revision of H.R. 10311 to include federal standards of privacy to control both federal and state accumulations, centralization, and use of information on millions of welfare recipients. Only in this way can we assure that the poorest of our citizens will be given an equal right to the dignity or privacy which so many of us consider an essential part of our lives.

Compulsory work requirement

Sections 447 and 448 of the Act would require able-bodied adult members of a family eligible for family assistance benefits to register with local public employment offices for "manpower services, training, and employment." Failure to register, as well as a subsequent refusal to participate in manpower training or to accept employment, would lower the benefits paid to that family. The Act excepts from this requirement: (1) the ill or infirm, (2) persons caring for a child under six, (3) the mother of a child whose father is at home and eligible for employment, (4) a child under sixteen or a student under twenty-one, or (5) a person needed at home because of the illness or incapacity of another.

The American Civil Liberties Union believes that compelling a person to accept employment as a condition for receiving welfare benefits is in fundamental conflict with the principles of a free society, with the Thirteenth Amendment's prohibition against involuntary servitude, and with the Fourteenth Amendment's guarantee of equal protection of the laws.

In the first place, the number of able-bodied men presently on welfare across the nation is relatively small. There is no evidence that they remain on welfare by choice. This Act properly recognizes the relationship between job training and unemployment in its effort to train presently unemployed people. However, the real answer to this unemployment is to train people for skilled jobs which have some future. There is nothing in this Act which will prevent the compulsory placement of workers in unskilled, deadend jobs, making inevitable the cycle of inadequate wages, undependable employment, and welfare. Furthermore, the Act does nothing to increase the number of good jobs which properly trained people could fill. We have no doubt that compulsion would be totally unnecessary if the proposed training and jobs really offered a way out of the poverty cycle. Unless this is done, the mandatory work requirement is nothing more than a means of mollifying those who believe that people are on welfare only because they will not help themselves.

The version of the Family Assistance Act presently under consideration here is even more troublesome than the House version. The House-passed H.R. 16311 required adults covered by § 447 to accept "suitable" employment. The Committee-approved version contained a very specific definition of that phrase. The present version has dropped that requirement entirely. The present standards in § 448(b) offer no guarantee against forcing welfare recipients into the most menial, lowest paid jobs without any prospect for advancement. Creating a pool of underpaid workers would in turn subsidize marginal employers. If the purpose of the work requirement is to end the cycle of dependence on welfare, forcing people into substandard jobs requiring no training and leading nowhere will simply not do the job.

The vast majority of welfare recipients are women with children who head their own households. This Act would require those mothers whose children are over six to register and accept training and work in order to receive benefits. This requirement seeks to make for the welfare mother a decision which every mother should be free to make herself—whether to work and leave children with others, or to stay home and care for her children herself. Depriving the mother of a school-age child of the right to make this very basic decision about the welfare of a child simply because of her poverty is extremely unfair, since more affluent mothers are not subject to that kind of coerced choice. At present a welfare mother ordered to work and to place her child in day care is challenging this kind of requirement as a denial of the equal protection of the law. *Woolfolk v. Brown*, (E.D.V.A.) (National Institute for Education and Law and Poverty, 4 *Clearing House Review*, 111 (June, 1970)).

For those welfare mothers who would like to work, there is the same lack of meaningful employment discussed above. There is no minimum wage specified in the Act. The fear is—and it is entirely justified—that the Act will be used to provide to women on welfare nothing more than employment as domestics, which is notoriously undependable and insecure. Beyond this, the biggest problem of the working welfare mother is the lack of available and reliable day care centers. The bill attempts to expand the number of such centers, but nothing in the bill would allow mothers of school age children to refuse employment because no adequate care exists for her children. Furthermore, even with expansion, there will be a shortage of these centers in the near future and, perhaps, over the long term. It is simply unconscionable to compel mothers to work. It is even more unconscionable to compel them to work if no provision is made for even the semblance of adequate child care.

In sum, the mandatory work requirement as a condition of welfare raises basic constitutional questions. Moreover, this requirement will not end a dependence on welfare. The requirement is especially onerous with respect to mothers of school-age children. For these reasons, we believe it should be eliminated in favor of an enlarged effort to train people for jobs with a future. For such a task, compulsion is totally unnecessary.

Sincerely yours,

LAWRENCE SPEISER,
Director, Washington Office.

STATE OF WASHINGTON,
OFFICE OF THE GOVERNOR,
Olympia, July 24, 1970.

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.O.

DEAR SENATOR LONG: We have carefully reviewed the revised version of HR 16311, the Family Assistance Act of 1970. The revision like the original version is of considerable complexity and much analytical time was required.

Many of the amendments contained in the revised version would help to accomplish the purposes of the Act. However, several provisions, critical to the Act, would, if not amended, result in failure to meet its goals as well as in considerable additional expenditures to our state.

We are enclosing a summary of these items and our suggested alternatives. Our major suggestions include:

1. Providing aid to recipients of adult programs (Title XVI) on the basis of individual need (at current and updated prices).
2. Amendments to the social services program (Title XX) including (a) additional state control over state expenditures, (b) separation of eligibility from the provision of social services and (c) establishing standards for assistance for the temporary emergency assistance program.
3. Additional state involvement in determining state assistance standards.
4. Revisions that would (a) more effectively limit state expenditures to fiscal 1971 levels (updated for changes in the Consumer Price Index), and (b) encourage updating of assistance grants for cost-of-living changes.
5. Amendments to the manpower training program that would provide for creation of additional jobs for trainees completing the program.

We hope this summary will be of use to you and that amendments can be made to these critical areas of the Act.

Sincerely,

SIDNEY E. SMITH,
Secretary.

Department of Social and Health Services.

STATE OF WASHINGTON, DEPARTMENT OF SOCIAL AND HEALTH SERVICES, DIVISION
OF PUBLIC ASSISTANCE

REVISED FAMILY ASSISTANCE ACT OF 1970 (H.R. 16311)

The original Family Assistance Act was designed to meet several long existing needs in the field of public assistance: basic benefits to low income families with children, incentives for employment and training and greater uniformity of treatment of recipients under the programs.

The revised Family Assistance Act is an improvement over the original Act. The amendment providing for local and municipal governmental involvement in providing services adds a new dimension to the program. The additional Federal aid for children in foster care would be a significant and constructive change. Allowing recipients to deduct the cost of food stamps from their benefits would not only be a convenience to the recipient but would mean less administrative paper work. The need for changes in the medical assistance program under Title XIX has long been recognized and the report to the Congress, as generated by this Act, would hopefully expedite improvement. Limiting state assistance expenditures has become an urgent necessity for all states. With modifications, the provisions contained in the Act would provide some effective limits on state costs.

Despite these improvements, critical areas of the Act must be amended if the constructive intents are to be realized:

1. Aid to Families with Dependent Children-Unemployed Fathers, section 451 and section 453 (a) (1)

The revised Act would not provide Federal matching for expenditures for the Aid to Families with Dependent Children-Unemployed Fathers program. In determining a state's fiscal liability, however, expenditures for this program would be included. (See Item 5.)

Suggested alternative

If Federal matching for this program is not to be provided, fiscal 1971 state share expenditures for this program would be *excluded* in determining a state's fiscal liability (Section 502).

2. Determination of need of recipients of title XVI, section 1603(b)(1)

The revised Act would provide a minimum of \$110 income (combined financial assistance and other income) regardless of the need of the recipient. Numerous recipients, such as parents living with adult children, may have considerably less financial need.

Suggested alternative

Each recipient would receive financial assistance in an amount which when added to his (non-exempt) income would provide for his needs. The total would be based upon recent cost standards and updated no less than once every two years for changes in the Consumer Price Index.

3. Title XX

A. Service requirements for State plan, Section 2005(a)(2)(B).—This section would require that a state program of individual and family services achieve specified levels of activities and performance, the criteria to be prescribed by the Secretary of Health, Education and Welfare. In addition, although state expenditures would be required, the program would be developed and administered locally in cities of 250,000 population or more. The states would thus have no effective control of state fund expenditures.

Suggested alternative

If sufficient Federal and/or state funds were not available for the program, the state would have the prerogative of limiting the services to be provided, based on its own priorities. Such limitation would in no way limit local governments from expending their own funds in order to provide additional services.

B. Financial eligibility for individual and family services, temporary emergency assistance and foster care.—The Act would provide for the determination of financial eligibility for services (including temporary emergency assistance and foster care) under Title XX, thus violating the principle of complete separation of income maintenance and social services. Financial eligibility determinations by the staff providing social services would be required.

Suggested alternative

Financial eligibility determination for all services, including temporary emergency assistance and foster care, would be provided for under Titles IV, XVI and XIX and such determination would be made by the organizational unit(s) determining eligibility for State Supplementation (Part E) and other financial or medical assistance.

C. Standards of assistance for temporary emergency assistance, Section 2002(5).—Neither standards nor exempt resources have been defined for temporary emergency assistance although the amount of assistance would be subject to limitations prescribed by the Secretary of HEW.

Suggested alternative

Standards and exempt resources would be identical to those used by the state to determine State Supplementation benefits.

4. Simplified Standards, Section 452(a); Federal matching under Title XVI Section 1604

Standards for State Supplementation would be simplified at levels determined by the Secretary of HEW under the state plan in effect in January 1970. The Secretary would also determine the amount of Title XVI expenditures in excess of average grant of \$65 which would be subject to Federal matching.

The Secretary's decisions would be made only in cooperation with and after consultation with the states.

5. Savings provision ("Hold Harmless"), section 502*Suggested alternative*

This provision would limit the state's share of expenditures for State Supplementation and Title XVI to the state's expenditures in fiscal 1971 for Titles I,

IV (but excluding emergency assistance and Aid to Families with Dependent Children-Foster Care), X, XIV, and XVI. This liability would, however, be adjusted annually for increases in the Consumer Price Index and only expenditures required by this Act would be subject to the provision. No provision has been included for limitation of additional state medical care expenditures resulting from cases added because of provisions of the Act and no adjustment has been made for the additional administrative expenditures. In addition the revised Act would not provide limits on increases in State expenditures for social services resulting from implementation of the Act.

Suggested alternative

A. Expenditures for Titles IV and XVI.—The State's liability would be limited to the State's expenditures in fiscal 1971 for Titles IV (including emergency assistance and Aid to Families with Dependent Children-Foster Care but excluding expenditures for the Aid to Families with Dependent Children-Unemployed Fathers program), X, XIV and XVI. In addition state expenditures for updating standards for cost-of-living changes would be subject to this savings provision.

B. Medical assistance expenditures.—State share expenditures for Title XIX medical assistance would be limited to actual state expenditures for Title XIX during fiscal 1971, as updated for increases in the Consumer Price Index.

If a Title XIX plan were altered to increase scope and/or coverage, the additional cost of such improvements for the first year of operation would be included in the state's liability.

C. Administration.—Administrative expenditures for Titles IV, XVI, XIX and XX would be limited to the state's expenditures for Titles I, IV (Parts A and B), X, XIV, XVI and XIX during fiscal 1971, as updated for changes in the Consumer Price Index.

If Title IV and/or XVI were to be Federally administered (under an agreement between a state and the Secretary of HEW) the state share would be correspondingly adjusted.

If the Family Assistance Plan (Part D) were to be administered by the state (under an agreement between a state and the Secretary of HEW) the entire cost would be a Federal expense.

D. Services under Title XX, Section 2012(1)(B).—The amount of state share expenditures would be limited to state expenditures for social services under Titles I, IV (Parts A and B), X, XIV, XVI, and XIX during fiscal 1971 as adjusted for changes in the Consumer Price Index. Expenditures for the Manpower Training Program would not be limited by such a provision and would be subject to Federal matching at the rate specified in the revised Act.

6. Manpower services, training and employment—Part C

While this part would provide that all appropriate persons would register for manpower services, training and employment programs, it would not guarantee, even upon successful completion of a training program, that such a recipient would be able to secure employment, especially during times of high unemployment.

Suggested alternative

Incentives would be provided to businessmen to hire such trainees and grants would be made available to states with areas of high unemployment to create new jobs for such trainees with special emphasis upon opportunities in environmental control.

ESTIMATED EFFECTS OF THE JUNE 23, 1970 VERSION OF THE FAMILY ASSISTANCE ACT OF 1970 (H.R. 16311) ON PUBLIC ASSISTANCE EXPENDITURES IN WASHINGTON STATE, 1971-73

It has been estimated that if the June 23, 1970 version of the Family Assistance Act were enacted, the additional cost during the 1971-73 biennium would be \$111,658,447 of which \$40,289,105 would be State share. If the State so chose, it could enter into an agreement with the Department of Health, Education and Welfare whereby that Department would administer the State Supplementation and Title XVI programs. Costs of administering these programs would be entirely Federal cost and would reduce the State's administrative share by an estimated \$6,670,677.

	Total	Federal	State
Total.....	\$111,658,447	\$62,369,342	\$49,289,105
Administration.....	27,391,308	17,821,251	9,570,057
Assistance.....	84,267,139	44,548,091	39,719,048

While the effects of the implementation of this Act would be far reaching, an estimation of the fiscal effects is hazardous for this very reason—thus, any cost estimates are subject to a wide margin of error. Moreover, several of the provisions of the Act allow for considerable administrative latitude, e.g., standards in the state would be simplified under the Act but, within limits, at levels that would be determined by the Secretary of the Department of Health, Education and Welfare. Thus ultimately, a considerable part of the costs of the Act would depend upon administrative decisions as well as the provisions of the Act itself.

I. Effects on administrative costs

A. *Summary of Estimate.*—It has been estimated that enactment of the revised Family Assistance Act would result in an increase in administrative expenditures during 1971–73 of \$27,391,308 of which \$9,570,057 would be State share. Caseload increases in the grant programs and the additional service only caseloads under Title XX would result in the increased costs.

If the State chose to transfer administration of Titles IV and XVI to the Federal Government, an estimated \$9,670,677 in State administrative expenditures would be avoided. Thus the net estimated increase in State share of administrative expenditures would be \$2,899,380.

July 20, 1970

B. *Administrative Expenditures Due to Increased Caseloads.*—In fiscal 1972 and 1973 HR 16311 would require an estimated average increase of 572 local office personnel, resulting in an increase of \$18,682,964 of which \$7,242,973 would be State share.

Approximately 60 percent of the staff increase would be eligibility determination workers, with the remainder of the increase consisting of on-going service and entry personnel.

C. *Title XX Requirement to Provide Services at No Cost to All Persons with Income Below the Poverty Level.*—The Title XX no-cost service provision would result in an estimated average monthly increase of 17,420 service only cases and 267 local office on-going service workers for fiscal years 1972 and 1973 and would cost an estimated \$9,308,344 of which \$2,327,084 would be State share.

D. *Federal Administration of Titles IV and XVI.*—The administration and the costs of eligibility determination for the OAA, AB, DA and AFDC-R programs could be transferred to the Federal Government if the State and the Federal Government so agreed. Eligibility determination for other programs could also be transferred to the Federal Government but matching formulas would be identical with those currently in effect, thus providing no direct financial advantage to the State.

It has been estimated that the administrative costs for approximately 465 Welfare Eligibility Examiners would be transferred if the Federals were to administer Titles IV and XVI, resulting in a reduction of \$9,670,677 in State costs.

II. Effects on assistance costs

It has been estimated that enactment of the revised Family Assistance Act would result in an increase in assistance expenditures during 1971–73 of \$84,267,139 of which \$39,719,048 would be State share. The increase in expenditures, compared to the original Family Assistance Act¹ is primarily the result of the implementation of a temporary emergency assistance program under Title XX and the elimination of matching for the Aid to Families with Dependent Children-Employable program.

A. Summary of estimate

1. *Adult Programs.*—The estimated effects of the title XVI programs in the revised version of the Act are identical to those in the original Act.

¹The estimated additional State share cost of the original Family Assistance Act was \$11,735,190.

2. *Aid to Families with Dependent Children-Regular (State Supplementaiton, Part E).*—The estimated effects of the State Supplementaiton in the revised estimate are identical to those in the original estimate with the following exception: in the revised Act, $\frac{1}{2}$ of all earned income in excess of \$720 would be exempted; in the original Act, the first \$720 of earned income plus $\frac{1}{2}$ of the remainder up to twice what the Family Assistance Benefits would have been if the family had no income, plus $\frac{1}{2}$ of the remainder were exempted. This liberalized earnings exemption would result in an estimated \$2,100,000 in additional expenditures of which approximately \$2,000,000 would be a result of cases added to the rolls (by definition these cases have substantial amounts of earned income).

3. *Aid to Families with Dependent Children-Employable.*—In the revised version of the Act, matching for this program has been eliminated. In the estimate it has been assumed that this program would be abolished. Nevertheless these cases would be eligible for Noncontinuing General Assistance (and emergency assistance under the current emergency assistance program). It has also been assumed that standards for Noncontinuing General Assistance during the forthcoming biennium would be higher than current standards but less than the standards prior to the cutbacks of December 1969.

4. *Temporary Emergency Assistance.*—Under the newly created Title XX, a temporary emergency assistance program would be implemented. Families and individuals whose income was below the poverty level would be eligible for such emergency assistance for up to 60 days in each calendar year. The levels of standards for such assistance are not indicated in the Act, but would be subject to limitations prescribed by the Secretary of Health, Education and Welfare. No limitations on resources are referred to in the Act.

In estimating the effects of this provision it has been assumed that standards would be equal to the standards in the continuing programs. While such an assumption may result in a relatively high estimate, i.e., standards may in fact be less than continuing program standards, it is equally possible that such an assumption may be on the low side, that standards might be set at the poverty levels.

Since both families and individuals would be eligible for temporary emergency assistance, estimates of the Noncontinuing and Continuing General Assistance caseloads were prepared. The former is equal to the estimate contained in the Governor's Supplementary Budget Request for fiscal 1971, i.e., a monthly average caseload of 6,506 cases during the biennium.

It has been assumed that each GAN and GAU case would be eligible for 60 days of emergency assistance for each calendar year.¹ Under the limitations of this provision numerous other households would apparently also be eligible for assistance. In order to determine the possible magnitude it has been estimated that an average of 130,000 persons would be unemployed during the 1971-73 biennium. The characteristics of this group have also been estimated including the sex, marital status, size of family, and unemployment compensation status. It has been assumed that of this group, single males and females and unemployed husbands whose wife was not employed, would be eligible for emergency assistance if their income was not above the poverty levels. Assuming that all AFDC-E (like) and employed GAN (like) households would be in this group, an adjustment has been made for this duplication. The result is an estimated monthly average of 19,944 (new) cases receiving emergency assistance costing \$73,886,371 of which half would be State share.

Such an estimate has obvious hazards and could well be high. Nevertheless, it does not include all the potential population that would be eligible for such assistance. Certainly numerous "unemployable" persons would be eligible for and would take advantage of such a program.

5. *Foster Care matching.*—Matching for Foster Care children at the rate of \$300 per year per child would be available under Title XX. For the first year of the Act \$150,000,000 would be appropriated for this purpose. Such a limitation on the available funds would not appear to be of consequence to the State.

6. *Savings provision.*—This provision would provide for additional Federal payments to the State to the extent that State expenditures for Titles IV and XVI in years subsequent to fiscal 1971 were in excess of State expenditures for fiscal 1971. However, the latter figure would be adjusted for changes in the Consumer Price Index.

¹ In fiscal 1972 this could be equivalent to 120 days as there will be two calendar years during fiscal 1972 (the first year of operation of the program).

This provision, is however, somewhat misleading. Payments in excess of 1971 expenditures would be made to the State only for the provisions required by the Act. Since updating standards would not be required by the Act, the cost of updating standards would not be subject to the savings provision.

In addition, the fiscal 1971 State "liability" would include expenditures for the AFDC-E program (in Washington State this represents an estimated \$5,122,270). However, as indicated earlier, no matching would be available for an AFDC-E program.

It has been estimated that the limitation on State share expenditures would be \$69,005,342 in fiscal 1972 and \$72,902,221 in fiscal 1973. It has also been estimated that the actual State expenditures subject to the savings provision would be \$66,422,603 in fiscal 1972 and \$72,837,760 in fiscal 1973. Thus, the State would not receive any payments under the savings provision and the State would be required to expend \$3,647,134 more in State share before any payment would be made under the savings provision.

B. Updating standards

As indicated, updating standards would not be subject to the savings provision. If standards were updated voluntarily by the State the estimated additional cost for Titles IV and XVI during the 1971-73 biennium would be \$10,846,070 of which \$11,975,791 would be State share. (Federal share would represent 25 percent of the Title XVI expenditures and 30 percent of the Title IV expenditures.)

C. Simplification of standards

It is indicated in the Act that standards would be simplified in Title IV and would vary only by family size and shelter costs (for various sections of the State) and that the payment level would be determined by the Secretary of Health, Education and Welfare under the State plan in effect in January 1970. If standards were simplified at the poverty level, it is estimated that the additional costs would be \$77,304,829. Since the Secretary would have determined these levels under the Act, the levels would in fact be "required". Thus the State share would be the difference between the State's liability (under the savings provision) and the estimated State share subject to the savings provision or \$3,647,134.

If standards were subsequently updated for cost-of-living increases (the bill contains no requirements for this provision) in fiscal 1972, it would cost an estimated additional \$28,000,000. Additional updating in fiscal 1973 would cost an estimated \$14,500,000. If standards were so updated, the State share would be 70 percent of the total costs.

D. Temporary emergency assistance

It does not appear that implementation of Title XX is mandatory. Thus if Title XX were not implemented, the temporary emergency assistance program would not be required. However, Federal matching would not be available for any emergency assistance program or for foster care, nor would a services program be subject to Federal matching.

Nevertheless, if Title XX were not implemented, and a Noncontinuing General Assistance program were to continue, the State costs for assistance would be reduced by \$38,218,106, i.e., the total State assistance costs of the revised version of HR 16311 would be \$1,500,852 rather than \$39,719,048.

TABLE 1.—Summary of the estimated effects on assistance of the June 23, 1970, version of the Family Assistance Act of 1970 (H.R. 16311), by provision, 1971-73

Total	1971-73 total
-----	\$84,267,139
1. Guarantee minimum income of \$110 in adult programs-----	+4,534,682
2. Aid to families with dependent children cases added because publicity and changes in consideration of earned income, total -----	+38,836,054
(a) Cases currently eligible for aid to families with dependent children-----	+11,358,120
(b) Cases not currently eligible for aid to families with dependent children-----	+9,605,074
(c) Title XIX costs for cases added-----	+17,873,760

3. Income from family assistance benefits for cases on the rolls ¹	-115, 293, 106
4. Disability assistance cases added because of changes in definition total.....	+68, 758, 532
(a) Cases currently eligible for disability assistance.....	+10, 061, 372
(b) Cases not currently eligible for disability assistance.....	+32, 925, 960
(c) Title XIX costs for cases added.....	+25, 771, 200
5. \$4 of old age Survivors disability insurance disregarded.....	+1, 585, 592
6. Disability assistance earnings exemption same as aid to blind.....	+258, 238
7. Old age assistance earnings exemption same as part D of title IV.....	+12, 130
8. Aid to families with dependent children—employable program abolished ²	-12, 630, 443
9. Temporary emergency assistance program implemented.....	+08, 204, 551

¹ Includes the estimated family assistance benefit payments for cases that would have received aid to families with dependent children—employable (and who would receive temporary emergency assistance).

² Savings represents the difference between the standards for aid to families with dependent children—employable and noncontinuing general assistance standards (current).

TABLE 2.—SUMMARY OF ESTIMATED EFFECTS ON ASSISTANCE OF THE JUNE 23, 1970 VERSION OF THE FAMILY ASSISTANCE ACT OF 1970 (H.R. 16311), BY PROGRAM, 1971-73

	Base estimate, 1971-73			Estimate with H.R. 16311, 1971-73			Difference		
	Total	Federal	State	Total	Federal	State	Total	Federal	State
Total.....							+ \$84,267,139	+ \$44,548,091	+ \$39,719,048
Total without title XIX.....	\$368,606,769	\$165,308,184	\$203,298,585	\$199,228,948	\$188,033,795	\$221,195,153	+40,622,179	+22,725,611	+17,896,568
Old age assistance.....	28,030,260	14,015,130	14,015,130	31,025,388	26,603,295	4,422,093	+2,995,128	+12,588,165	-9,593,037
Aid to blind.....	913,661	456,831	456,830	1,103,007	681,537	421,470	+189,346	+224,706	-35,360
Disability assistance.....	54,773,351	27,386,675	27,386,676	99,505,130	60,361,205	39,143,925	+44,731,779	+32,974,530	+11,757,249
Aid to families with dependent children—regular.....	208,215,185	104,107,592	104,107,593	134,671,344	40,401,403	94,269,941	-73,543,841	-63,706,189	-9,837,652
Aid to families with dependent children—employable.....	28,636,561	14,318,280	14,318,281	0	0	0	-28,636,561	-14,318,280	-14,318,281
Aid to families with dependent children—foster care.....	6,784,119	3,392,059	3,392,060	6,784,119	1,823,400	4,960,719	0	-1,568,659	+1,568,659
Foster Care.....	14,283,422	0	14,283,422	14,283,422	2,330,300	10,953,122	0	+3,330,300	-3,330,300
Unemployable continuing general assistance.....	14,661,522	0	14,661,522	8,062,744	0	8,062,744	-6,598,878	0	-6,598,878
Noncontinuing general assistance (other than emergency assistance).....	9,045,454	0	9,045,454	4,128,484	0	4,128,484	-4,916,970	0	-4,916,970
Emergency assistance.....	3,263,234	1,631,617	1,631,617	109,665,310	54,832,655	54,832,655	+106,402,076	+53,201,038	+53,201,038
Title XIX.....	(1)	(1)	(1)	(1)	(1)	(1)	+43,644,960	+21,822,480	+21,822,480
Savings provision.....							0	0	0

Note: Assumptions—(1) Expenditures exclude those for intermediate care facilities. (2) Concurrent receipt of noncontinuing general assistance and unemployment compensation will not be possible. (3) Standards for noncontinuing general assistance will be higher than currently (July 1970) but still below pre-December 1969 levels (4) The aid to families with dependent children-employable program will be eliminated. (5) Standards in the regular programs will be current standards and will not be updated or simplified. (6) Child care expenses will not be considered work expenses, i.e., child care

expenses will be provided for outside of grant payments. (7) Standards for emergency assistance in title XX will be at current standards (in continuing programs).

¹ Base estimates of title XIX have not been developed. Only the additional medical costs of cases added as a result of passage of the bill have been estimated.

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STATEMENT FILED BY HERBERT FINEMAN, SPEAKER, PENNSYLVANIA HOUSE OF REPRESENTATIVES

On behalf of the leadership of the Pennsylvania House of Representatives, I am submitting this statement. Needless to say, any proposed federal legislation affecting public welfare is the immediate concern of state legislatures. The intertwined relationships between the state and federal governments on matters of public welfare, if not completely understood, are at least recognized. It is therefore obvious that any welfare legislation should be mutually compatible to the federal and the state governments and arrived at on a reasonably reciprocal basis.

While I can generally endorse the movement toward national standards for public welfare and also endorse the basic goal of heavier federal assumption of the costs, I must take exception to the inequity and discrimination of certain requirements and exclusions.

Specifically, I would recommend that the Congress establish a goal of full federal assumption of financing public welfare. This would be a phased assumption over a few years. This would include all payment programs such as the proposed new family assistance program, the adult categories as well as the existing federal assistance programs presently being administered by the individual states and all social service programs. I would further recommend that the federal government assume the full responsibility for administering and financing the general assistance programs of the states. The assumption by the federal government of the public welfare responsibility would have the following impact. The states would then be more able to deal with their other problems such as education, transportation, urban development, conservation, public health and antipollution programs. The public welfare program would probably have more public acceptance if it were both financed and administered by a single level of government (federal) as opposed to the present arrangement of three different levels being involved. Congress would probably feel somewhat less pressure from the states for assistance in other problem areas if the states were relieved of the financial burden of welfare. It has become a rather commonly accepted view that the federal government will need to do more in the future with regard to revenue sharing with the states. Federal assumption of welfare costs would be consistent with this view.

All persons equally in need should be treated equally. We find the exceptions to the unemployed fathers and general assistance discriminatory and inequitable—as well as the work requirements for mothers where there is no father in the house.

In this past year in my own state of Pennsylvania we had a rather dramatic problem develop when the Governor submitted his budget for the 1971 fiscal year. Because we have been involved in an impasse concerning the need for additional revenue in the State, the Governor submitted his budget cutting the State general assistance program by 75%. At this time, I do not care to get into the propriety of this action, but only wish to point out to you how under the mixed system of welfare financing that we have in this country, innocent and helpless people can pawns in a political impasse. If the welfare system were administered and financed by the federal government, situations like this could not develop.

The Administration has now proposed that the program, Aid for Dependent Children—Unemployed Fathers, which is presently eligible for federal reimbursement, be denied this eligibility under the family assistance plan. The Administration, taking this position, is in conflict with two of its own expressed goals: 1) to attempt to keep the family unit together and not provide an incentive through the public welfare system for the father to leave his home and family, and; 2) to insure that no state or person would be hurt financially under the program. Since all federal funds that are presently made available to AFDC-UF would no longer be available to the states which have exercised their option under the program, these states would actually lose federal funds. As far as we are concerned in the State of Pennsylvania, there has been more issue made about this problem of unemployed fathers than there has been problem. I would like to rectify some figures from the State of Pennsylvania in an effort to show you that this not really as big a problem as is claimed at times. Of the 586,700 persons on public assistance in all categories, only 17,000 are employable. Of these, 10,000 are partially handicapped. Of the 17,000 employable, 5,000 are working full or part time; but their income is so low that they are still eligible for some supplementary assistance. During the past year, approximately 70,000 persons came onto

the public assistance rolls because of loss of employment. This same number of persons left the assistance rolls because they became gainfully employed within the year.

I have had some concern about the work—training registration requirements in the bill. I oppose mandatory registration of mothers with school-age children. Within the bill itself, there should be some protective language to prevent labor exploitation and the forcing down of labor rates. I feel that all training programs should be geared to actual jobs available. I think it would be a highly uneconomical cost to both the state and the federal governments to train people just for the sake of training if there is not a reasonable hope of employment at the conclusion of training. It would be even more devastating to the individuals involved because it would give hope which would be shattered and probably insure that they would remain a ward of the state for the rest of their lives.

The amended bill calls for the "hold harmless" to be permanent and to this we subscribe. However, there are some questions concerning the "hold harmless" clause which are not completely clear to us. I am not clear as to whether the "hold harmless" clause will protect the state financially against increased participation brought about by the new legislation. If it does not, the "hold harmless" clause is somewhat meaningless. Under the amended bill, AFDC would not require liens. I endorse this and, in fact, would endorse all categories being relieved of the lien requirement. However, this will have a definite financial impact upon the State. We would probably remove the lien requirement from the general assistance program which would, naturally, increase participation considerably. Under the present proposal, I know that the federal government will not absorb that increase for the State-financed general assistance program, but I would like to know if the federal government would absorb the increased participation cost under the family assistance program.

As a matter of information, I would like to give you some figures concerning how the amended bill would affect the State of Pennsylvania as far as we are able to estimate. I must stress that any such estimate has to be a little bit of a devil's guess because we do not know, and I do not think anybody really knows, what affect the family assistance program might have on participation. We have weighed out all factors that we could think of and took into consideration various side effects of the proposed bill. Under the proposal, the family assistance program could actually increase program costs to the State by \$8 million. The amended bill, as it affects the adult categories, would save the State \$13.1 million, for a net saving of \$5.1 million. If Pennsylvania took the option of federal administration of all federally-aided programs, we would increase savings by approximately \$31.7 million. The total net saving to the State would be \$36.8 million. This relates to a figure in excess of \$600 million that the State will spend out of State funds for public welfare. The total public welfare expenditure in Pennsylvania is in excess of \$1.1 billion, including federal funds. As you can see, this figure in relationship to the Pennsylvania budget is rather insignificant. As I said earlier in this statement, we generally endorse the approach and the idea. Specifically, the program falls far short of giving any meaningful relief to the states, at least the large industrial states such as Pennsylvania.

In consideration of the various specific aspects of the President's proposal which I feel are not quite adequate, I could endorse Senator Ribicoff's proposal that the family assistance program be established on a pilot basis in certain selected areas.

ANTI-DEFAMATION LEAGUE OF B'NAI B'RITH.

Washington, D.C., September 3, 1970.

Senator RUSSELL B. LONG,

Chairman, Senate Finance Committee, 2227 New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: As we earlier informed Committee Counsel, we regret that our spokesman was unable to appear at the time scheduled for his testimony and we therefore want to take this opportunity to submit this statement setting forth our views on H.R. 16311, the Administration's proposed "Family Assistance Act of 1970."

The Anti-Defamation League is the educational arm of B'nai B'rith, which was formed in 1843 and is America's oldest and largest Jewish service organization. It seeks to improve relations among the diverse groups in our nation and to translate into greater effectiveness the principles of freedom, equality and

democracy. It is dedicated to securing fair treatment and equal opportunity for all Americans regardless of race, religion, color or national origin.

For more than three decades we have witnessed a welfare system started as a temporary relief measure to help the victims of the Great Depression of the 1930's grow into a crazy quilt, patchwork and often contradictory series of programs which have caused the break-up of families, fostered dependency rather than independence and helped to destroy individual dignity and self-esteem. The lack of any national program with minimum national standards has led to glaring inequities in welfare benefits among the 50 states and has been a factor in the vast migration from our rural areas to urban centers, intensifying many of the ills which our major cities now face and which today finds slightly more than one million of our nation's ten million welfare recipients on the welfare rolls of New York City alone.

Our present welfare system has become increasingly costly and financially burdensome and rather than being a stabilizing social force, has created resentment and divisiveness among our people. Instead of furnishing incentives to employment and avenues to self-sufficiency, it has served to destroy the individual's hope of independence and has discouraged people from getting off the welfare rolls.

As we face the decade of the '70s, we must agree with the words to the nation by President Nixon in August 1969, "Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure . . . It is failing to meet the elementary human, social and financial needs of the poor." H.R. 16311, which passed the House on April 16 by the substantial margin of 243-155, represents the Administration's response to the clear and urgent need for wholesale change in our welfare policy. It represents a creative and constructive effort which for the first time seeks to bring rationality to our welfare system. Rather than simply trying to patch up further an unwieldy, ineffective and often self-defeating system, the Administration has taken the bold and forward-looking step of offering a totally new program aimed not only at eliminating the inequities and human indifference which characterize our present welfare approach, but directed toward new objectives and social goals. We, therefore, warmly commend the President's initiative and applaud the over-all concept embodied in H.R. 16311. Whatever its shortcomings, they cannot overshadow the major breakthrough in the field of welfare which this proposal represents.

The Administration's plan calls for a basic income of \$1600 per year for a family of four. It would also allow a working poor family qualified for assistance to retain the first \$720 of its earnings without any loss of benefits. As earnings increase over \$720 a year, benefits would be reduced by 50% and would end in the case of a family of four when its income reached \$3920. Under this plan the working poor would for the first time be qualified on a nation-wide basis for assistance. By allowing a family to retain a portion of its earnings, the bill would thus provide an incentive for welfare recipients to go to work.

A principal and salutary component of the family assistance plan is the federal support and funding of expanded day care centers for the children of working mothers. The legislation as modified by the House also requires welfare recipients with certain exceptions to register for job training and to accept employment when offered. When a family member turns down a job without "good cause," the family payment would be reduced. However, the individual is entitled to a hearing before his benefit may be cut off.

It is estimated that between 12 and 14 million persons—largely working poor—would be eligible for welfare benefits for the first time under the Administration's proposal in addition to the 10 million now on the welfare rolls. The total cost of the expanded program, assuming all those eligible apply for aid which is not likely based on the experience of states having programs for the working poor, has been variously estimated at between \$8.5 to \$10.8 billion as against the present federal spending for welfare programs of \$4.4 billion for the fiscal year just ended.

As we have indicated, H.R. 16311 incorporates a commendable program but one which we feel can be strengthened and improved in several respects. The income floor of \$1600 for a family of four is a bare minimum. Even when food stamp benefits of \$860 are added to the welfare payment, the resulting total of \$2460 is still hardly adequate to meet the needs of poor families, especially those in urban areas with a high cost of living. For a family of four with no other income, the \$2460 support level, when food stamps are taken into account,

is only approximately two-thirds of the current poverty threshold of \$3763 for a non-farm family of four as defined by the Bureau of the Census.

Although the legislation permits a family on welfare to keep a part of its outside earnings, the fact is that most of those now on the welfare rolls have no other income and are completely dependent on their welfare payments for their existence. There is a popular misconception that those receiving welfare are lazy, shiftless people unwilling to work. The statistics suggest otherwise. Of the 10 million now receiving public assistance, five million are children. The remaining five million adults are made up largely of the mothers of these children, the aged, the blind and those so severely handicapped that their work potential, if any, is extremely limited. The number of employable males is small. In light of these facts, it is essential that the level of payments be increased if those on welfare are to have more than a meager subsistence income.

We are, of course, not unmindful of the increase in the cost of the program if the basic benefit level were to be raised, but the need to do so is plain. A realistic first step in that direction is the amendment proposed by Senator Ribicoff to raise the level of assistance in stages over the first three years of the program from \$1600 (not including food stamps) for a family of four in 1971 to \$2000 in 1973.

While the development of a national computerized job bank program authorized under the related "Manpower Training Act of 1969" H.R. 13472 will help to locate jobs and match individuals to job openings, we want to emphasize the need for competent professional counselling. Without such counselling, the computerized approach could make job placement impersonal and insensitive to human needs. In addition, we would stress the necessity for providing jobs which do more than merely keep an individual from becoming another unemployment statistic but which allow for some degree of individual growth and upward economic mobility. Otherwise a computerized job bank could well become a vehicle for locking poor people into menial and dead-end jobs.

The character of the employment and training made available as well as the assurance of a fair wage are all essential elements of a successful work incentive program. We urge, therefore, that the "suitable" work provision of the bill which was deleted on the floor of the House of Representatives be restored and that additional safeguards be written into the bill to protect welfare recipients from substandard work conditions. In this connection we are pleased to note an address by the Wage and Hour Administrator emphasizing his determination to insure that people getting off the welfare rolls and onto payrolls will receive the minimum wage and overtime protection provided under the Fair Labor Standards Act.

We endorse the bill's concern for children by providing for the development and expansion of day care centers. However, we are disturbed by the requirement that a mother register for work when her children reach school age. We believe that the choice whether to go to work—and many mothers do—or to stay at home should be left where it belongs—with the mother. Further, we urge that childless couples and single individuals in need who are now excluded from the bill's benefits be made eligible for assistance. Finally, we recommend that the bill be amended to require the federal government to administer the family assistance plan and to prohibit the Secretary of HEW from contracting out the administration of the program to the states.

We believe that the proposals submitted by the Administration in response to the Committee's criticism go a long way toward eliminating the so-called "income notches" or work disincentives which may otherwise arise because of the interaction of the family assistance program and other programs to help the poor.

However, we feel that the proposed premium contributions from participating families in the Family Health Insurance Program—as much as \$500 in the case of a family earning \$5620 per year—are excessive. While the proposed changes in the administration of the food stamp program are desirable, it is our hope that the in-kind program will ultimately be phased out and a cash payment substituted. Finally, the proposed solution to meet the "unemployed fathers" problem which will have the effect of reducing benefits for the 90,000 unemployed male-headed families hardly seems satisfactory. If requiring state supplementary benefits for the working poor is not an economically feasible alternative at this time, some other solution which will not make these unemployed fathers worse off than they are now is plainly required.

In conclusion, we want to emphasize that notwithstanding the imperfections in the proposed new Family Assistance Plan, we applaud the Administration's

initiative in moving to scrap our long outmoded welfare structure. We hope your Committee will therefore report a bill to the floor without further delay so that meaningful welfare reform legislation necessary to assure a "decent level of life" for the millions of our nation's less fortunate may be enacted before the curtain falls on the 91st Congress.

We respectfully request that this statement be included in the printed record of the hearings.

Sincerely yours,

SEYMOUR GRAUBARD, *National Chairman.*

BOARD OF CHRISTIAN SOCIAL CONCERNS
OF THE UNITED METHODIST CHURCH.

September 4, 1970.

Re Committee Hearings on Reform of Public Assistance

HON. RUSSELL B. LONG,
*Chairman, Committee on Finance,
The U.S. Senate, Washington, D.C.*

DEAR MR. LONG: I submit herewith, for the consideration of the Committee, a statement of the Board of Christian Social Concerns of The United Methodist Church, entitled "Welfare Reform". The statement was adopted on October 9, 1969, at a meeting of the Board at Lake Junaluska, North Carolina.

The Board is made up of 70 voting members elected in the 5 Jurisdictions (Regions) of The United Methodist Church in the United States. Membership is equally divided between lay and clergy. The Board is authorized and directed to function as an Agency of The United Methodist Church and to carry out research, education, and action in respect of a broad range of social issues, including specifically "community welfare policies and practices." The appended statement of the Board is not an official policy pronouncement of The United Methodist Church. Only the General Conference speaks officially for the denomination.

The 1968 General Conference of The United Methodist Church, which does speak officially for the denomination, adopted a General Statement entitled "Health, Welfare, and Human Development". I quote here three portions of that Statement which have particular bearing on legislation currently under consideration by the Committee on Finance of the United States Senate:

HEALTH, WELFARE, AND HUMAN DEVELOPMENT

"The Christian church has always affirmed its beliefs that human persons are God's most precious creation. It is therefore the stewardship of the church and society to establish health and welfare systems by which human personality may develop to its greatest potential.

Human resources development is thus not only a moral imperative but also good social policy, and is deeply involved in national self-interest. We cannot afford the waste of human resources through poor health, limited cultural exposure, inadequate education and ineffective rehabilitation. The far-sighted prevention of all human illness and distress is at least as important as cure and rehabilitation.

We call upon both the government and private sectors of society to become involved in a more comprehensive program of human resource development which meets at least basic needs:

1. Family planning information and materials;
2. Adequate medical care for expectant mothers;
3. Medical services for the care of children;
4. Adequate family income so that the necessities of diet, clothing and housing are met in ways consistent with the standards of the whole society;
5. Supplemental educational and cultural experiences for pre-school children;
6. Formal academic education for each individual to the extent to which he is able to benefit;
7. Education for young people which will permit them to enter the trades and technical services which society needs;
8. Opportunities for significant service involvement so that in giving himself each person is able to arrive at his full potential.

The local church, with its community base, is called to become involved in bridging the socio-cultural gap between services provided and the estranged in society.

GUARANTEED ANNUAL INCOME

Adequate food, clothing, and housing are a necessary ingredient in the development process of the individual. In a high money economy funds are needed to purchase basic commodities and services. But many Americans today live under economic conditions which deny them satisfaction of their basic needs. This situation is scandalous because it is unnecessary due to the economic productivity of our society. Present programs designated to produce economic growth and to increase employment opportunities have been inadequate to fill the need, as have the various income transfer systems such as public welfare and social insurance programs.

A national program of guaranteed income is not a substitute for a full employment policy. We believe that programs are needed which will develop the maximum productive skills of all citizens. We also believe that wage standards are needed which provide a living wage. It will still be necessary to broaden and improve social welfare services. However, we must acknowledge that our economy functions imperfectly. It becomes the responsibility of society to develop new institutions which more adequately fulfill human rights. As Christians we have the obligation to develop the moral foundation for public policies which provide every family with the minimum income needed to participate as responsible and productive members of society.

We call upon our churches and the General Boards and Agencies—

1. To study the various methods for guaranteeing every individual and family an income capable of supporting human life in dignity and decency; and

2. To participate in the development and implementation of those policies and programs which best fulfill the following criteria:

(a) Available to all as a matter of right;

(b) Adequate to maintain health and human decency;

(c) Administered so as to maximize coverage and adjust benefits to changes in cost of living;

(d) Developed in a manner which will respect the freedom of persons to manage their own lives, increase their power to choose their own careers, and enable them to participate in meeting personal and community needs.

(e) Designed to afford incentive to productive activity;

(f) Designed in such a way that existing socially desirable programs and values are conserved and enhanced.

SOCIAL WELFARE POLICY

Concern for the welfare of the poor, the widow, the orphan is deeply entrenched within the prophetic tradition and the New Testament message. Historically, social welfare has received its motivation and impetus from the Judeo-Christian faith.

Social welfare increasingly implies the concern of all persons, organized for the welfare of all persons. Continued unemployment and poverty highlight the critical need for public and private assistance to those unable to earn an adequate livelihood. We urge State and Federal social welfare programs to establish criteria for and practices of individual and family support sufficient to afford a standard of living which meets minimal needs. Public and private programs of welfare are needed which would: Provide physical necessities for the destitute; respect the integrity and the dignity of persons; and encourage economic independence. Provisions should be made for homemaker services, birth-control information, literacy development, and cultural opportunities. These programs should offer a maximum of flexibility to meet individual needs. Social workers should not have case loads which exceed professional standards. The provision of trained case aides will extend the productivity of professional case workers.

The church must develop specialized ministries to the physically handicapped, mentally retarded, emotionally disturbed, unmarried expectant parents, the divorced, the social deviants, and other groups of special need. Face-to-face contacts between the socially privileged and the underprivileged are seriously

needed. (See *The Book of Resolutions of The United Methodist Church, 1968*, pp. 45-48.)

With the important principles of this denominational statement in mind, the appended board statement moves forward to note the wide gap presently existent between real needs of dependent families, and the actual support levels of the welfare programs found in most of the States of this Nation. The board requests the Congress of the United States to establish the "Lower Standard Budget," defined by the Bureau of Labor Standards, as the official governmental benchmark for calculating needs among people in poverty.

On behalf of the members of the Board of Christian Social Concerns of The United Methodist Church, I commend to your Committee the Board Statement here attached, and the General Conference Statement quoted above.

Sincerely yours,

GROVER C. BAGBY,
Associate General Secretary.

"WELFARE REFORM" STATEMENT ADOPTED BY THE BOARD OF CHRISTIAN SOCIAL CONCERNS OF THE UNITED METHODIST CHURCH AT LAKE JUNALUSKA, N.C., OCTOBER 9, 1969

WELFARE REFORM

Basing our thought on considerations carefully set forth in policy statements of The United Methodist Church,¹ and of The National Council of Churches,² we call upon the Congress of the United States to establish public welfare income support levels "adequate to maintain health and human decency."³ Looking at present support levels for welfare recipients in the various States of the nation, we are obliged to judge our nation's treatment of its poor as callous and destructive. Support levels provided by the existing welfare system perpetuate malnutrition and tend to prevent recipients from developing economic independence.

We commend the present administration for including the following elements in its welfare reform proposals:

- (a) Raising federal support levels.
- (b) Establishing national minimum standards of support.
- (c) Aiding families with children where an unemployed father is present.
- (d) Providing opportunities to retain additional earned income before welfare support is reduced or eligibility is lost.
- (e) Providing income supplements for the working poor.
- (f) Simplifying eligibility determinations.
- (g) Emphasizing the value of economic independence for the poor.⁴

We question the necessity and wisdom of the mandatory aspects of the proposed work-training program. The prominent place of the work requirement program in the proposal tends to perpetuate the destructive stereotype of welfare recipients as people unwilling to work and who need to be coerced into the labor force.

We find unrealistic the Administration's proposal of setting the national minimum support standard for a four person family at \$1,600 per year, when the government defined minimum budget need is \$4,862 per year (based on 1967 prices).⁵

Until our national welfare policy calls for support levels for all eligible recipients which reflect the actual physical needs and dollar costs of minimal health and human decency, that policy will continue to be humanly destructive and self-defeating.

¹ Resolution on "Health, Welfare, and Human Development" paragraphs on "Guaranteed Annual Income" and "Social Welfare Policy." Printed in *The Book of Resolutions of The United Methodist Church, 1968*, edited by the Program Council, Methodist Publishing House, Nashville, Tenn., pp. 45-49.

² Statement on "Guaranteed Income," adopted by the Board. Published in leaflet form by the Department of Publications Service, 475 Riverside Drive, New York, N.Y., 10027.

³ See *The Book of Resolutions of The United Methodist Church*, *ibid.*, p. 47.

⁴ See *Proposals for Welfare Reform*, Message from the President of the United States Relative to Welfare Reform, Aug. 11, 1969, Document 91-146, House of Representatives, 91st Congress, First Session.

⁵ See "Three Standards of Living for an Urban Family of Four Persons", Spring 1967, Bulletin No. 1570-5, United States Department of Labor, Bureau of Labor Statistics. See especially p. 8, "Lower Standard Budget, Distribution of Budget Allowances for Family Consumption."

We call upon the Congress, then, in its reform of public welfare, to establish the Low Standard Budget of the Bureau of Labor Statistics⁶ as its standard of reference for defining need, taking into account the geographical and urban/rural variables already measured in the Bureau's calculations. We urge that this Low Standard Budget measure, carefully drawn and regularly revised to meet changing conditions, be accepted as the foundation for calculating matters relevant to the income maintenance needs of the nation. These should include not only categorical and general public assistance programs, but also such programs as income supplements for the working poor, financial incentives for work experience by welfare recipients, unemployment compensation and minimum wage legislation.

Anything less than this will not measure up to the standard called for by President Nixon in his Message to Congress on Welfare Reform. That standard was embodied in the President's powerful opening observation:

"A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet."⁷

Our Nation has the power; it must find the will.

STATEMENT OF COMMISSIONER JOHN F. MUNGOVAN, MASSACHUSETTS COMMISSION FOR THE BLIND

Mr. Chairman and members of the Committee on Finance: I am grateful for the opportunity afforded me to present the views of the Massachusetts Commission for the Blind on H.R. 16311, the Family Assistance Act of 1970, together with changes proposed therein by the Department of Health, Education and Welfare.

At the outset, let me describe the corporation structure of the Commission. The Commission for the Blind is a single state agency in Massachusetts mandated by the Governor and Legislature to provide a total range of social, health, education, rehabilitation and income maintenance services to all legally blind residents of the Commonwealth of Massachusetts. It is a one-stop agency for the blind.

I would like to address myself at this point to the newly proposed Title XX of the Social Security Act as contained in Title III of H.R. 16311, specifically Section 2004 entitled "Organization and Administration," and I quote herewith from the context: "No state agency or local prime agency shall be designated pursuant to this section unless it is separate and distinct from any agency in the state which is administering a program under which cash payments are provided on a basis of need."

In 1966, with the establishment of the Commission on the Blind, the Governor of Massachusetts and the Massachusetts legislature underscored their intent to maintain a single, autonomous agency to provide comprehensive social, educational, health and rehabilitation services and financial assistance to blind persons of all ages and stations in life. All segments of society, including government, clients, professional groups and the general public, strongly endorse the present single state agency, service-oriented structure of the Commission for the Blind. This support is fundamental to the fact that the Commission for the Blind provides a complete sequence of human support services for blind persons, all available under one roof. Those services and programs serve the total needs of more than ten thousand blind residents of the Commonwealth.

If your committee should decide to accept the new proposed Title XX to the Social Security Act as contained in Title III of H.R. 16311, I strongly recommend an amendment which would enable state agencies providing social cash assistance payments to blind persons to continue providing social services as is presently being done in Massachusetts. I am attaching herewith my proposed amendment to Section 2004. The Commission for the Blind now administers Aid to the Blind (Title X), Medical Assistance for the Blind (Title XIX), and Social Services. The social service program is completely separated from the financial assistance programs. Social workers of the Social Service Unit do not determine eligibility for financial aid. This same Commission also administers the Vocational Rehabilitation Program for the Blind in another unit.

⁶ See "Three Standards of Living for an Urban Family of Four Persons, *ibid.*

⁷ *Proposals for Welfare Reform*. Message from the President of the United States, *ibid.*, p. 1.

Another serious concern in Federally-assisted programs serving blind persons is the recent effort to utilize the block grant method of funding under which the governor of a state is given discretionary power to spend Federal funds without specific purposes being spelled out in Federal law. While block grants are desirable in many service programs, they do not protect the interests of blind people. Since programs for the blind and other handicapped are generally small in scope, despite the fact that they are urgently needed, it has been necessary for the Congress to provide specific earmarked authority for these programs in order to achieve the desired objective. Part B of Title XX, Consolidated Health Education and Welfare Plan, is a serious threat to the effectiveness of programs for the blind. Again, I would strongly recommend an amendment to Section 2022 to prevent the transfer of funds from programs serving blind persons to other Health, Education and Welfare programs. I am attaching herewith a copy of such an amendment.

It has been proved over the years that blind persons get better service from social service programs when the administrative agency concentrates on the blind persons and their special problems. The impact of blindness is so devastating to the individual that without the help of highly trained, skilled social service staffs who are thoroughly trained in working with blind persons, the blinded person does not achieve the degree of rehabilitation of which he is capable. Many social workers and rehabilitation counselors are possessed by cultural constructs concerning blindness and they are so constricted in their attitudes towards blind persons that they tend to rationalize that the blind person is incapable of rehabilitation. They also frequently are not willing to devote all the time which is needed by the blind person. They select from a case-load of handicapped persons those persons whose disability is not so great as blindness. They can be carried away with providing services to socially handicapped and moderately physically handicapped persons so that they neglect the blind.

We, in the Massachusetts Commission for the Blind and in other highly successful agencies such as the Industrial Home for the Blind in Brooklyn, the Virginia Commission for the Visually Handicapped, the North Carolina Commission for the Blind and the Catholic Guild for the Blind in Boston have conclusively demonstrated that blind persons are better served by an agency which specializes in services to the blind. Many of the needs of blind persons are usually those of the entire population, but the approach to meeting the needs is the special skill of the agency for the blind. Notwithstanding the common human needs of blind persons, the needs in the areas of communication and mobility are unique. The specialized agency for the blind better understands these needs and delivers service to meet those needs in a much more sophisticated, scientific manner.

Furthermore, in the specialized agency like the Commission for the Blind, through a reporting system, the medical profession promptly reports a person when he becomes blind. Hence, the entire blind population is known to the Commission. Because of this identifiable population, the specialized agency for the blind is able to concentrate all services on the newly blinded person. The newly blinded person is not, therefore, required to shop around the country in order to obtain all of the help he needs.

In closing, Mr. Chairman, I would like to reiterate my appreciation for the consideration given my recommendations by this Committee. I earnestly believe that these recommendations will assure needed improvements in the nation's welfare programs, particularly those designed to provide cash assistance as well as social and rehabilitative services to blind persons. I sincerely hope that the Committee will take favorable action on these recommendations.

"ORGANIZATION AND ADMINISTRATION

"Sec. 2004. (a) In order for a State to be eligible for payments under section 2012 for its program of individual and family services, the Governor of such State shall, in accordance with regulations of the Secretary—

"(3) designate, for the purpose of administering the program of individual and family services within any service area, either a State agency or a local prime sponsor, except that the chief elected official or officials of any municipality whose population is in excess of two hundred and fifty thousand may designate such municipality as a service area and may designate the local prime sponsor therefor, but in any case in which the Governor finds that the designation of a service area by the chief elected official or offi-

cials of a municipality will or is likely to result in inadequate availability of individual and family services in areas adjacent to (or near) the service area so designated, he shall notify the Secretary, and the Secretary may prescribe such requirements as a condition to such designation as he finds necessary to safeguard the interests of such individuals and families. No State agency or local prime sponsor shall be designated pursuant to this section unless it is separate and distinct from any agency in the State which is administering a program under which cash benefits are provided on the basis of need (but this shall not be construed to preclude the designation of a State agency or local prime sponsor which is a constituent of a larger agency or department which administers several health, education, or welfare, or related programs). *Notwithstanding the provisions of this paragraph, the State agency administering or supervising the administration of social services or other health, education, or welfare programs for the blind under State law or by designation of the Governor may be designated to administer or supervise the administration of programs related to the blind under this Title.*

The above language appears on pages 249-251 in the green-backed Committee Print and pages 109-111 in the bill itself.

"OPTIONS FOR PROGRAM INTEGRATION

"Sec. 2022. (a) Notwithstanding any other provision of Federal law—

"(1) the Secretary may, upon request of the Governor, establish a single Federal share for expenditures under the plan based on (A) the Federal share or shares applicable to the various programs included in the plan, and (B) the total expenditures which may be claimed for Federal financial participation with respect to each such program, and

"(2) the Governor or the chief elected executive officer or officers of a unit of general local government which administers one or more health, education, or welfare programs included in the plan may transfer an amount, not in excess of 20 per centum of the Federal assistance available to the State or to such unit of general local government with respect to any program included in the plan for any fiscal year, for use in carrying out one or more other such programs in the same fiscal year, but in no case may the amount of Federal assistance available for use in carrying out any of such other programs exceed 150 per centum of the amount of such assistance which would have been available therefor without regard to this subsection, *and no Federal assistance may be transferred from any health, education, or welfare program for the blind.*

From pages 271-272 of the green-backed Committee print and pages 131-132 of the bill.

STATEMENT OF IRVIN P. SCHLOSS, LEGISLATIVE ANALYST, AMERICAN FOUNDATION FOR THE BLIND

Mr. Chairman and members of the Committee, I appreciate this opportunity to present the views of the American Foundation for the Blind and the American Association of Workers for the Blind on H.R. 16311, the Family Assistance Act of 1970, and changes in it proposed by the Department of Health, Education, and Welfare.

The American Foundation for the Blind is the national voluntary research and consultant agency in the field of services to blind persons. The American Association of Workers for the Blind is the national professional membership organization in the field.

Both of these national organizations support enactment of Title I of H.R. 16311 which supplants the current Aid to Families with Dependent Children program with the new Family Assistance Plan. Although it is apparent that there are various shortcomings in the new proposals, we believe that they provide a significant first step in reforming a program whose inadequacy continues to be compounded. In particular, we welcome the provisions which establish a national minimum standard of assistance, cover the working poor, eliminate incentives to family breakup, and promise rehabilitation and vocational training to eliminate dependence on public assistance. We believe that short comings in this new approach can be effectively corrected by the Committee in collaboration with the

Department of Health, Education, and Welfare to achieve the goal desired by all of those interested in improving the present program.

The American Foundation for the Blind and the American Association of Workers for the Blind favor the improvement in the formula for determining grants to the states for public assistance payments to the aged, blind, and disabled contained in revised Title XVI proposed by H.R. 16311. We also endorse the establishment of a minimum monthly payment of \$110 per recipient less nonexempt income. However, we are concerned that repeal of Titles I, X and XIV of the Social Security Act and mandatory acceptance of Title XVI by the states for receiving Federal aid in making public assistance payments to the aged, blind, and disabled may work to the disadvantage of blind individuals.

Experience of blind public assistance recipients in some of the states which are presently receiving Federal funds under Title XVI indicates that not enough consideration is given in administration at state and local levels to special needs. In fact, after enactment of Title XVI in 1962, the Department of Health, Education, and Welfare in State Letter 616, Part C, issued January 9, 1963, specifically interpreted the term "reasonable standards" in Section 1602(a)(13) to mean "common standards." In most states, cash payments to Aid to the Blind recipients and other special benefits have tended to be at a higher level than those for the aged or disabled. The fact that the number of blind public assistance recipients is substantially smaller than the number of individuals on Old Age Assistance or Aid to the Permanently and Totally Disabled rolls has made it possible for the states to be more liberal in Aid to the Blind benefits. Although Section 1603(b)(1) of revised Title XVI in H.R. 16311 will prevent cutbacks in cash assistance received by blind persons, the present monthly assistance payment to blind individuals in states where Aid to the Blind is currently higher will serve as a ceiling on cash assistance for many years to come because of the substantially larger number of aged and severely disabled beneficiaries whose monthly grant must be upgraded.

In the eight years since 1962, when Title XVI was enacted on an optional basis, only 19 states of the 54 eligible jurisdictions have elected to receive their Federal grants for aid to the aged, blind, and disabled under it. As of March 31, 1970, only three additional states had plans for using Title XVI. (A report of the Department of Health, Education, and Welfare on utilization of Title XVI is attached to this statement.)

Therefore, both the American Foundation for the Blind and the American Association of Workers for the Blind recommend that Section 202 of H.R. 16311 repealing Titles I, X, and XIV be eliminated so that states will continue to have the option of receiving Federal funds for public assistance payments on a categorical rather than a generic basis if they choose to do so. We would also strongly recommend that the phrase ". . . or any period thereafter. . ." in Section 141(b) of Public Law 87-543 be stricken in order to permit states presently administering public assistance under Title XVI to elect categorical administration of the program under Titles I, X, and XIV if they find their experience under Title XVI is unsatisfactory.

We would further recommend that the improved financing formula, establishment of the minimum monthly benefit of \$110 for each recipient, and other improvements made by H.R. 16311 in revised Title XVI be included in Titles I, X, and XIV. We would also urge that the limitation of relative's responsibility in revised Title XVI be extended to cover the blind and disabled over age 21 and that the same provision be incorporated in Title I, X and XIV. In addition, we would recommend that Section 1603(b)(4) of H.R. 14173 recommended by the Administration but eliminated in H.R. 16311 be added to Titles I, X, XIV and XVI of the Act. This provision states:

"(4) no lien will be imposed against the property of any individual or his estate on account of aid paid to him under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid to such individual), and that there will be no adjustment or any recovery of aid correctly paid to him under the plan."

Under present law, social and rehabilitative services specified by the Secretary of Health, Education, and Welfare are financed at a higher level on an open-end funding basis. We believe that continuation of this method of financing such services under Titles I, X, XIV, and XVI is desirable. However, if the Commit-

tee should decide to accept the new proposed Title XX to the Social Security Act contained in Title III of H.R. 16311, we strongly recommend an amendment which would make it possible for state agencies providing cash assistance payments to blind persons to continue providing social services as they are presently doing. (Our proposed amendment to Section 2004 is attached.)

Another serious concern in Federally-assisted programs serving blind and other handicapped persons is the recent effort to utilize the bloc grant method of funding under which the governor of a state is given discretionary authority to spend Federal funds without specific purposes spelled out in Federal law. Since programs for the blind and other handicapped are generally small in scope despite the fact that they are urgently needed, it has been necessary for the Congress to provide specific earmarked authority for these various programs in order to achieve the desired objective. Part B of Title XX, "Consolidated Health, Education, and Welfare Plan," is a serious threat to the effectiveness of programs for the blind. We would strongly recommend an amendment to Section 2022 to prevent the transfer of funds from programs serving blind persons to other HEW programs. (Our proposed amendment to Section 2022 is attached.)

In closing, Mr. Chairman, I should like to express the appreciation of the American Foundation for the Blind and the American Association of Workers for the Blind for the consideration this Committee is giving our recommendations. We believe that these recommendations will assure needed improvements in the nation's welfare programs, particularly those designed to provide cash assistance as well as social and rehabilitative services to blind persons. We sincerely hope that the Committee will take favorable action on these recommendations.

1962 AMENDMENT

TITLE XVI: AID TO THE AGED, BLIND, OR DISABLED, OR SUCH AND MEDICAL ASSISTANCE FOR THE AGED, AS REPORTED MARCH 31, 1970

A. Program in operation.....	19 Jurisdictions
1. Plan approved.....	19 Jurisdictions
Alaska	Nebraska
Arkansas*	New Mexico
Florida	New York**
Georgia	North Carolina*
Hawaii	North Dakota
Illinois	Oklahoma
Kansas	Puerto Rico
Kentucky	Rhode Island
Maine	Vermont
Maryland	
2. Plan not yet approved.....	0 Jurisdiction
B. Not in operation; plan material submitted.....	0 Jurisdiction
C. Plan material in preparation.....	0 Jurisdiction
D. Legislation enacted.....	1 Jurisdiction
Wyoming (1965) ¹	
E. Legislation in process to give basis for program or to provide appropriation.....	0 Jurisdiction
F. Interested or intend to use.....	3 Jurisdictions
Delaware ²	
Tennessee	
Wisconsin	
G. Will not implement at present.....	31 Jurisdictions
Alabama	District of Columbia ³
Arizona	Guam
California	Idaho
Colorado	Indiana
Connecticut	Iowa

*Includes MAA.
 **As of June 30, 1969. Nothing reported for Sept. 30, 1969.
¹ Plan material not submitted.
² Exploring financial possibilities for OAA and DA.
³ Needs legislation. District of Columbia and Nevada considered by Legislature, not enacted.

1962 AMENDMENT

TITLE XVI: AID TO THE AGED, BLIND, OR DISABLED, OR SUCH AND
MEDICAL ASSISTANCE FOR THE AGED, AS REPORTED MARCH 31,
1970—Continued

G. Will not implement at present—Continued

Louisiana	Oregon
Massachusetts	Pennsylvania
Michigan	South Carolina
Minnesota ²	South Dakota ²
Mississippi	Texas
Missouri ³	Utah
Montana	Virgin Islands
Nevada ²	Virginia
New Hampshire	Washington ²
New Jersey ¹	West Virginia
Ohio ³	

¹ Giving further review and study.² Has legislation. No plan to implement at present.

"ORGANIZATION AND ADMINISTRATION

"Sec. 2001. (a) In order for a State to be eligible for payments under section 2012 for its program of individual and family services, the Governor of such State shall, in accordance with regulations of the Secretary—

"(3) designate, for the purpose of administering the program of individual and family services within any service area, either a State agency or a local prime sponsor, except that the chief elected official or officials of any municipality whose population is in excess of two hundred and fifty thousand may designate such municipality as a service area and may designate the local prime sponsor therefor, but in any case in which the Governor finds that the designation of a service area by the chief elected official or officials of a municipality will or is likely to result in inadequate availability of individual and family services in areas adjacent to (or near) the service area so designated, he shall notify the Secretary, and the Secretary may prescribe such requirements as a condition to such designation as he finds necessary to safeguard the interests of such individuals and families. No State agency or local prime sponsor shall be designated pursuant to this section unless it is separate and distinct from any agency in the State which is administering a program under which cash benefits are provided on the basis of need (but this shall not be construed to preclude the designation of a State agency or local prime sponsor which is a constituent of a larger agency or department which administers several health, education, or welfare, or related programs). *Notwithstanding the provisions of this paragraph, the State agency, administering or supervising the administration of social services or other health, education, or welfare programs for the blind under State law or by designation of the Governor may be designated to administer or supervise the administration of programs related to the blind under this Title.*

The above language appears on pages 249-251 in the green-backed Committee Print and pages 109-111 in the bill itself.

"OPTIONS FOR PROGRAM INTEGRATION

"Sec. 2022. (a) Notwithstanding any other provision of Federal law—

"(1) the Secretary may, upon request of the Governor, establish a single Federal share for expenditures under the plan based on (A) the Federal share or shares applicable to the various programs included in the plan, and (B) the total expenditures which may be claimed for Federal financial participation with respect to each such program, and

"(2) the Governor or the chief elected executive officer or officers of a unit of general local government which administers one or more health, education, or welfare programs included in the plan may transfer an amount, not in excess of 20 per centum of the Federal assistance available to the State or to such unit of general local government with respect to any program included in the plan for any fiscal year, for use in carrying out one or more other such programs in the same fiscal year, but in no case may the amount of Federal assistance available for use in carrying out any of

such other programs exceed 150 per centum of the amount of such assistance which would have been available therefor without regard to this subsection, and no Federal assistance may be transferred from any health, education, or welfare program for the blind.

From pages 271-272 of the green-backed Committee print & pages 131-132 of the bill.

STATEMENT OF MR. NELSON H. CRUIKSHANK, PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS

Mr. Chairman and Members of the Committee, the National Council of Senior Citizens appreciates this opportunity to present its views on H.R. 16311, the Family Assistance Act of 1970. Our 2½ million members, while senior in years, are deeply concerned with the well being of children and younger families. Indeed, our seniors never abdicate their roles as parents and grandparents. The Council's overall goal is a better society for all our people, not just for the elderly.

The National Council of Senior Citizens wholeheartedly endorses the principles of the Family Assistance Plan—and so stated at its Ninth Annual Convention in Washington on June 11-13. We support this method of sharing our Nation's productivity with its more disadvantaged members and of encouraging and helping these families in their efforts to become contributing members of our economic and social system.

The National Council of Senior Citizens is well aware that gainful employment at adequate wages is the best road out of poverty. Our members are strong believers in work and have demonstrated this belief over their working lifetimes. But we also believe that emphasis on work per se—work without regard to suitability or human dignity—can destroy other important human values. Unfortunately, the Family Assistance Plan as now proposed, in its stress on work for the sake of work, fails to include safeguards appropriately designed to foster our basic American values of family responsibility and the dignity of the individual. We strongly urge that a level of income no less than the poverty floor be assured—as a matter of right—not just to those for whom employment is the escape from poverty but for families for whom employment is not practical because of family responsibilities or for whom dignified and suitable employment at adequate wages is not available.

Our comments are now directed to the proposal as it relates to the adult categories and especially to the aged. We support particularly a minimum floor for old age assistance. The present situation is a disgrace with payments averaging \$75.00 a month and running in the instance of at least one of the states, to a low of \$45.00 a month. Truly, the elderly on incomes of this sort are the poorest of the poor. H.R. 16311, by setting this minimum floor, takes an urgent and necessary step forward with its provision of \$220.00 a month for an elderly couple, which does bring such a couple up to the poverty floor.

However, for a single aged individual, the guaranteed income would be only about 80% of the poverty level. We urge therefore that the floor guaranteed for an adult individual be raised to a more realistic level of \$150.00 to \$160.00 a month.

We endorse the Bill's elimination of relative responsibility, except spouse for spouse and dependent child, and support further the Administration's proposal that the Bill be amended to require States to permit those elderly who are able to work and can obtain it, to retain a share of their earnings.

However, the legislation as presently put forward, pays out federal money on the one hand, and then allows the states to recoup it from the elderly. This state of affairs should not be permitted. We urge therefore that the Bill be amended to include specific language assuring—now and for the future—that no state could reduce its public assistance payments as a result of increased Social Security payments in any case where the unearned income was lower than the current "poverty level," as determined by the appropriate agency.

While we support, as we indicated, the setting of a national income standard, the elimination of relative responsibility, and the Administration's recommendation that lien and recovery also be eliminated, we are puzzled and deeply concerned over the Administration's half-hearted approach to what we consider some very desirable and necessary reforms in our old age assistance system. On the one hand, the Administration is willing to concede that old age assist-

nance levels are highly inadequate, and so proposes to raise them, and further states that a number of restrictive eligibility conditions should be eliminated, and yet somehow the Administration appears to hold that the elderly made eligible by these revisions will not claim the payments to which they are entitled. This seems to us both half-hearted and unrealistic.

Evidence of this is found in the Administration's estimate of the number who would receive these payments and in its explanation of why the number is not larger. Specifically, the Administration estimates that the number of aged, blind, and disabled individuals who will receive welfare payments after the reform of the system will be only 100,000 greater than without reform—an increase in the three adult categories from 3.2 million to 3.3 million in 1972. Yet, in 1969, there were about 4.8 million persons over age 65 who were living in poverty. (And shockingly, this was a rise from the 4.6 million aged poor in 1968, an indication that basic reform is long overdue).

In view of the present low standards of Old-Age Assistance in many States, in combination with complex—and often harsh—eligibility provisions relating to residence, relative responsibility, property liens, etc., it is perhaps not surprising that the number receiving Old-Age Assistance has stayed well below half of the nation's total of aged poor. But it is surprising that in the so-called reform of the system so little basic change was made as to leave virtually unchanged the number expected to receive assistance. This is particularly surprising since two of the harshest inhibitions in the present welfare system—relative responsibility, and property liens and recovery—have been eliminated, eliminations which we enthusiastically support.

Why then does the Administration expect no substantial increase in the number of recipients? Secretary Richardson, when asked this question by your Committee, replied to the effect that the proposal makes no material change in the administration of public assistance for the adult categories, while establishing nationwide eligibility rules, nothing is done to change the kinds of things that keep the aged—even when in direst need—from applying for Old-Age Assistance.

The National Council of Senior Citizens therefore asks: does this merit the name of reform, when measured against the millions of aged persons who have income below the poverty level?

We can understand the dilemma with which the Administration was faced in its effort to reform the nation's welfare program. How can substantial improvement be achieved without substantial increase in costs? But we do not think the way out of this dilemma is to simply assume that the payments to which these elderly people are entitled will not be claimed, whether because of lack of information about availability or because of administrative barriers designed to deter claims. Real reform requires changes that make the conditions under which welfare is paid both widely known and publicly acceptable.

To achieve such reform, the National Council of Senior Citizens therefore urges that (1) the Family Assistance Act be revised so that all older persons are eligible for sufficient assistance to bring their unearned incomes up to the "poverty line" for the elderly, with the federal government bearing 100 per cent of the costs of such assistance, and (2) that assistance for the elderly be administered federally with eligibility determined and benefits paid under uniform and simplified procedures that have been carefully designed to respect the dignity of the individual.

Our recommendation for 100 per cent federal financing of assistance up to the poverty level is in complete accord with the recommendation made by President Nixon's Task Force on Aging, in its April, 1970, Report "Toward a Brighter Future for the Elderly."

While we agree too with the recommendation of the Task Force that assistance be federally administered, the National Council of Senior Citizens is strongly opposed to the Task Force's implementing recommendation that assistance be administered through the Social Security district offices. We believe it would be disastrous to change the fundamental character of the Social Security local offices by charging them with the administration of a means test, no matter how simplified and dignified the test.

Over the past 35 years, the local offices of the Social Security Administration have earned the respect and high regard of the entire community, both for their consideration and understanding of older people's problems and for the thoroughness with which their personnel help to establish entitlement to benefits. People by the millions go to their local social security offices with no fear of affront to their dignity, knowing that here they are only required to establish their right to an earned benefit, not to undergo an income test. All this priceless advantage would be lost if these offices were to be made into "relief" or "welfare" offices, thus erasing the distinction that now exists in the public mind between social insurance and public assistance.

Social services for the elderly

The National Council of Senior Citizens also has a vital interest in the proposal for fundamental reform in the welfare services program, submitted by the Administration as Title XX of the Social Security Act.

The National Council applauds the principle of complete separation of social services from cash assistance in both administration and determination of eligibility. We question, however, whether the objectives of making services broadly available to the aged and assuring their use in optimum fashion can be achieved by the proposal now before this Committee.

We seriously question the provision requiring that older people with incomes slightly above the poverty line pay a fee for social services. This introduces, in our judgment, the needs test philosophy that has characterized public assistance. But perhaps even more important, the fee will serve as a deterrent to the use of services, especially by older people. The elderly husband and their meagre resources and are very reluctant to use them for anything beyond basic costs of food, shelter, and acute medical needs. In this respect, they differ from younger persons who have ahead of them a lifetime of rising earnings—a whole lifetime to enjoy the enrichment that may result from the services received.

Even when social services are free, many older people most in need of services do not use them, either because they don't identify their needs or don't know of the resources available. That "outreach" is essential if services are to be used has been amply demonstrated by two of the projects of the National Council—our Senior Aides program and our program on Legal Research and Services for the Elderly. We have other specific evidence. For example, the number of aged persons using out-patient psychiatric clinic services is only 2 percent of the overall population; yet the National Institute of Mental Health reports that anywhere from 15 to 25 percent of elderly persons living in their own homes have some degree of mental disorder and that a minimum of 8 percent of these individuals are known to be severely disturbed.

Thus, if services are to be used by the elderly, an essential component of any program is outreach—not fees which can serve only as a deterrent.

The National Council of Senior Citizens also seriously questions the provision for removing the open-end approach to federal financing of services. Many States and localities which wish to develop adequate programs of social services will be unable to do so because of this provision.

We urge, therefore, that the Congress adopt legislation that would offer real encouragement to communities to develop broad programs of social services, at the same time offering encouragement to individuals to make optimum use of these services.

In conclusion, these comments on behalf of the National Council of Senior Citizens have dealt solely with the Administration's proposals for reform of welfare cash assistance and social service. We would indeed be remiss, however, if we failed to point out—in fact to underline—how essentially interrelated are welfare reform and social security reform. The Social Security Amendments now before this Committee provide a challenging opportunity for significant improvements in Social Security, including Medicare. Improvements in the protection of the social insurance program can greatly decrease dependency, especially for the older population, thus enabling the welfare program to fulfill its proper role as a second line of defense.

(The following communication with attachment was forwarded to the Committee by Hon. Stephen M. Young, a U.S. Senator from the State of Ohio:)

THOMPSON, HINE, & FLORY,
Cleveland, Ohio, August 27, 1970.

HON. STEPHEN A. YOUNG,
Senate Office Building,
Washington, D.C.
(Attention of Mr. Ross Dicker).

DEAR SENATOR YOUNG: In accordance with my conversation of today with Mr. Ross Dicker of your office, I am enclosing a unique study, completed in July, 1970, by the Manpower Planning and Development Commission of The Welfare Federation of Cleveland entitled "Employment Opportunities for, and Employment Related Characteristics and Attitudes of AFDC Mothers in Cuyahoga County 1970".

On behalf of the Welfare Federation and the Commission I am writing to seek your assistance to obtain permission for the Commission to present testimony relating to this study at the hearings of the Senate Committee on Finance on the proposed Family Assistance Program (H.R. 16311). We understand that many groups have filed to testify. Neither the Welfare Federation nor the Manpower Planning and Development Commission has done so, but we feel we have unique information which would be helpful to the Committee.

Although the Welfare Federation has views on other aspects of the Family Assistance Program, it feels that such other aspects will be discussed by other groups and individuals. We feel that we can make the greatest contribution by discussing the other material on the employment opportunities for AFDC mothers in Cuyahoga County as this relates to the work incentive component of the proposed Family Assistance Program. To our knowledge this kind of basic information is nowhere else available. I would propose that Miss Helen Randall testify on behalf of the Commission. She can present a fifteen page (doubled spaced) summary and limit her time to 15 minutes. Or, if the Committee will give only 5 minutes, we can submit the summary for the record. Our greatest interest is in sharing the information with this important Senate Committee. Here are a few brief highlights for your use in talking with the Committee.

1. The Study provides information on the extent to which a "workfare" program, as in the proposed Family Assistance Plan might succeed in moving the 20,000 AFDC mothers in Cuyahoga County into permanent adequate employment and off welfare rolls. The Study contains the "Facts" for answering the question: "Why don't they get out and get a job instead of living off welfare?"

2. In Cuyahoga County over the next 12 months, 22,000 women, *exclusive of AFDC mothers*, will be looking for jobs.

3. During the same period, only 10,000 jobs will be available.

4. This means 5,800 more women who are *not* on welfare will be seeking jobs than there will be job opportunities.

5. In terms of educational deficiencies and lack of day care facilities for her children, the AFDC job seeker has an overwhelming disadvantage in competing for those jobs.

6. Seven out of 10 of these jobs that will be available will not pay enough to remove Cuyahoga County AFDC mothers with families of four or more from the welfare rolls.

7. It will cost approximately $\frac{1}{3}$ more to prepare Cuyahoga County's 4,300 AFDC mothers who are considered employable according to the Family Assistance Plan criteria than to maintain them on full public assistance.

8. But, if they can be employed at an average yearly salary of \$4,200, it will cost $\frac{1}{2}$ less to provide supplementary assistance and day care than to maintain them on full welfare grants.

9. The supply/demand/cost data of the Study indicate that it is questionable whether, under the proposed welfare program, a significant number of Cuyahoga County's 20,000 AFDC mothers, even with training, will be able to become employed in permanent employment at wages which can provide for adequate family maintenance and removal from the welfare rolls.

Any assistance which you may give us would be greatly appreciated.

Very truly yours,

RICHARD S. STREETER.

STATEMENT OF THE MANPOWER PLANNING AND DEVELOPMENT COMMISSION OF THE CLEVELAND WELFARE FEDERATION BEFORE THE JOINT COMMITTEE ON PUBLIC ASSISTANCE OF THE OHIO GENERAL ASSEMBLY

My name is Mrs. Helen Randall. I am the Director of The Manpower Planning and Development Commission of the Cleveland Welfare Federation.

For some 20 years the Manpower Planning Commission, composed of a broad cross-section of leaders from business, industry, education, labor, government, and social agencies, has been engaged in identifying emerging manpower and employment problems in the Cleveland area, developing the basic information and data essential for realistic policy making and program planning in this problem field, and, on the basis of this information, proposing recommendations to those groups and organizations which have the responsibility for determining policy or developing operational programs and services related to manpower and employment.

I am pleased to share with your Committee today some of the major findings in a Study released July 30 by the Manpower Planning Commission. The Study identifies the employment opportunities for, and the characteristics and attitudes of, mothers in Cuyahoga County receiving Aid for Families with Dependent Children.

Why don't they get out and get a job?" "Those women on AFDC don't really want to work, do they?" Questions of this nature are raised by those who are convinced there are plenty of jobs available for mothers on welfare if they only had the motivation to look for and accept them. But is such thinking based on myth or reality? Are there really jobs "out there" for welfare recipients? Is motivation really the missing ingredient? The Manpower Planning Commission's Study addresses itself to providing the information for responding to these questions on the basis of facts.

This present Commission Study was prompted by the proposed Family Assistance Program, the welfare reform plan of the Nixon Administration.

As you are aware, the Family Assistance Plan, if enacted in its present form, would require selected poor who wish to receive public assistance to register for job training and/or employment at the State Employment Service and accept the same if offered. The only AFDC mothers exempted from this requirement would be those with children under 6 years of age, those where the father is present in the home and is the primary worker, and those unable to work because of illness, disability or age.

AFDC mothers under this Plan would receive a \$30 per month training allowance. When employment is obtained, the first \$720 per year of earned income plus one-half of the remainder would be "disregarded" before earnings are subtracted dollar for dollar from the family's full public assistance grant to determine how much supplementary assistance the family will continue to receive. This is called the "work incentive" component of the Family Assistance Plan.

The Manpower Planning Commission does not attempt to judge the moral rightness or wrongness of the "workfare" philosophy, which underlies the Family Assistance Program. Instead, the Study attempts to provide the factual kinds of information needed to determine the extent to which a "workfare" program, as in the proposed Family Assistance Plan, might succeed in moving employable and potentially employable welfare recipients in Cuyahoga County into permanent, meaningful, and adequate paying employment, and off of the welfare rolls. To our knowledge, this Study is the first major undertaking of this kind in the country.

To accomplish this purpose, three major areas were investigated:

1. The supply of (a) AFDC mothers who are employable and potentially employable, and (b) other women who need and/or want work. What are the employment related characteristics of these two groups of female job seekers: a) women job seekers on welfare and b) women job seekers not on welfare?
2. Employer demand for women to fill job openings in Cuyahoga County over a 12 month period in terms of numbers, occupational requirements and wages.
3. The costs of preparing for employment AFDC mothers who are employable and potentially employable.

THE SUPPLY PICTURE

What is the supply picture in the Cleveland area? To answer this question, a random sampling (3.6%) of the 20,017 AFDC mothers in Cuyahoga County as of March 31, 1970 was taken to determine the employment related characteristics

and attitudes of these persons. Information was provided by 200 caseworkers. Applying percentages disclosed in the Survey to the total caseload, the Study found that:

Over 15% (3,182) of Cuyahoga County AFDC mothers are presently working either full or part time or in training.

Over 32% (8,467) of AFDC mothers not working or in training have pre-school children.

3% (621) of AFDC mothers not working or in training are considered employable.

A mother was considered "employable" if she was able, with ample supportive services (including day care for her children) to function adequately and immediately in suitable employment.

The Manpower Planning Commission set up the operational criteria for "employability" on a set of factors that would give a fairly accurate approximation of the number of clients who might be considered employable or potentially employable under the proposed Family Assistance Plan, and taking into account national, state and local female employment trends, findings of studies outside of Cuyahoga County, and the employment related characteristics of Cuyahoga County AFDC mothers presently employed or in training.

Thus, *employable mothers* are considered to be those who:

1. have no pre-school children (since the FAP excludes registration for work by others with pre-school children, except those who volunteer for training or employment)
2. are in fair or good health with no medically defined disabilities
3. have a high school diploma or better, and
4. are between 16 and 39 years of age.

18.6% (3,723) of the AFDC mothers not working or in training are considered to be potentially employable.

A "potentially employable" client is one who, after training, retraining, and/or rehabilitation, is able to perform adequately in suitable employment. Potentially employable mothers are those who, like the mothers in the "employable" group:

1. have no pre-school children and
2. are in fair or good health with no medically defined disabilities, *but they*
3. either have (a) between a 7th and 11th grade education and are between 16 and 49 years of age, or (b) have a high school diploma and are between 40 and 49 years of age.

Thus, about *22% (4,344) of the AFDC mothers are considered employable or potentially employable.*¹

Altogether, *37% (7,500) of the AFDC mothers in Cuyahoga County are either working full or part time, in training or are considered employable or potentially employable.*

Of the employable or potentially employable, almost 4 out of 5 have not graduated from high school.

Some 7 out of 10 of the employable and potentially employable mothers are 39 or younger.

Ninety percent of those considered employable and only 20% of the potentially employable have had previous work experience, with 2 out of 5 in the services field.

Sixty percent of the employable mothers with no pre-school youth have one or two children, while 60% of the potentially employable have three or more. The majority of mothers with pre-school youth have fewer than three children.

What day care services would be needed if all of the 4,300 employable and potentially employable mothers were to enter training or get a job? Based on replies that about half of the mothers might be able to make arrangements for day care with relatives or neighbors for children under 13, some 6,000 day care places for in-school children would be needed.

How about the attitudes of AFDC mothers toward work? Do they want jobs? Among women in the Study sample, 2 out of 3 of the AFDC mothers, both those without pre-school children as well as those with pre-school children, indicated that they want to work and/or that they were actively seeking employment.

¹ Using the Mar. 31, 1970, caseload of 20,017 as a base, the Cuyahoga County Welfare Department estimates that about 30,000 AFDC mothers will be served during the course of the year. On this projection, it is estimated that some 930 AFDC mothers who will be clients during the year may be considered employable and 5,580 potentially employable (total of 6,510).

Fewer than 1 out of 4 indicated they did not want work and/or were not actively seeking work.

It is interesting to note that while only slightly more than one-third of those considered employable have been on welfare more than once, *almost 60% of the potentially employable have received public assistance prior to the current opening.* This "musical chairs" situation, as pointed out by public welfare expert Genevieve W. Carter, "reflects the interaction of the welfare system with the unstable employment conditions of the irregular, dead-end economy available to them."

For some 9% (1,800) of the total 20,000 AFDC population in Cuyahoga County, chances of obtaining employment are considered to be remote without extensive remedial education and physical and vocational rehabilitation. These are mothers who have one or more of the following characteristics:

1. a sixth grade education or less (713)
2. are illiterate (1,003)
3. have a medically defined disability and are in poor health (593)

This, then is the picture of AFDC mothers who are seeking jobs in Cuyahoga County. How do they compare employability-wise with those women job seekers who are not recipients of public assistance?

It is conservatively estimated that *between April 1, 1970 and March 31, 1971, approximately 22,000 women (exclusive of AFDC women job seekers) will be looking for work in Cuyahoga County.* This includes some 6,100 new female high school graduates and 1,500 college graduates seeking employment.

It should be noted that almost 2 out of 3 of the non-welfare recipient female labor supply have completed high school or attended college. In contrast, only 1 out of 5 AFDC mothers considered employable or potentially employable have finished high school or gone to college. Also, women job-seekers not on welfare are, in general, younger than employable and potentially employable AFDC mothers. Therefore, *in terms of two important job related factors—education and age—AFDC job seekers appear to be at a disadvantage with other women job seekers in Cuyahoga County.*

THE DEMAND PICTURE

How about demand for women workers in Cuyahoga County? Are there going to be enough jobs for all women desiring and/or needing them during the year? And what kinds of jobs will they be?

On the basis of projections made by the Ohio Bureau of Employment Services in an Occupational Survey of Employment, 1968-1975, in the Cleveland Metropolitan Area, and with the consultation of manpower experts, the Manpower Planning and Development Commission estimated that *16,175 women will be needed between April 1, 1970 and March 31, 1971 to fill jobs in Cuyahoga County.*

It becomes immediately apparent, therefore, that with 22,000 nonwelfare recipient women seeking jobs and only 16,175 jobs available, *there may be at least 5,800 fewer jobs for women in Cuyahoga County than there will be women (not on AFDC) wanting and/or needing them between April 1, 1970 and March 31, 1971.*

What kinds of jobs will be available to women? According to projections, one-third of all job openings will be in the clerical field, while 1 out of 5 will be in the service category. Clerical, service and sales occupations together will account for over 60% of all openings for women during the year.

How much will women workers earn in these jobs? The average (not minimum) starting wage for jobs in the sales and clerical fields is \$387 per month (\$4,644 yearly). Almost 88% of the clerical and sales openings in the Cleveland Metropolitan Area offer females \$4,800 or less per yr. (\$400 or less per month) to start.¹

The average starting wage in service jobs (including domestic work) is \$279 per month (\$3,348 per year). Some 80% of service job openings offer \$400 or less per month (\$4,800 per year) to start.

This wage income information takes on added meaning when it is considered that the 1970 poverty line, as defined by the U.S. Department of Labor, is \$3,720 per year for a family of four. However, the Department of Labor estimated that

¹ Currently, AFDC families in Cuyahoga County can earn up to \$4,800 or less and continue receiving some financial assistance. While FAP, as presently constituted, would offer a family of four in Cuyahoga County some supplementary assistance until earned income reached \$4,800 per year, smaller families would be cut off at lower earned income levels.

in early 1969 a *low cost budget for an urban family of four was \$6,600 a year or \$550 per month.*

To consider the wage income information in perspective, it should be noted that 55.5% of the Cuyahoga County AFDC employable and potentially employable mothers have families of four or more.

What education or skills are required for these available female occupations? Almost half (48.2% of all the job openings do *not* require a high school diploma or special training. Seven out of 10 of these are categorized as highly marginal in the irregular economy, such as kitchen helper, laborer, maid, waitress, laundry worker and domestic worker, types of jobs often held by welfare recipients. As the 1970 Manpower Report of the President states: "The irregular economy is characterized by horizontal mobility, erratic wage fluctuations, and overlap between the welfare and wage systems. Jobs are better described as dead end, low wage, sporadic." Average starting wage in these jobs is \$361 per month (\$4,332 per year). Seven out of 10 offer an annual average starting wage of \$4,800 or less.

Fewer than 1 out of 10 projected job openings for women will require special training but not a high school diploma, such as clerk typist, cook, inspector, machine operator and licensed practical nurse. Seven out of 10 of these jobs pay average starting wages of \$4,800 or less.

More than 7 out of 10 of the expected job openings which require a high school diploma but no special training are in the sales field where it is estimated that 97% of the jobs pay average starting wages of \$4,800 or less per year.

Seven out of 10 jobs such as key punch operator, stenographer, secretary and electronics assembler, which require both a high school diploma and special training (about 9% of all jobs projected) have an average starting wage of \$4,800 or less.

In summary, of all projected job openings for women in Cuyahoga County, almost 9 out of 10 (88.8%) will have an average annual starting wage of \$5,100 or less, and more than 7 out of 10 an average starting wage of \$4,800 or less per year. What this means is that *more than seven out of ten jobs that require a high school education or less and may become available to women during the year will not pay enough to remove Cuyahoga County AFDC mothers with families of four or more from the welfare rolls.* There appears to be little possibility of a welfare mother getting off and remaining off public assistance unless she is able to enter the so-called "regular" economy where there is opportunity for vertical mobility, a reasonably predictable pattern of wage improvement with increasing seniority and skill, and the possibility of stable employment.

While one might assume from the foregoing educational requirement data that there will be more than enough jobs not requiring a high school diploma to accommodate the employable and potentially employable AFDC mothers, as well as the non-welfare recipient job seekers who have not finished high school, this is not, unfortunately, the case. The fact is *there are at least two and one-half times as many women in the non-recipient female labor supply with high school diplomas as there are jobs requiring a high school education.*

Because of this labor market aspect, many women who must support themselves or their families may be underemployed; they are forced to accept jobs requiring less education than they have. Also, many married women living with their husbands are willing to accept underemployment, or jobs not commensurate with their educational qualifications, since the amount to be earned is considered supplemental to primary family income and not the most important consideration in taking a job. In addition, in a loose labor market, employers can require a diploma for jobs where one is not really necessary. Employers know there are women with high school diplomas willing to accept these positions. Thus, the AFDC woman job seeker without a high school diploma or relevant work experience faces overpowering competition for the jobs available in Cuyahoga County.

THE COST PICTURE

Costs of preparing for employment AFDC mothers in Cuyahoga County have been based on the estimated training and remedial education costs in local federally funded manpower programs; local day care costs (\$2,000 per year for a pre-school child and \$600 for an in-school child); and local vocational rehabilitation costs (Bureau of Vocational Rehabilitation estimates average rehabilitation costs at \$1,788 per client).

The Manpower Planning Commission estimates that *it will cost about \$1,821 to provide the services necessary to prepare for employment a Cuyahoga County AFDC employable or potentially employable mother who has no pre-school children.* (The Nixon Administration estimated the average per trainee cost at about \$2,667.) On the other hand, *for an employable mother with pre-school children, the cost would be approximately \$3,845.*

If 80% of the employable and potentially employable AFDC mothers without pre-school children received job preparation, and the other 20% found employment without training, the total cost of providing public assistance as well as training and training related services to the 80%, and only supplementary assistance and day care to the other 20% would be approximately 5.4% more than it would be to simply maintain all these families with full welfare assistance grants.

However, the cost of providing public assistance, training and training related services to 80% of the employable AFDC mothers with pre-school children, and supplementary assistance and day care to the remainder would be 58.8% more than it would be simply to maintain their families with full welfare assistance grants.

In other words, mothers with pre-school children, because of their additional day care needs, are trained at a considerably greater cost than those with no pre-school children.

It currently costs about \$1,479,843 per year to provide public assistance to 621 Cuyahoga County AFDC mothers without pre-school children who are considered employable. If the Family Assistance Plan is enacted in its present form and all of these mothers were able to find jobs at an average annual wage of \$4,200, it would cost approximately 45.6% less (\$675,204) than the above amount to provide supplementary assistance (\$414 per year at current grant levels to a family of four earning \$4,200) and day care to these families.

However, if the employable AFDC mothers with pre-school children found employment at \$4,200 per year, it would actually cost 3.7% more to provide supplementary assistance and day care to those families than it would to provide all of them with full welfare assistance grants.

In other words, the cost of providing supplementary assistance and day care to an AFDC of four without pre-school children after the mother is employed is less than the cost of providing them with a full assistance grant if the mother does not work. The cost of maintaining an AFDC family of four with pre-school children after the mother has obtained employment, however, is more than the cost of providing them with a full grant if the mother remained at home.

We have been looking at the cost effects on taxpayers of the Family Assistance Plan. What are the possible cost effects of the Family Assistance Plan, if enacted in its present form, to an AFDC mother in Cuyahoga County? Illustrative of this is the following example: Because of certain aspects of the FAP "work incentive" formula, an AFDC mother with a family of four in Cuyahoga County, if she began earning \$4,000 annually, would have only \$42 more spendable income per year than she would if she earned only \$1,800 per year. In addition, at \$1,800 per year, she would be eligible to receive medical care services provided to all recipients. But in a \$4,000 per year job she would have to pay all medical expenses out of her own income. The Family Assistance Plan, as now proposed, could require her to accept such a job if she had no pre-school children.

CONCLUSION

About one out of ten Cuyahoga County AFDC mothers with no pre-school children who are not working or in training may be employable, while slightly more than 11 out of 20 may be potentially employable.

However, it is questionable whether a significant number of these mothers, even with training, will be able to become employed in permanent positions at wages which can provide for adequate family maintenance and immediate removal from the welfare rolls. Among the many barriers confronting them are:

1. A deficiency in aggregate demand for women workers.—Some 5,800 more women in Cuyahoga County (excluding AFDC mothers) will be seeking jobs during the year than there will be jobs available. In other words, even if none of the local AFDC mothers who are considered employable or potentially employable were to seek employment, there simply are not enough jobs for non-recipients wanting and/or needing work.

2. "Structural" characteristics of the demand for and the supply of labor that tend to reduce employment opportunities for AFDC mothers.—On the demand side, many jobs require more education and training than is possessed by most AFDC mothers considered employable and potentially employable.

There has also been a reduction in the number of low skill jobs for women. Most of these jobs, because they are low paying and dead-end positions, offer little hope to the welfare recipient for permanent removal from the welfare rolls. The 1970 Manpower Report of the President points out that "Programs of work incentives and work training may not reverse the upward trend in welfare rolls, unless the training is designed to move clients into permanent employment at adequate wages."

In relation to work incentives, the proposed monetary "work incentive" component of the Family Assistance Plan leaves much to be desired. Under this plan, an AFDC family of four in Cuyahoga County may have more spendable income if the mother is earning \$1,800 and receiving supplementary assistance than if the mother is earning \$4,000 and completely off of the welfare rolls.

On the female labor supply side, a larger number of non-welfare recipient women who have high school diplomas or better are accepting jobs that require less education. This fact of underemployment greatly increases the competition for jobs for AFDC mothers and reduces the number of jobs that AFDC mothers can find and for which they may be qualified.

3. Discrimination.—

against women—Many jobs identified as "female" and "female preferred" jobs are still in low paying, dead end occupations. Even in better occupations, many women are still paid substantially less than men for the same work.

against Negroes—Negro women still tend to fill the lowest paying and most menial types of jobs. This fact is significant because the vast majority of Cuyahoga County AFDC mothers considered employable and potentially employable are black.

The Manpower Planning and Development Commission has prepared this Fact Book of objective data so that policy makers and program planners at the local, community, state and national levels will have the major facts in hand before taking actions and/or making decisions regarding the form and administration of public assistance programs.

Based on the findings in this survey, the Manpower Planning Commission is presently preparing a companion report to this Study which will include alternative proposals, priorities and recommendations with reference to employment for women receiving public assistance.

LEAGUE OF DISSATISFIED TAXPAYERS.
South Holland, Ill., August 27, 1970.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: As hearings are now being held by the Senate Finance Committee regarding the proposed Welfare Reform Bill, the League of Dissatisfied Taxpayers submit the following statement as testimony to said Committee members.

Traditionally, relief has been a "helping hand" for people in temporary need. The approximate last 35 years has produced a reversal of this concept. During this period the number of relief or welfare recipients has grown steadily despite the evidence that the number of "poor" has been decreasing.

Placing more than double the numbers of people on public assistance rolls at probably triple the amount now spent can only perpetuate the existence of dependence on a degrading style of living.

Guaranteeing an annual income can only institutionalize a form of economic slavery for recipients as well as for those who must bear the cost and would actually lock-in the process of increases and expansion.

The "workfare" provision, while an admirable concept, in most cases have proved to be a failure and would not cover the large majority of those now receiving welfare. There remains grave doubt as to whether any federal government agency could or would enforce the specified requirements. Some courts have injudiciously adjudged invalid any means tests as well as work requirements

as a condition for payment. Should this "reform" bill become law it can be anticipated that court action will be immediately instituted, thereby increasing the probability of voiding such provisions.

It is generally understood that the welfare proposal is not to be a replacement of existing programs, but rather an additional program.

This proposal cannot solve the problem it is purported to do, as it would be far more economically feasible to receive welfare payments than to join the work force.

Congress recently voted to increase the national debt limit. Several weeks ago, administration spokesmen revealed a definite deficit for this fiscal year, perhaps as much as \$15 billion.

With no available funds for this added expenditure, how then can it be rationalized? The most important question has remained unanswered: Where is the money to come from?

Thus, the League of Dissatisfied Taxpayers registers an unalterable opposition, now and in the future, to the proposed Welfare "Reform" Bill.

Sincerely,

LOUIS KUKNYO, *President.*

For consideration by the Senate Finance Committee, the League of Dissatisfied Taxpayers suggests the following:

That the solution of the welfare problem begins with the recommendation from the Finance Committee that the Federal government be removed from the entire area of public assistance programs.

That the Finance Committee recommend cutting the budget and taxes proportionately.

That the Finance Committee recommend that public assistance programs be entirely re-placed in the hands of the various states. (Since the Federal government will not be extracting monies for this purpose, more will be available within the state.)

That the Finance Committee recommend there be no uniformity of payment requirements.

That the Finance Committee recommend the Congress reaffirm the right of the state regarding residency requirements.

That the Finance Committee recommend abolition of the minimum wage law.

STATEMENT OF THE COMMUNITY WELFARE COUNCIL OF SAN DIEGO, CALIF.,
SUBMITTED BY JERRY K. LYNES, PLANNING CONSULTANT

Position Statement on Income Maintenance

At the Council's annual meeting on May 27, there was a day-long discussion of poverty, the welfare system and the concept of income maintenance.

The action of that meeting was to endorse income maintenance at the rate of approximately \$5500 per family of four, as a means of eliminating poverty in the United States. It was recognized that this goes far beyond President Nixon's proposed Family Assistance Plan, which sets the basic income for a family of four at \$1600.

After a review of all facts by the Board of Directors and an ad hoc committee, the following statements seem to be true:

1. There is urgent necessity to re-order national priorities, as President Nixon and many others have said. The elimination of poverty is both possible and high on the list of such priorities.

2. The welfare system is not only unworkable and extremely expensive, but is actually perpetuating poverty.

3. Concerned persons, including such thoughtful conservatives as Rep. Wilbur Mills, are agreeing that the welfare system must be replaced by some simple and equitable plan for increasing the income of both the working and nonworking poor, whether the plan is called "income maintenance" or something else.

4. The Administration's proposal Family Assistance Act recognizes this need but sets the amount too low to benefit the country at large. However, it is important in setting a precedent and changing direction for the first time since 1935.

5. Controlled experiments in New Jersey and elsewhere have demonstrated that supplementing income does not reduce the incentive to work or inhibit the natural competitiveness of man, and may in fact increase incentives.

Therefore the Community Welfare Council urges the adoption of a national, simplified system of income maintenance for all Americans, whether employed or not, so that they may live in decency. At the present time this would require about \$5300 for a family of four and there should be provision for increasing the amount if the cost of living continues to rise.

COUNTY OF ALAMEDA,
Oakland, Calif., June 12, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: It has been suggested that I forward to you information concerning the problems we are experiencing in Alameda County, which are related to the President's Family Assistance Plan of 1970, and its guaranteed annual income for welfare recipients.

The present regulations of the California State Department of Social Welfare and of the U.S. Department of Health, Education, and Welfare result in welfare payments to single parent family units having incomes ranging in some cases from \$600 to \$1400 per month. This situation was disclosed by the Press, and the Board of Supervisors of Alameda County attempted to initiate legislation which would place a ceiling on the amount of earned income one can receive and remain eligible for public assistance. In support of its action, the Board requested the Alameda County Welfare Director to investigate and report the extent of the receipt of public assistance to families with dependent children with earned income, a copy of which report is enclosed.

As indicated therein, 3,559 families receiving aid for dependent children in this county had employment. A detailed review of 215 of those cases shows family incomes ranging from \$600 to \$1400 per month in the following categories:

\$600 to \$699	119
\$700 to \$799	50
\$800 to \$899	15
\$900 to \$999	20
\$1,000 to \$1,099	6
\$1,100 to \$1,199	2
\$1,200 to \$1,299	2
\$1,400	1
Total	215

The welfare payments to AFDC families with incomes of the magnitude shown in the report, are based on regulations of HEW (45 CFR 233.20(a) (7)) as well as California State Department of Social Welfare regulations 44.11 et seq. The basic statute is 42 USC. The Superior Court of Sacramento County (California) has held that the federal regulation is valid, and in consequence thereof, the California State Department of Social Welfare changed its regulations to conform to the federal requirements. The net result is that personal expenses in substantial amounts are deducted from income in determining eligibility for aid.

The gross inequity of the present law is demonstrated by the fact that an employed single parent can earn as much as \$1,400 per month and be eligible for aid; whereas a father residing with his wife and family and industriously working full time, is entitled to no welfare aid, regardless of how small his earnings might be, and is thus relegated to a much lower standard of living.

This situation, without doubt, exists in most, if not all counties in California, and a storm of protest resulted in Alameda County and spread throughout the state. The Board of Supervisors considered it intolerable that county taxpayers, many of whom earn less than the income of some AFDC families, should be compelled to subsidize such a program, and earnestly solicited the support of the twelve largest counties in this state to join with my office in using the processes of the courts to bring some relief to the taxpayers.

I have suggested to the County Counsels of other counties that a plausible lawsuit could be developed on the basis of the following arguments:

1. The federal and state regulations are invalid, in that they constitute an unwarranted extension of the statutes.

2. The state requirement that aid be furnished to persons who are not by definition "needy" constitutes a gift of public funds.

3. There is a denial of equal protection in granting aid to AFDC families with incomes of excess of, say, \$700, and in not granting similar aid to families earning less when those families are not eligible for participation in the program because of the presence of a father in the family unit.

However, all interested parties agree that the most effective and expeditious way to eliminate these inequities and excesses is by change in legislation and it is for this reason this information is furnished to you.

Respectfully submitted.

RICHARD J. MOORE,
County Council.

ALAMEDA COUNTY WELFARE DEPARTMENT,
Oakland, Calif., May 25, 1970.

The Honorable BOARD OF SUPERVISORS,
Administration Building, Oakland, Calif.

GENTLEMEN: Submitted herewith is some supplementary information to our report of 5/20/70 concerning AFDC families with earnings subject to exempt income provisions of law.

(1) Our Berkeley branch office data, which was not available previously, is now available. The distribution of gross earned income in our Berkeley cases, is as follows:

\$600 to \$699	-----	12
\$700 to \$799	-----	4
\$800 to \$899	-----	0
\$900 to \$999	-----	1

(2) Our total earned income data then becomes as follows:

\$600 to \$699	-----	119
\$700 to \$799	-----	50
\$800 to \$899	-----	15
\$900 to \$999	-----	20
\$1,000 to \$1,099	-----	6
\$1,100 to \$1,199	-----	2
\$1,200 to \$1,299	-----	2
\$1,400	-----	1
Total	-----	215

These 215 cases represent 6% of the 3,559 with earned income, of 1% of our total AFDC family cases for March 1970.

(3) The income data provided the Board of Supervisors pertain to AFDC families with earnings subject to exempt income provisions of law. On the other hand, there are 762 children in foster homes and boarding homes for which aid payment is made directly to the foster parents or the boarding home. The earned income exempt law does not apply to the parents (280) of these children because the parents do not receive a cash grant. These cases, therefore, have not been included in the data.

Respectfully submitted.

HAYR TERZIAN, Director.

THE IMPACT OF EXEMPT EARNED INCOME LAWS AND REGULATIONS ON AFDC FAMILIES

BACKGROUND

On February 9, 1970 the Welfare Director transmitted to your Honorable Board a letter reviewing the fiscal position of the Department at the end of the first six months of the fiscal year.

As part of that letter in outlining the reasons why caseloads continued to grow, the Welfare Director made the following statement:

"Prior to 1968 there were limited provisions for exempting earned income from grant considerations. With the implementation in July, 1968 of the provisions of the Social Security Act amendments of 1967, we were required to exempt the first \$30 of earned income plus one-third of the net. This in itself reduced the possibl-

ties of terminating aid. However, a Court decision in January of 1970 directed that the one-third provision of the law must apply to the *gross* income and not the net. This made termination of aid even more difficult."

On April 14, 1970 at the request of the Welfare Director, the Board of Supervisors held a work session to discuss a variety of departmental problems. During the course of this work session, the Welfare Director pointed out that he believed the principle of incentive allowance was a valid principle, but that because there was no ceiling set on the amount of exempt income, it was possible for an aid recipient to earn a substantial salary and remain eligible for the receipt of public assistance. He expressed his belief that existing legislation should be modified to provide a ceiling on earned income exemptions.

On April 27 on his initiative, the Welfare Director directed that a tally be made of Departmental caseloads in order to determine, 1) the practical effect of the earned income exemption regulation on the AFDC caseload in Alameda County, and 2) the number of employed persons who were also recipients of public assistance.

On May 5 your Honorable Board directed the Welfare Director to provide the Board with information concerning the "number of welfare recipients who are earning \$15,000 a year, the number that are earning \$12,500 a year, the number that are earning \$10,000 a year and the number that are earning more than \$7,500 a year".

(1) A tally for the month of March 1970 showed that out of a total of 21,166 AFDC families, 3,559 of them, or 17%, had employment producing earned income subject to the exemption provisions of the law. Approximately 69.66% of these were reported as employed by private industry or business, and approximately 28.15% in public or publicly funded employment, and 2.19% was unreported.

Out of the 3,559 cases reported, 123, or approximately 3.46%, were employees of Alameda County. This constitutes approximately 1.42% of all County employees (8613) and .0058, or six-tenths of 1% of our total AFDC family caseload for March. (See Chart attached hereto.)

(2) Our tally reported 214 cases with incomes of \$600 or more.

(3) We reviewed in greater detail 198 cases reported to have incomes of over \$600. The gross income range was as follows:

\$600 to \$699	107
\$700 to \$799	46
\$800 to \$899	15
\$900 to \$999	19
\$1,000 to \$1,099	6
\$1,100 to \$1,199	2
\$1,200 to \$1,299	2
\$1,400	1
Total	198

Some degree of caution should be used in extending this monthly income to an annual salary figure for a variety of reasons. The income may vary from month to month. For instance, 17 of these jobs were reported as temporary; many people are paid by the week; some employment is at an hourly rate; expenses incident to the earned income vary from month to month. This creates an ever changing picture with respect to income status.

There follows herewith a brief summarization of the development of exempt income provisions, the method by which computations are made, and some observations of general interest and concern.

GENERAL SUMMARY

Prior to 1962 if an AFDC family obtained employment, the earned income of the mother, including earnings of the minor children, would usually result in a discontinuance of aid. Although involuntary wage deductions and work related expenses were allowed, these allowances were restrictive and the only exemption allowed as a work incentive was a standard deduction of \$25.00 per month. For example, an AFDC mother with two children, a boy age 13 and a girl age 9, with

a budget need of \$186.00 and receiving \$168.00 grant obtained employment with gross income of \$607.00 per month.

Earned income.....	\$607
Child care.....	85
Transportation.....	50
Union dues.....	5
Standard allowance (work incentive).....	25
Mandatory deductions (FICA, withholding, etc.).....	100
Total deductions.....	245
Net income.....	662
AFDC budgetary need ¹	186

¹ As per coded schedule in effect at that time.

Commencing in 1962, Amendments to the Social Security Act, the State Welfare and Institutions Code, and revised State rules and regulations began to reflect a more liberal interpretation of incentives to achieve self-support through employment.

Most of the earnings of the minor child were exempted from consideration in meeting the family needs, expenses incident to employment were liberalized. In 1964 with the establishment of the Office of Economic Opportunity, Federal provisions were made to permit State aid recipients to receive certain work training income without deductions in their grant. In 1965 the Welfare and Institutions Code was amended to recognize these incentives to achieve self-support by permitting the recipient to earn income without a proportionate deduction in his grant. This enabled AFDC recipients who were in training under Titles I and II of the Educational Act to have excluded from consideration the first \$85.00 plus ½ of the balance up to \$150 of income while in training.

The State's rules and regulations also specified other efforts to encourage self-support by permitting educational trust funds for children, exemptions for personal property consisting of motor vehicle, tools and equipment essential in the support plan and allowing a broader scope of special need allowances to the family.

It was not until the 1967 Amendments to the Social Security Act, however, that provisions were made to apply the exempt earned principle to all types of earned income.

Under the provisions of the act, the first \$30.00 plus one-third of the remainder of all earned income, is to be disregarded in determining the amount of an AFDC grant. The Act also provided that all income of full time students is to be disregarded and that all legitimate work related expenses are to be deducted in arriving at a net income figure. Legislative intent was to provide greater incentives for AFDC recipients to become employed and thereby eventually self-supporting.

In implementing the Social Security amendments of 1967, the State promulgated regulations which applied the \$30+½ exemption to net income after expenses.

The Sacramento County Superior Court declared in the Nesblitt case in November, 1969, that the exemption was to apply against gross earned income. It further mandated that all budgets were to be recalculated and supplemental grants issued back through January 29, 1969 at the recipient's request. This Court decision had the practical result of allowing more people to remain eligible while employed, and was implemented beginning January 1970.

Also affecting the rising number of employed AFDC recipients, was the case of Ivy vs Martin which substantially increased the housing allowance and resulted in a considerably larger AFDC budgetary need. For Alameda County the court further ordered that actual housing was to be considered retroactive to September 16, 1969.

The results of these two Court decisions and the 1967 Amendments to the Social Security Act, have been such that the number of cases discontinued because of employment has been greatly reduced. Thus, the unmet budget for the

same mother and two children in the previous illustration would now be computed as follows:

Earned income amount.....	\$607. 00
<hr/>	
Computation of allowable expenses:	
Gross income.....	607. 00
Basic exemption—\$30 plus one-third of remainder.....	-222. 33
	<hr/>
Difference	384. 67
	<hr/>
Other allowable exemptions: ¹	
Child care.....	65. 00
Transportation	50. 00
Union dues.....	5. 00
Standard allowance.....	25. 00
Mandatory deductions (FICA, withholding, etc.).....	100. 00
Total exemptions.....	-245. 00
	<hr/>
Difference: Net income to budget.....	139. 67
	<hr/>
AFDC budgetary need.....	169. 00
Housing	124. 00
	<hr/>
Total need.....	293. 00
Net income applied against budgetary need.....	-139. 67
	<hr/>
Unmet need.....	153. 33
Amount of AFDC grant.....	153. 33

¹ Actually today these exemptions have also been liberalized and thus an actual computation by today's allowances would offer a greater grant.

NOTE.—AFDC maximum for mother and 2 children without income: \$172. (Full medical coverage is also provided and recipient is entitled to participate in food stamp program.)

A result such as that shown above is fairly typical of a family headed by an employed single parent. Similar results would occur where one or more of the children are a step-child to the employed head of household. On the other hand, in those instances where the parents reside together and the father becomes employed full time, eligibility ceases without regard to the amount of the father's earnings.

The tally for March showed approximately 28% of those recipients employed as being employed by public or publicly funded agencies. We did not seek to determine how many of those persons were recruited from among welfare recipients. Suffice it to say that, based on general knowledge, a large portion of the County employees would have been so selected. Some would have begun, or are presently in, the program referred to as New Careers. Your Welfare Director is very much in favor of the New Careers concept generally, and particularly in its operation in the Welfare Department. The Board will recall that our Welfare Services Aide program which, by its inservice training component, is very similar to the New Careerist Program pre-dated New Careers. As an integral part of the New Careerist concept of achieving economic independence, promotional opportunities are to be created which, in the final analysis, should provide an exit from public assistance rolls of those persons capable of employment. The lack of a ceiling on exempt earned income precludes this from happening. The Department will continue to support similar programs. This belief and activity on the part of the Department is not incompatible with the desirability of establishing a reasonable income ceiling which would have the practical effect of removing a person from the welfare rolls.

Finally, while not entirely germane to the subject of exempt income provisions of the law, in light of the recent interest of the general public on the role of the social workers regarding applicants and recipients, it would appear appropriate to make the following observations:

It is not necessary for staff members to conduct a concerted efforts in finding potential recipients. There is a new sense of awareness of the poor about benefits available to the poor. Such awareness is developed by influences clearly outside the Welfare Department. This is not to say that welfare workers do not alert applicants/recipients to the existence of benefits for which they may be

eligible. To do otherwise would be in direct conflict with the spirit, intent, and letter of applicable law and State regulation. Section 11000 of the Welfare and Institutions Code provides that: "The provisions of law relating to a public assistance program shall be liberally construed to affect the stated objects and purposes of the program".

State regulations provide that:

1. The County is responsible for assisting the applicant or recipient in understanding his rights and his responsibilities in relation to application for aid . . . for assisting him as needed in establishing his eligibility and helping him to realize the maximum personal independence of which he is capable including self-care and self-maintenance. (Section 40-107.1 SDSW Manual of Public Social Services).

2. "The basic purpose of the application process is to assist the individual in establishing his eligibility for aid and services." (Section 40-115.1 SDSW Manual of Public Social Services).

The Director recognizes that some employees, because of their personal convictions, "exploit" the regulations referred to above to the fullest. The Director further recognizes that some employees exceed the bounds of propriety and when such instances are discovered, appropriate action is taken. Finally it is recognized that the greatest majority of the Department's employees direct their activity toward assisting applicants as required by law and regulation, and they carry out their duties in a proper fashion.

If there is a basis for criticism with regard to the exempt income legislation, it is primarily with the legislation and implementing regulations, and not in the local administration of such laws and regulations.

Employing jurisdiction

Alameda County-----	123
City of Oakland-----	60
City of Berkeley-----	21
City of Hayward-----	6
Other cities in Alameda County-----	5
Federal Government-----	347
State government-----	68
School districts-----	206
Other public jurisdictions (special districts, cities outside of Alameda County, etc.)-----	53
Poverty programs-----	113
Private employment-----	2,479
Place of employment unreported in tally-----	78
Total employed-----	3,559

[From the Oakland Tribune, May 15, 1970]

COURT TOLD HUNDREDS OF COUNTY EMPLOYEES ON AID

(By Lloyd Boles)

Asst. County Counsel Ben Zuppan asserted in Alameda County Superior Court today there are "several hundred full-time county employes on welfare."

He made the statement before Superior Court Judge Leonard Dieden as he argued against a move to block Welfare Director Hrayr Terzian from searching his own department's files for information as to persons who are gainfully employed and at the same time receiving welfare aid.

Diendien ruled the county is entitled to the information.

The board of supervisors originally had asked Terzian for information on county employes who were also receiving welfare aid. But Terzian, in his request to department subordinates, asked for information, identified by case number only, as to all persons engaged in employment, private or public, who are also receiving welfare. He said he did not intend to furnish names of recipients to the board of supervisors.

Zuppan said, "Newspaper stories showed that high income people can be brought down to the poverty level by exempted earnings." The assistant county counsel was referring to The Tribune's exclusive disclosure last week that scores of full-time county employes and other fully employed persons were receiving some county welfare aid.

The board of supervisors on May 5 ordered Terzian to survey welfare rolls after hearing rumors that there may be persons in county employ with incomes up to \$15,000 annually who receive welfare subsidies under the aid to dependent children program.

A superior court lawsuit was filed by the Legal Aid Society on behalf of several unidentified welfare workers and recipients seeking to block Terzian's order to welfare workers to produce information about county employes on welfare.

Dieden today rejected the petition for injunction argued by Miss Carolyn Jones, attorney for the Legal Aid Society.

Dieden told her, "The board of supervisors is well within its jurisdiction to compel the welfare director to supply the information they demand—so long as it is without names. Not only does the board of supervisors have the right to the information but they have a duty to make this public inquiry."

Miss Jones called the action of the board of supervisors a "fishing expedition."

Zuppan called the complaint for injunction filed by the Legal Aid Society a "case presented by a phantom unless you identify the people involved."

He described the board of supervisors' action as one "to protect the needs of welfare recipients and safeguard public funds."

Zuppan added, "It seems to the board of supervisors there may be a possible gift of public funds involved here. It seems these public funds are not being distributed to the lower income needy but to a high income class."

Terzian last Friday ordered three-day suspensions without pay for 29 social workers in the Berkeley welfare office for refusing to produce the information he had requested. The suspension went into effect yesterday.

[From the Oakland Tribune, May 16, 1970]

WELFARE CHIEF SUSPENDS 29 BERKELEY AIDES

(By Lloyd Boles)

Alameda County Welfare Director Hrayr Terzian ordered three-day suspensions without pay for 29 social workers in the Berkeley welfare office. The Tribune learned last night. Terzian accused them of insubordination in refusing to produce records of persons receiving welfare payments he wanted to review. Terzian's action coincided with an exclusive disclosure by The Tribune yesterday that there were scores of fulltime county employes receiving welfare assistance. The payments are legal under liberalized state and federal law.

An Alameda County Superior Court lawsuit seeking to enjoin Terzian from determining how many county employes were drawing aid indicates there may be many more than the "scores" The Tribune reported.

The suit, a class action, says that the parties involved "are so numerous as to render it impracticable to bring them all before the court." The welfare department has more than 1,700 employes.

The suspensions, effective Monday were ordered by Terzian after the 29, part of 108 social workers in the Berkeley office, denied his command to produce records of recipients within their caseloads who are county employes and drawing hefty Aid to Families With Dependent Children (AFDC) grants.

Terzian declared that he will "brook no insubordination to legitimate directives from my office."

In a letter suspending the 29 workers, Terzian said a directive was "issued to you in which certain information related to the earned income status of welfare recipients was directed to be made available * * * within a definite time limit.

"You failed to comply with the directive and as a result have hindered the orderly conduct of administrative activities within the Alameda County Welfare Department.

The Alameda County Board of Supervisors on May 5 ordered Terzian to make the survey after a rumor reached it that there may be persons in county employ with incomes up to \$15,000 annually who receive grant subsidies under the AFDC program.

Terzian demanded that his workers produce information on who employs the recipients, their gross and net earned income, the amount of the AFDC grant and an itemization of exempted income.

It is the amount of exempted income under federal and state welfare regulations which allows recipients to claim items from union dues to baby-sitting fees which reduces income to poverty level—thus entitling them to public assistance, legally.

The lawsuit was filed by the Legal Aid Society.

It names as plaintiffs a John Doe, described as a single parent "employed by private industry with a \$600 income monthly who receives supplemental public assistance benefits"; a Jane Doe II and III who are "single parents employed by the Alameda County Welfare Department who receive supplemental * * * assistance"; and a Jane Doe I, described as a social worker in county employ who oversees recipients' caseloads.

The suit is filed as a class action on behalf of all persons involved in the AFC caseloads, both social workers and recipients.

The action specifically asks the court to prohibit Terzian from commanding his workers to produce the information mandated by the supervisors.

Presiding Superior Court Judge William Brailsford summarily rejected a request for a temporary order restraining Terzian. Judge Brailsford, however, ordered Terzian into court Monday to show cause why a preliminary injunction barring him from the alleged acts should not be issued.

WELFARE SCANDAL QUIZ ASKED

(By Lloyd Boles)

Widespread criticism of welfare payments to persons with full time jobs mounted in the county welfare department today with much of the fire aimed at the Alameda County Legal Aid Society.

Scores of irate citizens—some on welfare themselves—have deluged The Tribune with phone calls and letters demanding a probe by various agencies ranging from the Alameda County Grand Jury to the U.S. Justice Department.

The Alameda County Board of Supervisors took a series of actions yesterday condemning liberalized state and federal welfare laws which permit Aid to Families With Dependent Children (AFDC) mothers and fathers to earn up to \$15,000 annually—and remain on the welfare rolls.

Supervisors also unanimously condemned the federally-subsidized Legal Aid Society for representing hundreds of persons—both social workers and recipients—who are not destitute and for "flagrant violation" of the State Bar Association * * * for clients.

A Superior Court judge yesterday rejected as legally unsound an injunction filed by the Legal Aid Society seeking to prevent Welfare Director Hrayr Terzian from commanding his social workers to provide information on their AFDC caseloads in a probe ordered by the supervisors.

Adding to the tumult was a report to the board late yesterday by Asst. Dist. Atty. Richard Klippert, chief of the district attorney's office fraud unit, that the lack of computerization in his office has resulted in some \$3 million going uncollected from absent parents in the AFDC program. This amount is the equivalent of about 12 cents on the county tax rate.

The Tribune in an exclusive story last Friday disclosed that there were scores of Alameda County employes and many others—perhaps hundreds—in private and public industry working full time and drawing monthly welfare checks. *And it's all legal.*

One of the county employes is a full time senior social worker with an annual income of almost \$14,000 who was placed on the AFDC program and is benefitting from a \$300 monthly county grant.

The AFDC grants to working recipients—many of whom earn in excess of \$600 monthly on their county jobs—are perfectly legal, says Director Terzian.

They're legal, explained Terzian, because of liberalized state and federal welfare regulations—particularly under the amendments to the 1967 Social Security Act—which allow workers to use a formula which exempts their income down to a poverty level—the level the law says makes them eligible for welfare.

Supervisors, led by Supervisor Robert Hannon, had harsh words yesterday for the liberal laws.

Declared Hannon:

"The effect of the present welfare laws as interpreted by the courts is confiscating the homes of elderly retired citizens . . . a person who works all his life to pay for his home only to have the property taxes so high he can no longer own the home."

The reason taxes are so high in Alameda County—the welfare budget comprises more than 60 per cent of the county's total \$234.5 million budget—is simple: "The 100,000 people on welfare," Haunon said.

It's truly ironic when a retiree works all his life for a \$20,000 home and finds he must pay \$50 a month in taxes to keep it, said Hannon.

"He ends up paying better than 25 per cent (from his Social Security allotment) to support persons who are making \$7,200 a year and are still drawing public assistance."

Hannon, who has access to much privileged information in the welfare department, said angrily: "I only wish I had the authority to disclose what really is going on in the present welfare system. Unfortunately the cloak of secrecy (it's a misdemeanor to disclose the identity of a recipient) which the state law directs prevents me from disclosing to the taxpayers how and for whom their money is being spent."

He said that public assistance to a person making \$7,200 a year "could well fall within the prohibition against making gifts of public funds.

"And if we cannot correct this evil in some manner I would urge a taxpayer's suit against the county to preclude assistance to those who are employed."

Hannon and some of the other supervisors reserved their bitterest criticism for the Legal Aid Society, an organization once wholly funded by private donations which is now subsidized by the Office of Economic Opportunity.

Said Hannon: "The Legal Aid Society has filed suit against the county on behalf of a 'single parent employed by private industry with a \$600 monthly income who receives supplemental assistance benefits' and by 'single parents employed by the Alameda County Welfare Department who receive supplemental aid.'"

Legal aid, declared Hannon, "is supposedly for the benefit of poor persons who cannot afford to pay. It was never intended to be free services for those * * * persons earning \$7,200 a year who certainly can't be classified as poor persons. And I say that persons employed by the county also can't be considered poor.

"This action by Legal Aid is a gross violation of the federal law."

The board adopted unanimously a motion that Board Chairman John D. Murphy immediately communicate with the "OEO to ascertain whether the Legal Aid Society should be spending taxpayers money to sue the taxpayers on behalf of persons who can afford to pay their own legal expenses."

Hannon and Supervisors Emanuel Razeto and Joseph Bort—all lawyers—were bitter and chagrined about an advertisement which, according to Hannon, appeared in the May 11 issue of the Social Worker's Union (Local 535) news bulletin.

Hannon quoted the bulletin as saying:

"Legal Aid needs the names of employe recipients who would be willing to file a group legal action to stop the department's harrassment and intimidation of employe recipients."

He also said the bulletin gave the name of a Legal Aid attorney Carolyn Jones and her phone numbers.

Miss Jones is the Legal Aid lawyer who filed the injunction suit against the county.

Supervisors voted to ask the Alameda County Bar Association and the State Bar Association to probe the incident and take "appropriate action to curb this flagrant contempt for legal ethics."

Superior Court Judge Leonard Dieden yesterday rejected the lawsuit which sought to block Terzian from ordering his workers to produce information about all gainfully employed persons—both private and public—on county aid.

The Legal Aid lawyers contended, among other things, that the board-mandated survey would tend to cause recipients embarrassment, ridicule and emotional upset.

The Terzian survey will be made public before next Tuesday's supervisors' meeting.

Information from the Berkeley office, which employs 108 social workers, will be missing, said Terzian.

Twenty-nine of the AFDC social workers have refused to provide information on the caseloads and were suspended by Terzian for three days starting Monday.

Terzian plans to again request the information from them when they appear on the job tomorrow.

He refused to say what discipline he would order if they again refused his directive.

An informed county spokesman said, however, that "if they refuse—they'll be fired."

[From the Oakland Tribune, May 21, 1970]

PROBES OF WELFARE EXTEND OVER STATE

The Tribune's exclusive disclosure of welfare payments to persons with full time jobs in Alameda County has touched off a wave of investigations by welfare departments in other nearby counties.

The Tribune investigation found scores of fully employed parents receiving welfare under the Aid to Families with Dependent Children (AFDC) program. Many of the recipients are county employes—some in the county welfare department.

As a result of the disclosures, the Contra Costa County Board of Supervisors on Tuesday ordered County Welfare Director Robert E. Jornlin to determine how many county employes also are receiving welfare checks.

Jornlin acknowledged that there are "many" persons employed by the county and receiving welfare assistance.

Ronald Born, welfare director for the City and County of San Francisco, also acknowledged there are full time county employes getting welfare assistance.

Federal law adopted in 1967 by the Congress allows an employed parent with dependent children to exclude much work-related expense in figuring eligibility for welfare aid. The allowance is figured on "budgeted needs" of the family and there is no cut-off point beyond which a person would no longer be eligible.

News of the Tribune investigation reached Los Angeles and County Welfare Director Ellis Murphy told the board of supervisors there are 17,000 welfare recipients in that county who are working full time or part time.

In San Mateo County, Dr. Harold D. Chope, county director of public health and welfare, said he has started an investigation after reading of the Alameda County disclosures.

"We have an AFDC caseload of 4,300 families," he said, "and we're checking the cases now. If the Board of Supervisors asks me about this I want to be able to give them the information."

Dr. Chope said some people "with relatively high incomes" may be able to qualify under the law "but that doesn't sit very well with the taxpayers—many of whom are probably making less and having to manage somehow."

The welfare director of San Joaquin County, Russell Gray, said that county's AFDC caseload is 5,500 families and he estimated in about 25 per cent of the cases the welfare recipient is also employed.

Gray called the present AFDC setup "not only legal but desirable." The mission of welfare, he said, is to get people into employment and off welfare. To the extent that they are employed, they are drawing that much less in welfare payments, he stated.

Gray said he was "aware" of the Tribune disclosures and had done some checking already. He said there are about 10 AFDC cases where the recipient is working in county employment.

"Our typical case," he explained, "might be a vocational nurse getting around \$300 a month with a supplementation of \$100 a month from the welfare department."

Robert Ranger, welfare director of Solano County, said he knows of seven AFDC recipients employed in low-paid clerical jobs in his own department but he does not know how many others might be employed elsewhere in the county government.

"These things are always written up like its a scandal," Ranger said. "If it's a scandal it's a scandal in the law."

"As long as there is an absent parent and the budgeted need exceeds the net deductible income, a person may be eligible. There is nothing illegal about it. In fact our last county grand jury was very upset because there weren't more exemptions allowed the recipients."

San Diego County has "r number" of county employes on welfare rolls, according to Welfare Director Homer Detrich.

He estimated that between 20 and 25 per cent of employed mothers with children are on welfare. Detrich said San Diego County has no case such as the one

cited by The Tribune involving a senior social worker with a total income of almost \$14,000 a year being on welfare.

Henry Boney, chairman of the San Diego County Board of Supervisors, said he has asked for a full investigation, saying that "there is no necessity for welfare assistance to county employes, whatever the employe's position—the county's salaries are adequate."

[From the Oakland Tribune, May 15, 1970]

WELFARE BENEFITS TO WORKERS BARED

(By Lloyd Boles)

There are scores of full time Alameda County employes on welfare, a Tribune investigation reveals.

Many of these employes—at least 20 by official admission—are in the welfare department itself.

One of these employes is a full time senior social worker whose total income is almost \$14,000. She was placed on the Aid to Families With Dependent Children (AFDC) program by another social worker so that the county would be liable for a lion's share of the \$300 a month it is costing to keep her son in a private boy's home.

The 20 full time welfare department employes—there are probably more—are holding down jobs as clerks, eligibility technicians and aides. They draw monthly AFDC welfare allotment checks in addition to their regular county salaries which range up to \$600.

The Tribune investigation into the operations of the welfare monolith was hampered by a welfare director who refused to discuss the specifics of employe-recipient cases and by various welfare and other county department officials who believed it was "safer" to remain silent.

But the probe did disclose this:

Dozens of full time county employes—other than those in the welfare department—also are drawing county aid in addition to their salaries.

There are now or have been State of California employes on welfare.

There are now or have been federal employes, military personnel and their dependents on welfare.

There are now or have been persons holding down jobs in the various cities and school districts within the county on welfare.

There are scores of parttime county employes under the so-called New Careers Program drawing welfare grants in addition to their county pay.

There are currently numerous persons gainfully employed in private industry who are on aid.

And the number of private and public employes on the local welfare rolls is increasing apace as young single mothers, primarily, and some not so young take advantage of loopholes in AFDC regulations to get money from both ends of the financial spectrum.

There is nothing illegal, at least on the surface about any person who is currently gainfully employed and on welfare, says Welfare Director Hrayr Terzian.

"The recipients are becoming increasingly sophisticated on the law. They know their rights," Terzian said.

For the most part, says Terzian, "these people are on the AFDC rolls because of liberalized state and federal legislation which allows a drastic exemption of gross earnings—a reduction which brings their income to a poverty level and thus makes them eligible for benefits."

"They are also there," says Terzian, "because of the activities of various federally subsidized legal centers—such as the Legal Aid Society—and various welfare rights organizations. Indeed, our own social workers conduct what is tantamount to a holy war to place more and more persons on welfare—in many cases just because the money is there for the taking."

The director, while "sympathetic to the public's right to know what's going on in my department," refuses flatly, however, to discuss any aspects of the senior social worker case; he also refuses to discuss the amount of a grant, its justification, the determination of eligibility or any other financial aspects of any AFDC case in his office.

Terzian, a graying, affable career county servant who presides over the largest county department—1,700 employes—and administers the largest departmental

budget—\$125 million—also refuses to discuss the substantive nature of any case involving the 100,000 persons in the county drawing some form of welfare.

The programs include the \$53.7 million AFDC project; the \$20.6 million Old Age Security program; the \$18.5 million Aid to Disabled program; \$2.8 million for General Relief and \$138,000 for Cuban Refugee Relief.

The welfare director says he has a good reason for his silence. To discuss any of these cases on an individual basis, he says, would violate misdemeanor sections of state and federal laws which prohibit disclosure of the identity of any recipient unless it is for a purpose "directly connected with the administration" of the programs.

However, other officials in the welfare, probation, and various other county departments which deal with welfare problems are willing to talk—but only with anonymity. Said one county employe: "It's high time that the public knows what's going on, where their taxes are going—no matter how legal it may be."

For many years now there have been several federally financed (through the Office of Economic Opportunity) programs aimed at education, on-the-job-training and skill training. These programs are designed to train poverty level persons to a point where they can become gainfully employed.

The majority of these persons, says Terzian, avail themselves of the training, quit welfare and enter either public or private employment.

However, says Terzian, numerous persons in private industry and particularly those involved in the county's New Careers program—"far too many for my liking"—took advantage of the education, county job training, graduated into full time employment—but remained on welfare.

Principally involved are AFDC mothers with children who have no man in the home providing support.

"Everything was working out quite nicely," said one county official, "until passage of the 1967 amendments to the Social Security Act."

The act allowed AFDC mothers under a formula to exempt practically all their income to a point where they were considered to be (for federal purposes) at a poverty level.

The formula is this:

\$30 off the gross income; one third off the remainder; and from the remainder deduct various job related expenses; then from this balance deduct recipient's "needs" as computed under a formula by a social worker. The amount of the grant is the amount by which expenses exceed the needs.

Example: An AFDC mother of three works as a New Careers trainee in the welfare department. She completes her training and is hired as a full time eligibility technician at \$600 a month.

Under the formula \$30 comes off the top of the \$600, leaving \$570; one third comes off the \$570 which, for grant computing purposes, leaves \$380.

From this the mother can deduct social security, federal taxes, including income tax, union dues and anything else which comes off the pay check, say \$100. From the remaining \$280 she is allowed to further deduct work related expenses such as \$75 for a car payment, \$30 for gasoline and parking and \$80 for baby-sitting totaling, say \$185. This leaves a balance of \$95.

The \$95 is the mother's non exempt earnings. This is set off against a budgeted need of \$265 set by the department. The difference between the earnings and the budgeted needs is \$170—which is the amount of the grant. A welfare grant is tax exempt.

In some instances recipients exempt their earnings down to zero, which means they're entitled to the full welfare allotment plus their county salaries.

Additionally the mother and children in this case are covered by Medi-Cal for all medical and dental expenses and, also, participate in the Food Stamp program which may triple the family's food purchasing power.

The trouble with the federal formula, asserts Terzian, is that there is "no limit on what an AFDC mother can earn, nor is there a limit on how many exemptions she can take in order to qualify for continued welfare. Ironically, the more she earns, the more exemptions she can claim."

The upshot is, says Terzian, "that there is almost no way we can remove these AFDC mothers from aid under the law. They know it and take full advantage of it."

Under a board of supervisor's mandate Terzian has launched a survey of all persons who are at once on welfare and gainfully employed.

"I expect to find that most of these cases are in private industry," the director said. "But I won't be at all surprised to find welfare recipients in all fields of

public employment, including the county. I have already found 20 such cases in my own office."

It's known that some of the recipient-employees involved are in the hire of various Oakland OEO projects.

One of the military persons who was formerly on aid was a retired Army officer, a welfare office employee recalls.

The senior social worker—we'll call her Mrs. "X"—is a unique case. Terzian won't even admit that she exists; that she is one of the 60 cases another social worker services.

"He's quite sensitive about this case—and I don't blame him," said one county official.

A careful investigation—amusingly cloak-and-dagger like in the manner in which the pieces fell together—of the social worker case draws this picture:

Mrs. "X" is a career social worker who lives in a middle class home. She is divorced, has five children, two of them adults and out of the home and two minors in the home. A fifth minor, a teen-ager, is a ward of the court and is in a private institution for boys.

At the time the boy was made a ward of the court last fall, informed sources say, a probation department hearing officer ordered Mrs. "X" to pay about \$200 a month towards the \$300 a month the county was paying the home for the boy's care.

Mrs. "X" protested the order but paid it for about five weeks. Suddenly, said a probation department source, the case was "whisked out of our jurisdiction and moved over to the welfare department."

There another senior social worker worked out an arrangement with Mrs. "X"—as provided by law—for the mother to be an "absent parent" (the teen-ager was absent in a private institution) and as such to become eligible for an AFDC grant of \$300 a month for the benefit of the child.

Terzian later found out that the social worker who placed Mrs. "X" in her caseload committed, an informed source says, two small "administrative errors." She failed to notify Terzian, as required, that she was placing a county employee on aid, and she failed to report the mother's liability towards support of her son.

The liability factor wasn't detected until a few months later and the mother had to repay the county some \$316 that was lost because of the error.

In any event, the effect of moving Mrs. "X" from probation department jurisdiction to the welfare department was that instead of paying \$200 a month toward the \$300 county cost—she paid only \$73. Added to this was \$50 a month her ex-husband—who draws about \$15,000 a year as a University of California teacher—was paying toward support of the boy and \$54 a month the state contributed.

This left a balance of \$123 a month to be paid from county funds.

How did this come about?

Mrs. "X's" gross earnings as a Social Worker III are \$841 a month. Her ex-husband pays her \$300 a month alimony and child support, giving her a combined monthly income of \$1,141.

Mrs. "X's" social worker drafted a budget which, after all the deductions and expenses, left her with a gross monthly income of \$648—the magic amount needed to qualify her for AFDC aid.

The allowed deductions included retirement, taxes, union dues and health plan fees—all out of her check.

Additionally, she was allowed to deduct a work related expense of \$40 for transportation—and then clip another \$200 off her income, the amount of a court ordered repayment to a bankruptcy court.

And then, through a formula which nobody will explain, the welfare department decided that she had only the financial ability to pay \$73 a month to the county towards support of her son in the home.

The case was so unique—no other social worker, it's believed, is on welfare—that the Family Support Division of the District Attorney's Office, the County Counsel's Office, the welfare director and his top aides studied it at length before finally deciding it was O.K. under existing federal and state welfare laws.

[Telegram]

JACKSON, MISS., August 25, 1970.

Senator RUSSELL LONG,
U.S. Senate Finance Committee,
Washington, D.C.

The Community Service Association (CSA) is a federally funded community action program whose board members represent the city of Jackson, the county supervisors of Hinds, private social security agencies and the low income people of this county, the most populous in the State of Mississippi.

We want to inform your committee of the actions committed by our State welfare department. This past week we learned that an estimated \$30 million in funds available for medicaid and welfare to needy Mississippians apparently went unused during the first 6 months of this year. More than \$5.5 million will be returned back to our State's general fund. If this \$5.5 million had been used our State would have secured an additional \$24.4 million in Federal aid to help the poor people of our State, the poorest of any State in the country.

As representatives of a cross section of our community, and as advocates of the poor we feel we must bring this concern of ours to you because we believe this action by our State evidences once again, the need for Federal control of our State's administration of federally funded programs.

While over half of our State's population falls below the poverty level set by the U.S. Office of Economic Opportunity, and while only 14 percent of the poor are receiving cash payments under the federally funded programs in our State, our State welfare department has seen fit to turn away moneys which would have benefited those people they are supposed to serve.

Our elected officials complain that we are too poor a State to afford costly welfare programs to aid our less fortunate neighbors yet, in truth, our State stands more to gain economically when our neighbors are given a helping hand. For example, the sales taxes from welfare and medicaid expenditures, with normal turnover rates in the community, produce more revenue for the State than the original appropriations voted by our State legislature.

Black and poor people in Mississippi have long understood the inadequate welfare system here as a way to force migration to the North. The 1970 census shows that we were the only State in our region to lose population since 1960. Our college graduates within 5 years after completing school leave our State in ever increasing numbers for lack of opportunities here.

Because of an alleged shortage of funds our State legislature excluded the mothers of welfare children from receiving medicaid benefits; unemployed parents are excluded from receiving public assistance, as are children over 18 or those living with someone other than a relative. Poor people eligible to receive Federal food stamps who are not welfare recipients are excluded from medicaid. The list of the excluded is long. The list of the excluded benefits which this State could provide under the Social Security Act and amendments is even longer.

Little protest has come from the people because no mention of this incident has appeared in the Jackson newspapers, TV or radio stations. The Memphis Commercial Appeal reported this story August 22 but as of today, August 25, not one mention of the story has appeared in the local media. The local media tends to "serve" our State government by not running "embarrassing" stories until the State agencies in question have had time to work out their own sanitized interpretations presented as "the news."

The board of directors, Community Services Association, Jackson, Miss., 123 E. Griffith Street, (601) 352-0888.

THE NATIONAL ASSEMBLY FOR SOCIAL POLICY AND DEVELOPMENT, INC.,
New York, N.Y., August 17, 1970.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR: I am writing on behalf of The National Assembly for Social Policy and Development, Inc. The National Assembly is a voluntary non-profit association of individuals and organizations whose aim is to develop and

promote policies and programs essential to the social health and unity of our nation. This statement is prepared upon the authority of the Executive Committee acting on previous decisions of The National Assembly. We appreciate this opportunity to present our observations on H.R. 16311.

The National Assembly believes in the necessity for change and reform in our country's welfare system. The National Assembly deplors the unconscionable gap between current levels of assistance and the poverty level, the inequities in standards among the states, and the exclusion from 91 of many who need it.

The National Assembly has a distinguished Task Force which is working to prepare long term recommendations on a broad range of income maintenance policies and programs. Meanwhile, The National Assembly has analyzed H.R. 16311 and wishes to submit this working paper to the Committee for its consideration in reviewing this complex piece of legislation.

As a result of this analysis the following aspects of H.R. 16311 are favorably regarded and therefore supported :

1. Inclusion in the plan of all needy families with children, including those with a working father.
2. Full Federal financing of minimum payments on a nationwide basis.
3. Higher earning exemptions as an added incentive to employment.
4. Increased provision of training, child care and other services related to employment.
5. Additional Federal expenditures, estimated at over \$4 billion for first year of operation.

The following aspects of H.R. 16311 are regarded as retrogressive, and therefore, not supported :

1. Splitting the money payment for families between a limited Federal program and a weakened state supplementary program. Ninety percent of the present case load would be dependent on the state programs which perpetuate present inequities among the states and between families headed by a mother and those with an able-bodied father in the home.
2. More arbitrary work requirements, especially for mothers of school age children. This negates the values of a mother's work in her own home and her own best judgment regarding the needs of her children.
3. Fixing benefits at levels which are wholly inadequate even in present dollars terms but include no measures of upward adjustments to move toward adequacy, more equitable treatment among the states, or adjustment to changing price levels.
4. Inequitable treatment among groups in similar economic situations, especially childless couples or individuals and families with an able-bodied male in the home.
5. Families receiving FAP and state supplementary benefits would be subject to wider forms of bureaucratic (and potentially discriminatory) controls than before. These include: Open authority for third-party payments, unlimited garnishee authority on Federal entitlements of deserting fathers (including social security) without usual due process protections, and unlimited responsibility on step-fathers.
6. Complex administrative arrangements which divide certain responsibilities among various public agencies at Federal, state and local levels. Such arrangements increase paperwork, place obstacles in the way of speedy disposition of cases, and become in effect instruments of control over recipients.

It may be helpful to the Committee if we state those principles which The National Assembly endorses and against which it believes any proposed welfare reform should be measured.

1. Structural reform is no substitute for adequacy of financing sufficient to improve the situation of all those who depend upon it.
2. The level of minimum income assurances should be adequate in relationship to cost of living estimates; the Federal plan should be raised to the poverty level, either immediately or through a series of projected transitional stages.
3. Transitional stages must be such as to (a) strengthen Federal standards, (b) project the higher level of payment while raising the lower, and (c) maintain the level of state expenditures necessary to achieve these ends.
4. Benefits in kind and services extended to those aided by the plan should not be used to reduce assistance levels.
5. Welfare reform should be such as to move toward greater inclusiveness and away from categorical distinctions.

6. The legal and constitutional rights of the recipient should be fully protected.

7. No improvements in the public welfare system should be such as to reduce the effectiveness of measures to prevent need or obscure the urgency of steps for their improvement.

The National Assembly believes that the proposed legislation has produced a dilemma for many organizations, which may account in part for the absence of unqualified organizational support for H.R. 16311. Weighing the desirable and regressive features of a measure as complex in its structural, financial, administrative and human provisions as H.R. 16311 produces serious conflicts in values. For example, do the inclusion of earning fathers and the concept of underpinning Federal financing (two major and important new provisions in any welfare reform) outweigh inequitable treatment among groups in similar economic situations, either among the several states, or as between needy families with children and childless couples or individuals? Should the fact that the proposed legislation is adequate for the relief of poverty both in terms of benefit levels and coverage take precedence over the fact that the principles of Federal responsibility has been established.

The National Assembly commends the Administration and the Congress for efforts to introduce needed changes into the public welfare system. It urges the Committee to modify H.R. 16311 in ways that will reduce the inconsistencies it presents.

Sincerely yours,

LEONARD S. SILK, *President.*

STATEMENT OF THE AMERICAN RETAIL FEDERATION

This statement is presented in behalf of the 28 national retail associations of retailers comprising the American Retail Federation. Through its association membership, the Federation represents approximately 800,000 retail establishments of all types and sizes.

General statement

Welfare programs are designed to assist those who are unable to help themselves and also to promote eventual self-reliance and independence among those who are able to help themselves. Rather than furthering these objectives, current welfare programs have had a demoralizing and debilitating effect on welfare recipients. Work incentives under current programs are too weak and to build their own self-esteem. In addition, these programs have grown increasingly more expensive to operate. It is clear that greater and greater appropriations for the present system will only perpetuate the problem. An intelligent innovation is needed to lead us out of this morass.

To solve this problem, the Federation supports welfare reforms which provide basic benefits to low-income families with children and which also provide incentives for employment and training to improve the capacity for employment of members of such families. However, any income supplement should be reasonable in amount and tied to a meaningful work program. The Federation also supports welfare reforms which would achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs.

Therefore, the Federation supports the concept embodied in the Family Assistance Act of 1970 (H.R. 16311), while, at the same time, recognizing that certain sections of the bill need clarification and strengthening.

The failure of the welfare system

In this decade alone, total costs for the four federally aided welfare programs (Aid to Families with Dependent Children, Aid to the Aged, Aid to the Blind and Aid to the Disabled) have more than doubled, to a level estimated in 1970 at about \$6.6 billion. In the Aid for Families with Dependent Children program (AFDC), costs have more than tripled since 1960 (to almost \$4 billion annually at the present time) and the number of recipients has more than doubled (to some 7.1 million persons in November 1969). Since the President first proposed the Family Assistance Plan in August of last year, another million people have been added to the AFDC rolls. Even more disturbing is the fact that the proportion of children on AFDC is growing. In the 15 years since 1955, the proportion of children in the nation receiving assistance has doubled—from 3 children per 1,000 to about 60 per 1,000 at present.

Prospects for the future show no likelihood for relief from the present upward spiral. If present trends continue, AFDC costs will almost double again by fiscal year 1975, and caseloads will increase by 50 to 60 percent. Yet, despite these crushing costs, benefits remain below adequate levels in most states.

The present AFDC program is in a crisis because of four characteristics:

First, it is characterized by unjustifiable discrepancies between states. It is not one welfare system but 50 different systems with no national standards for benefit levels. AFDC payments now vary from an average of \$46 per month for a family of four in one state to \$265 for such a family in another state in another part of the country. These gross disparities are aggravated by complicated state by state variations in criteria for eligibility and methods of administration.

Second, under the current system the Federal government has no control over the allocation of Federal resources. Each state establishes its own benefit levels and the Federal Government has an open-ended obligation to provide matching funds for these benefits. The result is not only a potentially unmanageable drain on Federal resources, but the creation of a system in which the Federal Government discriminates sharply in its treatment of equally needy families in different states.

Third, AFDC is inequitable in its treatment of male-headed families as opposed to those headed by a female. While needy female-headed families are eligible for AFDC, in no state is an intact male-headed family, where the father is working full-time, eligible for federally aided assistance.

Lastly, our present welfare policy is unfair to the working poor. Without regard to their financial need, it rules them ineligible to receive assistance just because they are working full-time.

Benefit levels

Under the provisions of H.R. 16311, the basic FAP benefit is \$1,000 per year for a family of four with no other income. This basic benefit is supplemented by exclusion of the value of food stamps (\$864 for a family of four with the basic FAP income of \$1,600).

The Department of Health, Education, and Welfare estimates the first-year cost of the program at \$4.1 billion. Some assert that the cost of the program will reach a much higher figure. Others demand benefit levels many thousands of dollars higher. As with any new program, cost factors can only be estimated. On the other hand, unreasonable benefit levels would seriously hamper the federal budgetary process and hinder the fight against inflation.

Important and far-reaching social legislation requires the balancing of the risks against the social need. Both those who would oppose adoption of any benefit level and those who would impose drastically higher benefit levels undermine this balancing process. In a desperate social gamble, they would give us no program at all, or too much of a program. Recognizing these crucial factors, the Federation supports the benefit levels provided for in the House-passed bill, as a significant contribution toward elimination of poverty in the United States.

Coverage

H.R. 16311 limits payments to families and makes no provision for childless couples or single persons. It extends present coverage to families headed by full-time employed males. According to the administration, FAP will cover 20 million persons in 1971, compared to 6.7 million currently on AFDC rolls. The Federation opposes any further extension of coverage to single or childless couples, because this would add 4.5 million beneficiaries at a cost of \$1 billion.

Work requirements and incentives

The most important aspect of this welfare reform proposal is the work requirements and the work incentives. As pointed out before, there is little or no incentive for a welfare family to become a workfare family.

The family resistance plan contains a requirement to register for work and incentives to accept training and employment. Broadly speaking, if a person fails to register for work, he will not receive benefits; and if he refuses a job or training, his benefits will be cancelled. Certain defined groups would be exempted from the registration requirement.

Critics of the FAP claim that the employment incentive approach will not work, citing the WIN program as an example. Under the WIN program a great deal of discretionary power was put in the hands of state social workers to define who was appropriate for referral to manpower training programs and employment.

These wide discretionary powers must be completely eliminated by strictly enforcing the explicit guidelines on exemptions from the registration requirements contained in H.R. 16311. In addition, once a person has registered with the employment service, an individual employability plan should be worked out specifying what steps are necessary to insure permanent attachment to the labor force. A team of specialists should also be responsible for the follow-through on the plan. Above all, it is important that the Secretary of Labor and the Congress continuously monitor the programs to determine if they are achieving their intended objectives within the prescribed budget allocation. If practicable, the administration should consider setting up pilot projects to measure the effectiveness of the program before a full scale commitment is made.

SUMMARY

The American Retail Federation supports the concepts embodied in H.R. 16311. However, benefit levels should be reasonable in amount and tied to a strong work requirement and incentive program. The operation of the work requirement and incentive program should be monitored by the Secretary of Labor and the Congress to insure their effectiveness. If possible, pilot projects should be set up to eliminate problem areas.

NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.,
NORTH CENTRAL OHIO CHAPTER,
August 7, 1970.

Senator RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: We are writing to you in behalf of the North Central Ohio Chapter of the National Association of Social Workers regarding the proposed Family Assistance Plan, H.R. 16311 (Revised). We have carefully examined the committee print of this bill and have a number of criticisms regarding what we consider to be, the inadequacies of the present Family Assistance Proposal.

There are six issues which we consider to be of primary importance in regard to H.R. 16311 (Revised) and they are as follows:

1. ADEQUACY OF BENEFIT LEVEL

FAP provision

For families with children and no income, the Federal Benefit level is \$500 a year for the first two members and \$300 a year for each additional member. For a family of four this is a \$1600 maximum Federal benefit. There is no provision in the Bill as to how or when a more adequate amount will be achieved.

Our position

Adequate income maintenance, A.I.M., is a total Association program with "adequate" being set at the moderate budget level used by the Bureau of Labor Statistics, reflecting what it actually costs to live and periodically adjusted to cost changes. We favor July 4, 1976 the 200th Anniversary of this country as the date to achieve this basic right for all citizens.

2. ADMINISTRATIVE EFFICIENCY AND SIMPLICITY

FAP provision

Three options are possible. The Secretary of HEW may sign an agreement with each State for the Federal Government to administer the entire program plus some other Welfare functions now run by States or localities.

Or the Secretary may sign an agreement with each State for the State where applicable the localities), to administer the entire program.

Our position

We advocate a single system, Federally administered and fully Federally funded. This is the most simple and efficient method for the client, the Administrator, the economy. True reform of the Welfare system is only possible when the complexity, inequity, and inadequacy of the present local initiative with local decision authority is replaced by a unitary Federal Administration.

Or in the absence of such agreements the Federal Government will administer the Federal program, and the State will run its own program in concurrent efforts. Incentives are offered to the States if they elect Federal Administration.

The value of this NASW approach is clearly implied by the FAP proposal but there is no assurance or mandate that this Federal Administration will occur.

3. MAXIMIZATION OF INDIVIDUAL FREEDOM—AND THE QUESTION OF "SUITABLE EMPLOYMENT"

FAP provision

With certain exceptions (student, age, incapacity, caretaker) recipients are required to register for work (including those now "working poor") and required to accept training, rehabilitation, or employment. By refusal the family loses the first member grant (\$500). The program is to be run by the Department of Labor through the State employment service. Jobs offered to recipients cannot be refused on the basis of skills or prior experience unless the Secretary of Labor is satisfied that such a job actually exists in the community and that the recipient has not had adequate opportunity to obtain it. This language was changed from previous wording defining the "suitability" of employment.

Our position

We support a National Manpower Policy which provides employment opportunities for each person who on his initiative, is willing and able to work, to have full employment assured by job development in the public service sector. We also support the concept of the Government as the "employer of the first instance" for youth and other new entrants to the world of work. Any questions or problems about employment belong in manpower legislation, which we believe must be entirely separate from a needs program such as Welfare or Income Maintenance. The "suitability" language of this FAP provision is unacceptable and can only lead to abuse and human exploitation.

4. UNIVERSITY AND RIGHT TO SERVICE

Individual and family service provision

Services are provided free for those persons who have an income below the poverty line. For those whose income is above this level, for those services for which there is a charge, they must pay on a sliding scale. However, in any area (geographic) no more than 10% of the Federal funds allocated to that area may be spent on such services to individuals or families with incomes above the poverty line.

Our position

We support a universally available quality system in the public sector available to all who request or require service to receive such promptly as a matter of right unrelated to ability to pay. Any program which establishes a "means test" for services, especially at the poverty line will inevitably be subject to the stigma and isolation that is characteristic of services to "the pool" in this society.

5. ADEQUACY OF FUNDING

Individual and family service provisions

The entire social services part has a closed-end authorization. For the basic grants the amount is the same as the FY 1971 expenditure. (The appropriation for FY 1971 has not been made by Congress. The Nixon Administration has requested a 10% increase over estimates for FY 1970. With the inflationary pressures this 10% represents almost no increase.) The basic grant then

Our position

We resist the move to establish a closed-end to the services authorization because we believe that people have a right to services on an "as needed" basis just as fully as people have a right to adequate income on an assured basis. NASW testified before the House and Senate in opposition to the 10% ceiling in the FY 1971 Budget request. At that time we pointed out that it is a most

calls for a 10% set-aside for the Secretary of HEW to use for contacts in the area of evaluation, monitoring, training, research, and demonstration. Such use would be restricted to one-half these funds. The other half is to go to Government officials at all levels to improve Administration, coordination, training and performance. Regardless of Congressional action on appropriation, States will be held in their basic grants to the same ratio they now have of total funds. Any appropriation excess would be allocated in relation to degree of poverty in the State, or in the case of funds for children to the number of children in the State.

A second authorization is made for \$50 million to go to those States which have been spending less than the National average for their services programs. These funds (which the Administration says it intends to ask for over three more years—total 200—) are for "equalization."

A third authorization is for \$150 million for foster care and adoptions. For the first time the Federal Government will pay 100% of the first \$300 annually for costs of each child placed in foster care.

Finally there is authorization for \$1 million for a National Information Exchange on children needing adoption, and potential adoptive parents seeking children.

The aggregate authorization is not stated in the Bill but a close estimate would be \$810 million. It should be kept in mind that this is a request for funds and in the current fiscal situation some cut-back could be reasonably prepared for.

6. MANPOWER AND SERVICE DEVELOPMENT COMPONENT

Individual and family service provision

In those few sections of the Bill pertinent (in Titles I, II, III) the designation of manpower, the only personnel specifically mentioned to carry out the Family Assistance, the Adult, and the Social Services programs are: (a) "Employment of recipients of supplementary payments and other persons of low income" and (b) the use of non-paid or partially paid volunteers in a social service volunteer program."

In those portions of the Bill dealing with funds available for education, training, or staff development necessary to insure the capacity to provide and

inauspicious time to alter the open-end arrangement since there is every evidence that the initial steps to separate money payments from social services is just now beginning to pay off. By freeing time of professional people from paperwork to begin to serve people has shown an increased quality and demand for service. The FAP program will more than double the number of people that public policy is trying to assist to a level of self-sufficiency and economic and social participation. Such an "income strategy" must have an equal capability in the national "service strategy." To so arbitrarily restrict funds for service at a time when the income strategy is being expanded is to severely handicap both programs. Goals should be set for each and goals can be achieved in each if we leave ourselves open to develop the human capabilities by providing the adequacy of funds to accomplish this.

Our position

The subject of manpower was acted upon by the 1969 Delegate Assembly to revise the proposal of NASW to include responsibility for manpower planning and development for the range of personnel—professional, technical and supporting—needed in the provision of such services. The manpower provisions of H.R. 16311 do not contain a broad enough range of personnel nor an assured continuum of competence. The use of recipients and of volunteers are both important manpower sources, but for the most effective use and development of all manpower there must be a range

improve services, there is a lack of clarity and specificity as to amounts or allocations for the range of education and training programs required.

of personnel from volunteers, technical and professional sources. The funds for all levels of education must be assured for proper planning and program development, hence the necessity for adequate amounts, clearly identifiable.

We are aware that these criticisms are shared by our total national organization. Our organization represents fifty thousand professional social workers and their clients, many of whom will be directly effected by the critical issues that we have enumerated above.

Your careful consideration of these issues will be greatly appreciated.

Sincerely yours,

WILLIAM F. WALRAVEN,
President,

Educational and Legislative Action Network—14th District.

ARMAND OCCHETTI, ACSW.

JACK BADER.

(The following communication with attachment was forwarded to the Committee by Hon. Robert H. Mollohan, a U.S. Representative in Congress from the State of West Virginia :)

WHEELING, W. VA., June 1, 1970.

Congressman ROBERT H. MOLLOHAN,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MOLLOHAN: I am concerned about several million American citizens who have been more or less forgotten but who are in need of attention. I am referring to our older citizens who are in need of protection because they are so incapacitated that they cannot—even with supportive help—care for themselves or manage their affairs sufficiently well to prevent the likelihood of danger to themselves or others.

I have formulated some definite opinions and recommendations based on the belief that all people have a fundamental right to live their own lives. In recognition of this right for older people, I see the goal of protection as building on what capacity the person has for functioning to help him remain in the community as long as he gains more gratification than pain from doing so. Present legislation seems to have as its goal the removal of the older incapacitated person from the eyes of the community through some kind of placement, and I believe this to be unjust. However, I do recognize the need to make decisions for individuals and to conduct their affairs to the extent that they are truly unable to do so for themselves.

After giving the matter considerable study, I believe that the biggest boon to the whole area of protective services for older people would be national legislation which would, hopefully, influence state legislation to include the following.

(1) Provision for requiring state public welfare agencies to accept responsibility for all older individuals requiring protective services and to directly provide or pay for these services when the individuals are without funds. Coupled with this responsibility should be authority to act immediately when recourse to court orders is not possible, authority for the agencies' staff to petition for appointment of a guardian of the property or the person, or both (including the agency itself as guardian when appropriate), and for commitment to a public or private facility or any other service authorized by law.

(2) The development of alternatives to mental hospitals for the care and supervision of older people together with flexibility to allow for easy transfer from one facility or service to another, as indicated.

(3) A clear definition of the group affected by the law and a statement that the need for intervention must be based on the individual's inability to perform acts that are necessary for conducting his own affairs, rather than any other criteria, such as a psychiatric diagnosis. The law should be flexible enough to allow the agency to legally intervene only as much as is necessary. Likewise, the law should provide for taking away only the rights that the person is incapable

of exercising for himself. Recognition of the capacity to regain capabilities and provision for the return of control and rights should also be present.

(4) Separation of guardianship and commitment laws and procedures for older adults from those of minors, decedents, and incompetents in recognition of the uniquely different problems presented by older incapacitated people.

(5) Screening facilities with sufficient time and personnel to facilitate appropriate assessments and development of adequate plans.

(6) Provision for periodic reassessment of the need for the protective facility or service and regular review of discretionary acts exercised by the representatives of the facility or service.

(7) Provision for termination of guardianship, commitment, or other protective service and full restoration of all civil rights which may be initiated by the individual or by a third party.

(8) Provision of legal counsel in all proceedings. Impounding of court records and private hearings to insure confidentiality.

(9) Provision for voluntary fiduciary guardianship and/or other services to avoid the necessity of planning in crisis situations.

My nine points are certainly not exhaustive of the possibilities for this type of legislation, but they are a beginning. In keeping with your past support of social legislation, I implore you to introduce appropriate legislation on behalf of these almost forgotten Americans.

Very sincerely yours,

RONALD C. JOHNSON, M.S.W.

Wheeling, W. Va., July 15, 1970.

HON. ROBERT H. MOLLOHAN,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MOLLOHAN: Thank you for your letter of July 9 and the materials you have sent me thus far.

I sent my proposals to Congressman Williams and received only a brief form letter in reply; therefore, I was particularly happy to have the comments which he sent to you. I have not yet formulated all my comments on his letter, but I will be writing to you in this regard in the near future. I would welcome a copy of the hearings being conducted on the "Constitutional Rights of the Mentally Ill" when they have been concluded.

Regarding Title XX recommended by DHEW as part of the Family Assistance Act of 1970, I feel that as long as protective services for the elderly are entirely optional to states, the legislation would be inadequate. From studying the very sketchy proposal, it is my impression that they are proposing, in effect, the same legislation we currently have—that states can offer protective services to the extent they desire.

I wonder how much support you have received from other constituents regarding the introduction of a bill to protect older people.

I enjoyed reading Mr. Martin's position paper entitled *Protective Services*. It was gratifying to learn that the goals of a man in his position with regard to older people are so identical to my own. As I read his paper, I kept wondering from what profession he emerged. Of course, I agree with him that the provision of protective services to elderly people is an extremely complex business (p. 4) and that the help of several professions is needed. Therefore, I hasten to add to his list the social worker; because I know that professionally educated social workers can contribute enormously to "a diagnostic and evaluative review of the client's situation" (p. 10) as well as to the delivery of ameliorative services. The social worker of today is not merely the handmaiden of other professionals so much for my bias. I wholeheartedly support what he proposes, and I particularly support the idea of responsible retired people acting as conservators (p. 11).

I have taken the liberty of enclosing a copy of an eight-page handout on poverty and welfare which I recently prepared for use with various groups in bringing the facts about welfare to the attention of the public. I would welcome any comments you may have.

Best wishes.

Very sincerely yours,

RONALD C. JOHNSTON, M.S.W.

Enclosure.

POVERTY AND WELFARE FACT SHEET¹

(Prepared by Ronald C. Johnston, M.S.W.)

Poverty is defined as less than \$1,500 annual income for an individual and less than \$3,740 annual income for a family of four.

Of approximately 200 million Americans, 35 million of them live in poverty. (20% of American families and 45% of unrelated individuals.)

Seventy percent of the poor are white.

The majority of the poor are urban dwellers.

Who are the poor?

33% are children.

25% are aged.

6% are unemployed fathers (able-bodied).

36% are disabled or mothers of dependent children.

Twenty-nine percent of the 35 million poor have ever received public assistance (3% of total population).

Who are the people on welfare?

Over 95% of all recipients are not capable of self-support because of old age, disability blindness or child care responsibilities. Only 7% are able-bodied fathers but they have little education and are unskilled.

There are more unskilled job seekers than there are jobs for them.

The people on welfare are as honest as other people. A purge of the welfare rolls in Phoenix, Arizona revealed that only 2% deliberately cheated. Other studies estimate the incidence of fraud as high as 16%. Compare this to IRS fraud cases in 1959:

Group:	Cheaters (percent)
Farmers, small business, professionals (including doctors and lawyers)	28
Receivers of interest	34
Wage and salary earners	3
Receivers of dividends	8
Receivers of pensions and annuities	29

Fraud investigations uncover *more underpayments* than overpayments or ineligible cases.

More than 30% of all welfare mothers in the United States go to work on low paying jobs despite the fact that this income is deducted from their checks.

Can a family live comfortably on a welfare budget? Judge for yourself.

Monthly assistance for a family of four:

Alabama	\$89
Connecticut	307
Kentucky	187
Mississippi—low	55
New Jersey—high ²	332
New York	278
Pennsylvania	213
West Virginia	138

² One state is \$244 above the poverty level. All others are below that level.

Only 25% of all children on welfare are illegitimate. Only one in five of all *reported* illegitimate children in the nation receives welfare.

Payments for an additional child averages \$15 per month. Other family members are even more deprived.

Ten percent of welfare costs is for administration.

People are not dependent because of welfare payments; they are dependent because of poor health, old age, no market for their labor, desertion of a mate, repeated failure, or other problem.

Welfare is a measure of stability. A government study shows that persons receiving welfare have a better chance of "making it" than needy persons without welfare.

Increased welfare rolls reflect the increase in the relative number of old people and children in the population.

¹ The original sources of all figures are governmental agencies.

Among the very poor, only one family in six owns a car. It is many times a necessity, depending on where one lives.

A few do not manage their money well. The poor are not alone in this. Can we expect the majority to wait while others become more "deserving" before any can have enough to live on?

A share of the nation's abundance is a right to citizens of a country which can no longer provide a homestead or a job for every citizen who needs one, yet is experiencing an affluence previously unknown to the world!

Ten million people go hungry every day in the United States, one of the world's most affluent nations.

The Food Stamp Program requires a relatively large outlay of cash in order to receive stamps.

The top 10% of producers of farm products (many large corporations) receive 54.5% of all farm subsidy payments, while 42.7% of the nation's farmers with income of less than \$2,500 annually receive 4.5% of the subsidies.

In the last ten years, the federal government has paid \$55 billion to land-owners for keeping acreage out of production. In the same period, \$25 billion has been spent on public assistance.

Can we afford to eradicate poverty? Not without *changing our national priorities*. Of a \$195 billion budget in 1970, a little over \$5 billion was appropriated for public assistance.

The percentage of aggregate personal income spent on public assistance declined from 1% to .7% from 1960 to 1965. We must be willing to tax ourselves sufficiently to eliminate poverty (and to reorganize our priorities).

LOVE must show itself in ACTION.

—I John 3:16-19, NEB.

FAMILY ASSISTANCE ACT OF 1970 (H.R. 16311)

The Family Assistance Act of 1970 establishes the principle of Federal responsibility for a national minimum income maintenance payment; uniform nationwide eligibility requirements and payment procedures and incentives for federal administration of the financial assistance programs.

"First, it combines powerful work requirements and work incentive for employable recipients."

(a) Working poor (underemployed) would be eligible for family assistance.

(b) Income exemptions:

- (1) All earnings of a child if regularly attending school;
- (2) Infrequently or irregularly received amounts of earned or unearned income, but not more than \$30 a quarter for each type;
- (3) Earnings needed to pay for necessary child care;
- (4) All earned income of adult members of the family at the rate of \$720 per year plus one-half of the remainder.¹
- (5) Food stamps and other public or private charity (not including VA
- (6) The training allowance for those in training;
- (7) The tuition part of scholarships and fellowships; or
- (8) Homegrown and used produce.

(c) Each member of a family would be required to register for employment or training with a public employment office unless he or she is

- (1) Unable to engage in work or training because of illness, disability or age;
- (2) A mother caring for a child under six;
- (3) The mother in cases in which the father registers;
- (4) Caring for an ill member of the household; or
- (5) A child under 16 or under 21, if in school.

"Second, the family assistance plan treats male and female-headed families equally. All families with children, whether headed by a male or female, will receive benefits if family income and resources are below the national eligibility levels. No longer would an unemployed father have to leave home for his family to qualify for benefits."

"Third, the program establishes national minimum payment and national eligibility standards and methods of administration."

¹ A family of four could earn \$3,920 annually and still get some amount of assistance (benefits).

- (a) National income floor with needy children
 \$500 per year for each of the first two family members;
 \$300 per year for each additional family member;
 Allowable resources \$1,500.
- (b) National income floor for aged, blind and disabled adults: \$110 per month;
 i.e. a couple \$2,640 per year, one person \$1,320.
- (c) State Supplementation of FAP.

Each state whose AFDC payment level in January, 1970 is higher than the FAP level must agree to supplement the family assistance payment up to that level or up to the poverty level, if that is lower, in order to be eligible for federal funds under Medicaid and other welfare programs. Federal matching would be available, except for the working poor, at a rate of 30%. The matching maximums would be the poverty level now in effect, but brought up to date annually by the Secretary of HEW to reflect increased living costs.

Amount of supplementary payments: The states would be required to follow the rules that apply under the FAP in computing payments except that special rules would apply in disregarding earned income for purposes of the supplementary payment.

Supplementary earned income exemptions: First \$720 plus (1) one-third of the earnings between \$720 and twice the amount of the FAP payment which would be payable if the family had no income, plus (2) one-fifth of any earnings above that amount.

(d) Administration: the bill provided three alternative administrative arrangements.

(1) Federal government may administer both the Family Assistance Plan and the State Supplementary Program.

(2) State government may administer both the FAP and the Supplementary.

(3) Federal government administers the FAP; the State government administers the supplement.

In the arrangement (1) the Federal government would pay all administrative costs. The arrangement (2) and (3) the Federal government will pay all the cost of FAP and the Federal and State governments will share equally the administrative costs of the supplement.

"Fourth, the plan includes over \$600 million for a major expansion of training and day care opportunities."

(a) Training Program—A completely new program, administered by the Secretary of Labor—225,000 slots over present WIN slots 90% federally funded.

(b) Day Care—450,000 slots: 300,000 school age at \$400 per child per year, 150,000 preschool at \$1,600 per child per year, 100% federal funding.

"Fifth, the family assistance plan provides major fiscal relief for the states."

The bill provides that for two fiscal years after the year in which the supplementary payment provisions become effective the federal government would meet the excess of non-federal expense made necessary by the bill over what the non-federal expense would have been under present law.

Effective Date

The provisions of the bill (except for authorization for money to support child care projects which would be effective upon enactment) would be effective on July 1, 1971, with special provisions for states with statutes that would prevent them from complying with the bill at that time.

SUGGESTED REVISIONS IN THE FAMILY ASSISTANCE ACT OF 1970 (H.R. 16311)

This Bill has *passed* the House of Representatives.

In order to effect change at this point, write or contact your senator *TODAY!*

The following are suggestions for revision:

- (1) The proposed annual base of \$1,600 for a family of four is totally inadequate considering that the poverty level is set by the Social Security Administration at \$3,740 and the Bureau of Labor Statistics sets what they call a "minimal" income for a family of four at nearly \$8,000 (\$5,915) annually. This means that many families without employable members will receive only \$1,600 annually. The minimum level should be set *at least* at the poverty level and be revised yearly.

(2) A major weakness is that no provision is made for several million single adults and childless couples under 65 who are poor but not disabled. Those people lack skills and may be termed socially unemployable.

(3) Work requirements make assistance more a subsidy to low-paying and seasonal industries than a subsidy to families. Remember, we have a national economic policy which requires that there be a certain percentage of unemployment. Also, the demand for unskilled employees decreases every year.

A specific recommendation is that no single-parent family be under a requirement to work—that each be given the choice of working or staying at home, as in two parent families.

(4) Also, for clients who do work, there should be federal wage safeguards established by law so that the program does not subsidize employment or allow the incidence of underemployment to increase.

(5) Regarding training for employment, such training should be given only with the assurance that the training is related to the local employment market and that a *meaningful* job will be available on completion of training. When sufficient jobs that pay an adequate wage are not available in the private sector of the economy, the public sector should be obligated to provide such jobs to all who are willing and able to work, thereby implementing the Full Employment Policy adopted by Congress in 1946.

(6) A comprehensive, inclusive health care program is very essential to the maintenance of family incomes.

WHAT CAN YOU DO?

(1) Contact your Senator *TODAY!*

He cares what you think. Ask him to amend the Family Assistance Act.

(2) West Virginians!—contact your state legislator and ask him to propose that enough state money be allocated to get federal funds to pay welfare clients 100% of the *minimum standard for health and decency* established by the Department of Welfare. Clients now receive 52% of this *minimum* need.

Number in household	100 percent of need	52 percent of need ¹
1.....	\$146	\$76
2.....	186	97
3.....	231	120
4.....	265	138
5.....	305	159
6.....	333	173
7.....	378	182
10 or more.....	494	182

¹ Client receives this amount monthly.

² Maximum in West Virginia.

The federal government pays 75% of welfare payments—they would pay 75% of the *increase!*

(3) Tell others the facts and ask them to *Do* something. Talk to groups or individuals—especially influential people.

(4) Apply for a summer job with the Department of Welfare, if you are a college student. Get some first-hand experience.

(5) Volunteer your time to the Department of Welfare or other agency working with the poor. (This should be individual rather than group responsibility.)

(6) Treat the poor people whom you already know with dignity—as you would have them treat you.

(7) Love others—including *the poor*.

(8) Contact your local National Welfare Rights Organization and tell them you want to help the poor. Get to know them and introduce them into your church and other groups—so they can tell their story and seek support in affecting welfare legislation.

(9) Tell your congressman that an annual limit of \$10,000 should be set on farm subsidies for each farm.

UNIVERSITY OF DENVER,
THE GRADUATE SCHOOL OF SOCIAL WORK,
University Park, Denver, Colo., March 19, 1970.

HON. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate Building,
Washington, D.C.

DEAR SENATOR LONG: I want to call your attention to an item on Page 172 of the Appendix to the Budget, Fiscal Year 1971, which reads as follows:

"None of the funds contained in this title may be used for payments to any State for fiscal year 1971 for services, staff training and administrative expenses . . . which, in the aggregate, exceed 110 percent of the aggregate amount estimated for these purposes for such State for fiscal year 1970, except where the (Department of Health, Education, and Welfare) Secretary determines that such a limitation would impair in a significant way the effective operation of the program involved."

In previous years the services, staff training and administrative expenses have always been financed on an "open ended" basis. Every effort needs to be made to continue them on this basis because the 10 percent is totally inadequate, not only in terms of meeting spiraling costs, but the state departments of public welfare would not be able to expand their programs in order to implement the President's Public Welfare Bill. We do not know what additional costs will be involved, but at least the appropriation in these areas should stay on an open-ended basis until the Research Staff in H.E.W. could produce more accurate information concerning projected costs based upon a two or three year period of experience under the new Public Welfare Act.

The role of the social services is not a part of the current bill, but are to be incorporated into a subsequent social service bill. Without the social services to help parents to cope better with such problems as inadequate day care of children, school drop-outs, physical and emotional health problems, illegitimacy, neglected children, abused or beaten up children, delinquency, crime, drug addiction, alcoholism, immorality, desertion, non-support, etc., we might find within a year or so that there has been a substantial acceleration of these problems under the new program.

I wish that I had the secretarial staff to send each member of your Committee a copy of this letter, but if you think that my comments should be considered, I will appreciate it very much if you would read this letter to the members of your Committee when it is in session.

Yours most sincerely,

E. M. SUNLEY, ACSW, Dean.

TESTIMONY BY THE KENTUCKY ASSOCIATION FOR OLDER PERSONS, DRAFTED BY
DAVID L. BATZKA, KAOP BOARD MEMBER, DIRECTOR OF KENTUCKY INTER-FAITH
AGING PROJECT

The *Number One* problem for people over 65 is the lack of adequate income. Nearly 30% of those over 65 (3 out of 10 people) are officially classified as poor by the Social Security Administration. Many of these people did not become poor until they retired.

The poverty and living conditions of rural and urban people have been well documented over the years. However, little is stated concerning the truly "forgotten American": the over two million persons over 65 receiving a small old age assistance (OAA) check each month. The average payment per month in Kentucky for over 64,000 persons is \$53.75 and in the nation \$71.35 per month. The proportion of population per 1,000 people over 65 in Kentucky is 191. Eastern Kentucky (49 Appalachia counties) is 355 and all the United States is 100 receiving OAA payments.

We commend, in principle, the Congress for placing a minimum income level for older people. However, we recommend the following additional changes in H.R. 16811 Title II—Aid to the Aged, Blind, and Disabled:

(1) Provide a minimum income level for the single living unit at \$160 per month.

(2) "Earned income" shall include Old-Age Survivors and Disability Insurance (OASDI) benefits.

(3) Sec. 1603, 5 and 6, the word State agency "may" disregard changed to State agency "shall" disregard.

The reasons for the above necessary changes are simple. First, the most disadvantaged group is women who are widows living in their own homes. Secondly, the older person who receives a small OASDI benefit has it included as income in his total OAA payment.

I. WHY SHOULD THERE BE A SPECIAL MINIMUM INCOME LEVEL FOR THE SINGLE LIVING UNIT AT \$100. PER MONTH IN THE ADULT CATEGORY?

The Task Force on "Economics of Aging Toward a Full Share in Abundance" for the Special Committee on Aging of the United States Senate spotlighted the special economic problems of widows:

"Six in ten widows and other aged women living alone are below the SSA poverty line. More of the aged in the future will be women, and most of these women will be widows. Women 65 and older already outnumber men by a ratio of 134 to 100 and this disproportion is expected to rise to 150 to 100 by 1985."¹

Nearly two-thirds of the aged are women who receive OAA payments. Out of the 2,119,254 old-age recipients in the United States in 1965, 68.4% were female (1,449,090) and 31.6% were male (670,123).² In Kentucky 70.8% of the females were over 72 years old and in the United States 72.5% of the females were over 72 years old.

Widows on Public Assistance are a particularly disadvantaged group. In Kentucky 60.6% of the OAA females were widows and in the United States 60.1% were widows. The following chart for a single older person and a couple should help to explain why they are a disadvantaged group:

LEXINGTON, KY., 1970

	Single older person		Couple	
	Estimated need	Public assistance pays	Estimated need	Public assistance pays
Food.....	\$40	\$31	\$80	\$58
Clothing.....	15	8	30	16
Rent.....	100	23	120	30
Utilities.....	25	14	25	16
Household supplies.....	8	4	16	8
Medical supplies.....	10	4	20	8
Incidentals.....	15	10	30	20
Total, monthly.....	213	94	321	156
Yearly.....	2,556	1,128	3,852	1,872

The Bureau of Labor Statistics placed needed income in 1966 for a moderate level of living in a city for an older person living alone at \$177.50 per month or \$2,130 per year and in 1968 for a couple at \$300 per month or \$4,440 yearly.

Public Assistance payments for a single older person only falls short \$1,012 per year total income based on the Bureau's standard and for a couple only \$2,568 per year.

Many OAA recipients do not have adequate income to provide the essentials for a livelihood. People suffer from the lack of proper nutrition because they do not have enough money to purchase needed foods. Money problems cause health and psychological problems, so people end up in a state of depression and self-pity.

There is a widening gap between actual living costs and OAA payments. For a single OAA older person living in a rural area in Kentucky owning his own home, the maximum total income is \$74 per month. Many of the costs are fixed whether one or two people are living together. These fixed items include housing repairs, rent, utilities, household supplies, clothing, etc. We can not overly stress the high cost for one person living alone in his own home.

¹ *Economics of Aging: Toward a Full Share in Abundance*, Hearings before the Special Committee on Aging, United States Senate, Ninety-First Congress, First Session, Part I—Survey Hearing, Apr. 29–30, 1969: U.S. Government Printing Office, Washington, D.C., pp. 154 and 185.

² "Part I. Demographic and Program Characteristics". Findings of the 1965 Survey of Old-Age Assistance Recipients: Data by State and Census Division, Division of Research Bureau of Family Assistance, Welfare Administration, U.S. Department of Health, Education, and Welfare, May 1967, table 3.

LIVING ARRANGEMENTS FOR FEMALE OAA RECIPIENTS

(In percent)

	United States in own home 66.6 percent	Kentucky in own home 68.3 percent
Alone.....	39.5	32.8
With spouse only.....	12.3	16.9
With other persons.....	14.7	18.8

¹ Ibid table 9b.

One important fact to remember is that only 6.5% of all OAA recipients in Kentucky lived in institutions. (United States 8.7% of OAA recipients).

Older people wish to live independently even at the price of poverty. The major asset of most older people is their home. In Kentucky, 53.2% of OAA recipients owned or are buying their home with only 3.2% in Public Housing and 84.3% of the OAA recipients are living in non-metropolitan areas.

From the above facts, we concluded that OAA people tend to be older than other Americans, more likely to be women, to be poor, and living in rural areas. One fact stands out: OAA recipients not only lack money, but things that money can buy!

The poverty level has been defined in H.R. 10311 as \$1,920. for one person and \$2,480. for two persons. The \$110. minimum income per month (\$1,320. per year) does not bring an older person living alone up to the poverty level. They will fall \$600. per year short!

On the other hand, \$110. per recipient per month will provide a floor under the older couple. It is \$2,640 per year or \$180 over the 1969 poverty level. When the law goes into effect, the couple will be just at the poverty line while about 40% of all OAA recipients who are single living units will fall below the poverty level by \$600. per year.

Conclusion

A special minimum income level for the single living unit at \$160. per month is the only answer. Such older people receiving a minimum income of 160. per month would bring them up to poverty level of \$1,920. per year.

II. WHY SHOULD "EARNED INCOME" INCLUDE OASDI BENEFITS IN IT'S DEFINITION?

OASDI benefits should be treated as earned income. Employees under the Federal Insurance Contributions Act paid a 4.8% Social Security tax. This tax is based on gross pay. Thus the Social Security tax is considered a part of the earnings of an employee when withheld.

The basic idea of Social Security is a simple one: During working years employees, their employers, and self-employed people pay social security contributions which are pooled in special trust funds. When earnings stops or are reduced because the worker retires, dies, or becomes disabled, monthly cash benefits are paid to replace part of the earnings the family lost.⁴

The above statement was taken from an official Social Security Administration publication. The principle is one of deferred compensation. The employee has earnings withheld at one point with an equivalent returned at another date from a common fund.

We feel the government considers the social security tax as earned income because employee pays federal taxes on it as part of his gross income. Since social security benefits are based on past earnings, when the retired worker receives his benefits they must be considered deferred earned income.

We realize social security benefits as earned income does not fit the legal definition. However, for the following reasons we support OAA recipients receiving the first \$60. of their OASDI benefits.

First, we believe OAA recipients are entitled to receive their small monthly social security benefit to live adequately because they worked hard to contribute

⁴ Your Social Security. Social Security Administration, U.S. Department of Health, Education, and Welfare, SSI-35, February 1970, p. 5.

in the fund and should receive a fair share of their past earnings on top of Public Assistance payments.

Secondly, with inflation eroding a fixed income rapidly, the economic position of older people is deteriorating rapidly for the OAA recipient, unless they receive more than the proposed minimum of \$110. per month.

Thirdly, older people, particularly who are over 72 years old, had problems preparing for their retirement years because of two world wars, a major depression and wages earned were generally low. Older people should not be penalized for living at the wrong time in a nation.

Conclusion

Earned income should include OASDI benefits so the 45.2% of all OAA recipients can receive a part of their social security benefits on top of their OAA payments.

III. WHY SHOULD STATE AGENCIES DISREGARD THE FIRST \$60 OF EARNED INCOME?

In Section 1603, the aged, blind, and disabled are combined into one category to make uniform requirements. Then an unfortunate distinction was made between the blind and disabled, and the aged. It is *mandatory* for states to disregard for blind and disabled earned income up to \$85 per month plus one-half of the remainder. However:

(5) If such individual has attained age sixty-five and is neither blind nor severely disabled, the State Agency may disregard not more than the first \$60 per month of earned income plus one-half of the remainder thereof;

We feel this arbitrary distinction of the disregard should be changed to the *mandatory* requirement of disregarding earned income for all aged, blind, and disabled. The amount earned by 1.4% of OAA recipients in the United States that was not deducted from their OAA payment averaged \$12.24 per month.⁸ More older people may be encouraged to work full or part-time, if they knew the first \$60 of their earnings would be disregarded.

We believe few states will choose the *option* of the disregard based on the following facts. Under existing law, a state agency may disregard the first \$20 of earnings of an older person and one-half of the next \$60 per month. In 1965, thirty-two states were not disregarding any earned income. Out of the over two million recipients, only 29,742 had earned income disregarded with 37,130 recipients not having the disregard. In other words, 98.2% of all OAA recipients received no monthly disregard earned income.

WHAT IS THE SOURCE OF CASH INCOME FOR OAA RECIPIENTS?

[In percent]

	United States 87.7 percent	Kentucky 94.2 percent
No income other than assistance.....	33.6	41.0
OASDI benefits.....	45.2	40.6
Other cash income.....	7.5	10.8
Disregarded earnings.....	1.4	1.8

For many of the same reasons we support the *mandatory* disregard of the \$7.50 of any income in Section 1603.⁹ Older people who attempted to prepare for retirement should not have all their income included in their total OAA income. Older persons are entitled to a fair share of their small cash income.

Many of the older people receiving OASDI and OAA payments were looking forward to a 15% increase in total income. In the end, they received only \$4.00 per month increase. Kentucky chose to raise all recipients \$4.00 per month. Look what really happened to a widow, rural area, living alone in own home:

⁸ "Financial Circumstances, OAA Recipients in 1965," Shirlene B. Gray, *Welfare in Review*, July-August 1966, Social and Rehabilitation Service, p. 17.

⁹ "Part III, Financial Circumstances", *Ibid* (footnote 2) April 1968, table 81.

	1969	1970
Maximum total income.....	\$70	\$74
OASDI widow's benefit.....	55	64
Public assistance payment.....	22	10
Total monthly income.....	70	74

Actually the recipient did receive \$9.00 per month in social security benefits, of which \$5.00 was passed on to the Public Assistance Agency. The OAA recipient only received a \$4.00 increase. We believe Congress intended for the full 15% increase in Social Security benefits to be received by the older persons on public assistance.

Conclusion

State Agency *shall* disregard the first \$60 per month and one-half of the remainder of earned income and social security benefits.

IV. WHY SHOULD CONGRESS SUPPORT THE "TRULY FORGOTTEN AMERICAN"?

Congress has begun to meet their health needs with Medicare and Medicaid, but it has a long way to go to fulfill the commitment it made to older people in the Older Americans Act of 1965:

Older people are entitled to an adequate income in retirement in accordance with the American standard of living.

The loss of dignity can not be dramatized in statistics. They can not measure the loss of pride, initiative, and self respect suffered by over two million older Americans. The "wait" or "wake" from month to month to see if the check will go to the end of the month continues!

The plight of 28,758 older persons on public assistance in rural Eastern Kentucky is even darker and hopeless. These rugged mountain people eat potatoes, beans, and little meat, live in substandard housing and wear clothes many years old. Living is almost bearable. How cruel can a nation be to just keep older people at the survival level? Older people need *Hope*.

Congress can help give that hope by including a category for a single living unit older person at \$160 per month and insure they will receive the first \$60 of their Social Security benefits and earned income.

The people we are talking about built this nation economically by their hard work. They helped to develop our affluent society. They should have a fair share in return. CAN WE DO ANY LESS?

June 18, 1970.

KATES & SILVER, ATTORNEYS AT LAW,
Berkeley, Calif., June 1, 1970.

Re effect of Nixon welfare reform bill on limiting population growth (with two suggested amendment).

Senator RUSSELL LONG,

Chairman, Senate Finance Committee, Senate Office Building,
Washington, D.C.

DEAR SIR: I applaud the Family Assistance Plan (FAP) as a much needed reform of present welfare programs. I urge you, however, to consider its side effect on the presently most urgent single problem facing our biosphere, unrestrained population growth. By limiting the FAP to able-bodied adults who are child related, a simple and direct incentive is provided to adults who are unemployed, underemployed, or unemployable, but able-bodied, to conceive and have children.

I suggest two alternative possible suggestions.

The best solution is that the law deem each individual as the unit of assistance and provide benefits on a scale graduated by age. Thus, to use presently projected benefit levels, payments might start at \$600.00 at birth, with an additional \$50.00 per year being paid each year from age one to age 20, to \$1,600 per year at age 21 (or thereafter as long as the individual is needy).

A second possible solution would be to add to the adult categorical aid programs (Aid to the Blind, Disabled and Aged), which are not otherwise affected

by the FAP, a category for the long-term unemployed and/or unemployable. This category should particularly be so defined as to not exclude the woman who would be eligible for FAP payments if she produced a child, i.e., even though she has no history of connection with the labor force but is able-bodied.

Sincerely,

CAROL RUTH SILVER.

STATEMENT OF THE WELFARE STUDY COMMISSION, STATE OF MICHIGAN,
EXECUTIVE OFFICE

RECOMMENDATIONS ON H.R. 10311

The Michigan Welfare Study Commission adopted the following recommendations regarding the Family Assistance Plan (FAP) at its meeting of April 20. The recommendations are consistent with Governor William G. Milliken's observations since discussions of the plan began last summer. The recommendations have been adopted in the belief that the principles of the Family Assistance Plan are soundly based and will result in fundamental improvements in the welfare system not only in Michigan but nationally. Nevertheless the Commission finds that there is room for further improvements.

1. The Commission finds the level of FAP to be inadequate (\$1000 for a family of four). Therefore:

A. The Commission recommends that the level be increased to \$2400 for a family of four but the additional \$800 would be payable in Food stamps rather than cash assistance.

B. The \$2400 level should be enacted for the first year and levels should be increased at the rate of \$720 a year for five years until the Bureau of Labor Statistics low-cost budget standard is reached in fiscal 1975-76.

C. The use of Food Stamps as a substitute for cash assistance should be reviewed after the first year of the plan's operation to determine its effectiveness.

2. The bill passed by the House of Representatives would provide greater assistance to families presently receiving assistance than the working poor. The Commission concludes that this provision would not decrease the incidence of family break-up and may be contrary to the Equal Protection Clause of the Federal Constitution. Therefore:

A. The Commission recommends that states whose present welfare standards exceed FAP be required to supplement all eligible groups—including the working poor—up to \$3820 in the first two years of the plan.

B. The federal government would be required to match state supplementary payments with 30 percent of the costs in fiscal 1971-72 and 65 percent in fiscal 1972-73. These matching funds would be in addition to the wholly federal FAP benefit.

3. There is increasing evidence that state and local tax systems are inappropriate mechanisms for financing income redistribution. In Michigan, large urban counties have been forced to make disproportionate fiscal efforts and a disproportionate share of state funds are expended for public assistance in those counties. Therefore:

A. The Commission recommends that the Federal government assume 100 percent of the costs of income maintenance programs by fiscal 1973-74.

B. Assumption by the Federal government for financing income maintenance will enable the state to have assurance of fiscal relief and to begin planning the reorganization of governmental institutions and programs for dealing with the other dimensions of poverty.

4. The bill takes some important steps toward the elimination of categorical programs. However, the Commission finds that many remnants of the present system remain implicit in the bill. Therefore, the Commission recommends that the FAP concept be extended to all of the poor not just families with children.

5. The bill requires that all heads of households whether they are working or not working register with the state employment service. The major exception to this requirement are female headed families with children under six. The Commission finds that this requirement is not likely to result in the provision of meaningful employment opportunities for welfare clients and is likely to be inimical to children in many cases. Therefore:

A. The Commission recommends that the State Department of Social Service continue to decide which clients are appropriate for referral to state manpower agencies and programs until such time as facilities and programs are available for training and employment opportunities.

B. The Commission further recommends increased federal support for vocational rehabilitation and vocational education programs.

COUNCIL OF JEWISH FEDERATIONS AND WELFARE FUNDS, INC.,

New York, N.Y., April 29, 1970.

Hon. RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.

DEAR MR. LONG: One of the most critical needs facing our nation is the urgency of recasting our public assistance program, and I know that this is being studied by the Senate Finance Committee.

Our Jewish welfare agencies have an intimate, first-hand knowledge of these problems, and have pooled their experience and expertness in the recommendations embodied in the enclosed resolution, adopted by 1,500 community leader from all parts of the country at our General Assembly.

We believe that a major and lasting service would be rendered the entire country by including these principles in the bill being formulated by the Finance Committee.

Sincerely yours,

MAX M. FISHER, *President.*

RESOLUTION ADOPTED BY THE 38TH GENERAL ASSEMBLY OF THE COUNCIL OF JEWISH FEDERATIONS AND WELFARE FUNDS, NOVEMBER 16, 1969, BOSTON, MASS.

RECASTING PUBLIC WELFARE PROGRAMS

Several actions have been taken in the past year which our Council and others have sought.

The Supreme Court has issued its historic decision, consistent with the amicus curia brief our Council filed, declaring unconstitutional state residence laws which have limited eligibility for public assistance.

The "freeze" on payments to families with dependent children whose fathers are absent from the home, enacted by Congress in 1967, was revoked.

Congress defeated proposals to reduce the scope and quality of medical assistance under Title 19 of the Social Security Act.

But a major recasting of the public assistance laws and programs of the United States is urgently needed.

A number of the commendable principles enunciated by President Nixon to reform America's welfare program provide broad guidelines to enhance the well-being and essential dignity of the poor. They include the proposals to establish federal minimum standards of assistance, to provide aid to the working poor, to include aid to families with fathers in the homes, to increase levels of social security payments, to use simple affidavit procedures for applications, and to place the administration of public assistance in the Social Security system, and to strengthen work training programs.

To translate these principles into reality, and to serve effectively their essential purposes, will require—

Much higher federal floors on income, in order to meet living costs and to take people out of poverty—instead of President Nixon's proposals which are at levels less than one-half of the poverty line defined by the government itself, and which would lift standards in only eight of the 50 states.

Federal aid to all in need, including single persons and married couples without children.

Federal financing of the basic public assistance programs, which are beyond the capacity of states to carry.

Freedom of choice for all mothers to determine what is best for their children, without compulsion to take outside employment.

Provision of uniform standards of assistance, for all who are in need; and elimination of the differential categories which provide widely varying and inadequate levels of aid.

Federal assistance in all States to provide social, health and legal services not subject to veto by state governors, that will help bring people to self-support and lives of decency and dignity.

Meaningful job training with the essential requirement of post-training employment, including provision of employment in public service.

Establishment of federal income standards in work programs to avoid the forced exploitation of the poor.

Social Security payments at levels that will take the recipients out of poverty, and provisions allowing greater earnings without reduction of benefits.

Maintenance and expansion of the Food Stamp Program until assistance standards reach an adequate level.

Until such time as these necessary federal programs are enacted and implemented, improvement by the states of their welfare programs, many of which now exist at deplorably low levels. Such improvements require the fullest possible utilization of programs and resources now available from the federal government.

We commend the Canadian Welfare Council for its recent Statement contained in "Social Policy for Canada, Section 1," which emphasizes the need for a minimum annual income as a matter of right to replace the current fragmented welfare practices; for raising the welfare levels so that they reflect cost of living increases; and for greater emphasis on prevention and rehabilitation.

These measures are essential to achieve the well-being and progress of our countries and to overcome the suffering and deprivation of the people in need. They are long overdue and their passage now should be given the highest priority.

(The following communication with attachment was forwarded to the Committee by Hon. Robert Dole, a U.S. Senator from the State of Kansas:)

COMMUNITY COUNCIL,
PLANNING DIVISION OF UNITED COMMUNITY FUND AND COUNCIL,
Kansas City, Kans., April 3, 1970.

HON. BOB DOLE,
Senate Office Building,
Washington, D.C.

MY DEAR MR. DOLE: The Legislative Committee of the Community Council has recently completed the enclosed policy statement on Welfare Reform which has been approved by the Community Council. Committee members studied the Family Assistance Plan now under consideration by Congress, reports from the Public Welfare Reporting Center and other public and private organizations.

We are sending this policy statement to many community leaders and public officials. We believe it is important for all citizens to be informed of the facts and scope of the problem and the need for reform.

We hope you will consider our recommendations and share them with appropriate committees.

Sincerely,

SANDRA SIMMONS
Mrs. Donald H. Simmons,
Chairman, Legislative Committee.

WELFARE REFORM

A POLICY STATEMENT OF THE COMMUNITY COUNCIL OF KANSAS CITY, KANS.,
WYANDOTTE COUNTY

Many citizens sincerely believe that people living in poverty are people who don't want to work—able-bodied loafers. That is a long way from the truth. Of the 25 million persons in this country living below the poverty line, 15 million are either under 18 or over 65.

In Wyandotte County approximately 38,000 persons live below the poverty line: of these slightly under 14,000 are "on welfare"—receive assistance payments through the county welfare department. Eight per cent or 1,100 of the Welfare recipients are too old to work, and 8,500 or sixty-two per cent are too young. Five

per cent (650 persons) are blind or disabled. Another six per cent are on "General Assistance" which includes emergency assistance and small supplemental payments to people working for very low wages. The remaining nineteen per cent or 2,700 persons consist mostly of mothers, many of whom have very young children. This means there are a few men and several hundred mothers of school aged children who could be eligible for jobs or work training.

Work training and job opportunities must be made available, but these facts suggest the limits of what we may expect in the way of immediate results from a work requirement for welfare recipients.

The poverty that makes a welfare program necessary is rooted in a variety of historical and contemporary conditions: the growth of the urban and rural slum, discrimination, insufficient job opportunities due to technological changes and inadequate job training and retraining, low pay in jobs not covered by the minimum wage and inadequate social insurance benefits.

An effective welfare program will help alleviate the pain, but to cure the conditions we shall need education, health and nutrition programs, the creation of job opportunities, training programs, and measures to eliminate slum conditions.

The present disparities in welfare benefits among the states, which may encourage migration to areas where payments are higher, must be eliminated. Federal legislation should put a floor under welfare benefits so that payments in all states and for all categories of assistance are based on the same criterion of need. When accurate studies are made of living costs in various parts of the country, benefits should be set at different levels to reflect regional differences and differences between costs in rural and urban areas.

In 70 per cent of the families receiving benefits the fathers are absent from the home. In helping to create and perpetuate such a situation the present welfare system endangers the fabric of our family-based society.

We recognize we are moving toward more financing and direction of the welfare program by the Federal Government. State and local governments with an inelastic tax base face inflation-linked increases in service expenditures compounded by spiraling welfare costs and demands for additional governmental services. Any shifting of the welfare burden to the federal government is one means of resolving the fiscal dilemmas of state and local government. The fiscal relief offered by such shifting would enable state and local governments to direct greater resources to those functions they are best fitted to finance and administer.

We believe that changes in welfare laws should lead ultimately to a system based on these principles:

1. All people have a right to sufficient income to meet their basic human needs.
2. All people who are mentally and physically able should have an opportunity to work to support themselves. A system of economic security should include opportunities and incentives for work and job training.
3. Family stability should be encouraged.
4. The system must encourage, not destroy, self-respect and self-reliance. Human dignity and the individual's right to manage his own affairs should be preserved.
5. The system should be reasonably easy to understand and administer.

We believe the proposed Family Assistance Plan is a constructive step toward such a system and if passed in its original form, would bring about a much better welfare system.

We further believe that the following additions would greatly strengthen the proposal:

1. The Family Assistance Plan should make provision for an increase in benefits up to the poverty levels over a specified period of time.
2. So long as supplementary state benefit payments are a part of the plan, financial incentives must be provided to the states to increase supplemental payments to levels commensurate with needs.

We believe the needs of the people would be best served by the federal government assuming more financial responsibility at a minimum level for the entire program, eliminating disparities in states and regions except where justified by cost of living differences.

3. Assistance should be provided equally to all in need. Benefits including work and training opportunities should not be denied individuals or married couples without children. Neither should the "working poor" be denied supplemental state benefits, work and training programs or child care programs.

4. Work and training programs should offer real incentives for seeking satisfactory employment and a status of self-support. All training should be for specific skills or types of work. When the "hire first" principle could be applied—a trainee should be first hired, then trained on the job. In any event, training of an individual should not begin until an employer has firmly indicated his intention to hire him when trained.

There is a very real risk that jobs will not be available for all people who must register for training or employment. Since available training slots in the early years of the program may be fewer than the numbers available for training, the Congress should fix priorities for entry into training programs.

If employment is to be compulsory, a more precise definition of "suitable employment" is necessary. The bill should provide that, for a job to be "suitable," it must pay the federal minimum wage or provide a prospect of entry into a minimum wage job within a reasonable time. The legislation should also specify job standards and wage rates for "suitable employment."

5. Child care programs should be further strengthened by providing care for elementary school children after school. All Child Care programs should be available to children of the working poor. Funds need to be provided for the construction and operation of new child care facilities, and for programs to train day care center workers.

6. The use of an adequate procedure of self-declaration for meeting initial needs pursuant to eligibility determination should be the first step toward total administration of the assistance program by a single agency. States should turn over to the federal government the tasks of eligibility determination and making payments along with associated administrative costs.

Finally, we would suggest that all assistance payments in cash, goods, or services be treated as any other income received by a citizen. Recipients of welfare should be required to file income tax returns showing such income, including the cash value of goods and services, along with earned income and pay a minimum filing fee or "tax." Given the same responsibility as other citizens, recipients should gain self respect and dignity. A form similar to the income tax form, reporting all income for a given period, might become the basis for determining amount of payments for the following period. The use of a total income reporting system by all who need assistance would help to assure equitable treatment of the working poor.

CONCLUSION

Welfare reform is not a subject in which only the needy and welfare departments are interested. Not only public agencies, but also the voluntary agencies are vitally concerned. Many people who work with and support the voluntary agencies realize the inadequacies of our present welfare system. We hope through our concern we can encourage more people to take an objective look at the present welfare system, to learn the facts about persons receiving welfare, and to realize the consequences of continuing our present ineffective and in many ways destructive programs.

We believe the time has come for legislation to initiate the kind of programs that will, eventually, result in a nation where none need exist without the means to support himself in health and decency.

PHILADELPHIA, PA., *May 1, 1970.*

Nixon's Socialism: "Welfare reform" plan is class-war "leveling"—Not true relief but "soak the rich for the poor."

Chairman RUSSELL B. LONG,
Senate Finance Committee, the Capitol,
Washington, D.C.

DEAR CHAIRMAN LONG: 1. Please include this statement, against the Nixon "welfare reform" plan, in the record of your committee's hearings in lieu of testimony by me. I write as a member of the N.Y. Bar (retd.), a writer on constitutional history and law.

2. The Socialist philosophy and system—of taking from the rich (by taxes) to give to the poor, separate and apart from genuine relief of the needy—is the antithesis of the traditional American philosophy and system of constitutionally limited government barring such "leveling", as this was termed by The Founding

Fathers. For instance, this was denounced in a 1768 Resolution of the Massachusetts House of Representatives calling it "despotic and unconstitutional"; also by Hamilton, Madison and Jay in their joint report in *The Federalist* (No. 10) as "improper" and "wicked"; while Jefferson decried it as unjust and violative of the "first principle of association" (by the people under a compact for self-government). References for these quotations will be supplied on request. The Nixon plan for Federal income-payments to the poor is anti-American.

3. The Nixon plan is also violative of the Constitution's limits on Federal powers and would, if adopted, be usurpation. Note for instance F. D. Roosevelt's correct admission—in his March 2, 1930 speech as Governor of New York—that one of the fields of power denied to the Federal government by the Constitution is "social welfare." No amendment has been adopted since then changing this sound conclusion, this fact as to Federal power-limits; and no edicts by judges on the Supreme Court can change the Constitution. What he stated then is true now.

4. Human nature's weaknesses make farcical the pretense of the Nixon plan that Federal payment of income will make the recipients desirous of getting off of this dole-roll and go to work. These weaknesses, as proved by all human history, guarantee that more and more people will clamor to get on the "gravy train"—aided and abetted by all demagogues in public office and seeking office—with ever mounting out-pourings of Federal monies demanded, and granted, to this end.

5. It is fraudulent to pretend, as do the Nixon-plan proponents, that the cost will be only a few billions. It is reasonably predictable that this monstrous scheme will turn into a treasury-raiding scandal of colossal proportions costing before many years tens of billions annually (in debased currency, made all the more worthless through viciously expanded inflation fostered by the open-end squandering of tax-monies under this destructive plan. This will fit the pattern of Harry Hopkins' infamous "tax-and-tax, spend-and-spend, elect-and-elect"; or as Jefferson put the historic truth: "With money we will get men, said Caesar, and with men we will get money." This is fine for demagogues but disastrous for all of the people (including the poor especially) and Posterity. Any such "Soak the rich for the poor" scheme is class-war Socialism which defrauds the poor in last analysis as well as all other Americans, gutting traditional principles which underlie America's heritage of Liberty against Government-over-Man. This, and any other such Socialistic scheme, should be defeated.

Yours truly,

HAMILTON A. LONG.

BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS,
Washington, D.C., April 28, 1970.

Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: On March 4, 1970 the Baptist Joint Committee on Public Affairs adopted the following statement concerning the proposed reform of the welfare system:

The Baptist Joint Committee on Public Affairs, after studying the problem of reform of current welfare programs, without a dissenting vote declared that:

1. While man does not live by bread alone, he must have bread. We affirm Christianity's legitimate concern for the poor and their needs.
2. We endorse in principle the President's family assistance proposal.
3. We find in the President's proposal no apparent infringement of Constitutional church-state relationships.
4. We recognize the President's proposal as a minimal attempt at meeting mammoth social needs. By common consent, however, we note inadequacies, among these, a floor of \$1600 for a family of four, and call for careful development of guidelines for implementation of the proposal.

This Committee is composed of representatives elected from the cooperating conventions and, while it speaks officially only for itself, is closely attuned to the interests and desires of those it represents.

As the Finance Committee and, eventually, the entire Senate begins its deliberations on this important measure we are certain that you would like to know a basic Baptist position on the matter.

Sincerely yours,

JOHN W. BAKER.

SAN DIEGO, CALIF., April 25, 1970.

MEMBERS OF THE FINANCE COMMITTEE

DEAR SIRS: I most emphatically urge you to pass bill S 3433, the HARRIS bill, the Basic Income and Incentive Act. I believe it is the answer to alleviate poverty in this country. As I see it, it would replace all these other complicated and costly programs to aid the poor.

I also feel something must be done to stop the upward spiral of prices of goods, food, clothing, rents, housing purchases, etc. and then the resultant strikes, walkouts, etc for higher wages. This has been going on a long time, and the people with fixed small incomes, such as the retired are having a terrible time of it. I believe a **CEILING OR FREEZE MUST BE PUT ON ALL THE ABOVE**, or the vicious circle will continue.

I also believe the **MINIMUM WAGE** should apply to **ALL** in the U.S.A. If these two things just mentioned were done, then not near as many would need the payments of the proposed Harris bill. The **SOURCE** of these difficulties **MUST** be dealt with. This would alleviate much of the turmoil in this country, and bring about a stop of **HUNGER!!!**

Yours truly,

Mrs. BESSE M. SMITH.

TRAINING OF APPAREL INDUSTRY WORKERS, PREPARED BY THE AMALGAMATED CLOTHING WORKERS OF AMERICA AND THE INTERNATIONAL LADIES' GARMENT WORKERS UNION, SUBMITTED BY STANLEY H. RUTTENBERG

The basic objective of federal legislation concerned with manpower is to reduce unemployment that is due to lack of training or to lack of special skills that are an essential pre-requisite for obtaining a job. It is presumed, of course, that programs and projects which flow from such legislation will not lead to a curtailment or reduction in training activities which have been part of any employer's normal operations. To do otherwise would shift training costs to the federal government, but it would not increase training opportunities nor reduce the level of unemployment.

Viewed against such a backdrop, denial to the use of federal funds for training in the apparel industry is the only responsible course. Typically, the prior possession of skill has never been a pre-requisite for employment in this industry. This is true of the sewing machine operators, the largest occupational group in the industry, as well as other plant occupations. This fact, despite the understandable desire of some apparel manufacturers to garner such subsidies, has led to a legislative history which makes clear the intention of the Congress to deny—because it would be disruptive and wasteful—federal financial assistance for such programs under the Manpower Development and Training Act, the Economic Opportunity Act, and the Public Works and Economic Development Act. And, since it was established for the purpose of "utilizing all available manpower services, including those authorized under other provisions of law . . .",¹ it follows logically that training of apparel workers has been properly proscribed in the administration of the Work Incentive Program (WIN).

1. THE LEGISLATIVE HISTORY

Moreover, such a prohibition with respect to the WIN Program is consistent with the continuing effort of federal manpower agency officials to respond in a substantive way to the oft-repeated calls by the Congress for greater uniformity in the administration of the proliferating manpower programs. Flowing as they do from different statutes, three programs have, in too many instances, resulted in duplicate administrative structures, overlapping efforts, and/or unnecessarily complex procedures. The very concept of "prime sponsor"—which has as its purpose the commingling of manpower activity funds appropriated under different statutes—would be meaningless if contradictory rules were permitted to govern expenditures from the different sources. Any attempt to unify the delivery of services—that is, to establish a program "utilizing all available manpower services"—would inevitably falter if various clients were to be eligible for a significantly varying array of services.

It is impossible to read the Report of the Senate Committee on Finance, which accompanied the 1967 social security amendments (through which the WIN Program was created), without coming quickly to the conclusion that the Senate

¹ Social Security Act, Title IV, Part C, Section 430.

Committee was mindful of these problems, and that its intention was to have the WIN Program tie in closely with on-going manpower activities—and to avoid any additional administrative and operational duplication and overlap.

Indeed, the prominent role assigned to the Department of Labor in the administration of the WIN Program stems from amendments that originated in the Senate Committee. The 1967 work incentive amendments developed in the House Ways and Means Committee essentially an extension of the Community Work and Training Program which was created by the 1962 legislation and lodged within the Department of Health, Education, and Welfare. The amendments proposed by the Ways and Means Committee contemplated that the program would remain within HEW.

The Senate Finance Committee re-cast these proposed amendments to create the WIN Program in its present form. In its report, the Committee expressed the belief that "the most effective program can be mounted, in the most rapid fashion, by placing the work incentive programs under the Secretary of Labor."² It went on to explain exactly why it regarded this as a preferable arrangement: "By utilizing the full range of manpower services provided under legislative authorities available through the Department of Labor, it will be possible to put the program into effect a year earlier than the House bill contemplated."³

Giving "full authority over the work incentive program" to the Secretary of Labor would produce more "full-time job placements and AFDC savings" than were projected by the House Committee because the Senate version would result in "increased utilization of the manpower training expertise and resources of the Department of Labor."⁴

The intent of the Senate Committee to eschew the creation of any new administrative or operating entity is further borne out by language in its report which clearly anticipates that some work incentive clients might be placed in jobs directly, while "Others might be moved immediately into on-the-job training slots under *existing* Federal training programs (where the employer could be reimbursed for extra costs for training these people)."⁵ (Italic added). With respect to those in need of institutional training programs, the report of the Senate Committee advocates that they be "referred to a training course established under the Manpower Development and Training Act."⁶

All of this obviously contemplates tying the work incentive program into the on-going MDTA operations rather than creating new structures, and—given the MDTA prohibition with respect to occupations in the apparel industry—it would require nothing short of separate procedures and new structures to provide training in such occupations for work incentive enrollees. To attempt such a venture would be to contradict the rationale which prompted the Senate Committee to assign responsibility for the WIN Program to the Department of Labor—to reduce duplication and overlap, and to provide for a unified and efficient administration of the program.

Indeed, the Committee made it quite clear that it was aiming for a program that would be both efficient and productive. "The purpose of the program," it said, "is employment, not simply training, and the Labor Department is encouraged to put emphasis on these aspects to assure the highest possible degree of success."⁷ This is no less a stricture with respect to training for apparel occupations than are the instructions which call for the WIN Program to be administered within the framework of existing programs. For it follows most logically that, if the prohibition on such training programs under other statutes is sound manpower policy, such a prohibition in connection with the WIN Program would be equally sound and fully consistent with the intent of the Senate Finance Committee—to provide jobs, "not simply training."

Essentially, it is this latter fact—that programs for occupations in the apparel industry would provide training rather than employment—which has prompted Congressional Committees to establish a legislative history calling for the denial of Federal funds for programs in this industry.

Congressional concern over the potential for waste and disruption inherent in training programs for jobs in industries which are seasonal and/or which have a high rate of labor turnover—and in which prior possession of skill was

² Social Security Amendments of 1967; Report of the U.S. Senate Committee on Finance—Report No. 744; 90th Congress, 1st Session; page 147.

³ *Ibid.*

⁴ *Ibid.*, page 152.

⁵ *Ibid.*, page 149.

⁶ *Ibid.*, page 154.

⁷ *Ibid.*, page 151.

never a pre-condition for employment—has been evident almost from the outset of the expanded manpower activities of the 1960's. In 1963, for example, in connection with the first series of amendments to the Manpower Development and Training Act of 1962 (MDTA), the chairman the Senate Labor Committee (the late Senator Pat McNamara) made quite clear the view of the Senate that the MDTA was not intended to be used for such industries, including specifically the apparel industry :

"The bill was designed for situations where there is a demand for labor, but in which prior training or a specific skill is a substantial pre-requisite for employment in the given job. It is not intended to cover industries, such as the garment and apparel industry, where minimal training is needed, where traditionally the employer has provided the necessary on-the-job training, and where there exist a substantial number of experienced and able workers who are presently unemployed. As I understand it, we do not intend to give a competitive advantage to one employer over another by having the Manpower Development and Training Act pay costs which usually and traditionally the employer has assumed, nor do we intend hereby merely to transfer unemployment from one area to another. We do not expect use of the Manpower Development and Training Act programs in highly mobile, highly competitive industries where minimal employee training is needed and now is undertaken by the employer. I feel that Manpower Development and Training Act assistance in such cases would only add to industrial dislocation. It would be a waste of manpower resources, and in the long run would serve only to discredit the Manpower Development and Training Act and detract from its value."⁸

A similar sentiment was expressed in the House of Representatives in an exchange of remarks that occurred between Representatives James O'Hara and Elmer Holland.⁹

The legislative history of the Economic Opportunity Act of 1964 is just as clear. The Senate Committee stated :

"It is the intention of the committee that financial assistance, grants or loans under this act shall not be made available for projects or facilities in industries characterized by substantial unemployment and unused plant capacity, for projects or facilities which utilize industrial homework in their operations, or for training programs for industries (such as the apparel industry) in which labor turnover is high and in which specific skill and training is not typically a prerequisite for obtaining employment."¹⁰

On the House side the same intention was expressed by Congressman Roosevelt who said, "The majority of the committee have always intended this to be as obviously does the other body. I feel confident the overwhelming desires of the Congress will be strictly adhered to."¹¹

The legislative history of the 1967 amendments to the Economic Opportunity Act reaffirms this policy and shows clearly that it is to be applied to the new training programs added by the amendments. The Statement of the House Managers on the Conference Report expresses this policy as follows :

"It would not be in keeping with the purposes of this provision, as it is not in keeping with the purposes of the Manpower Development and Training Act, to make available financial assistance or other incentives for work, training and related programs for industries which are highly mobile, labor intensive, and vigorously competitive on a national basis, which have high labor turnover, and in which the prior possession of a specific skill or training is not typically a prerequisite for employment."¹²

The same intention was expressed in the House Labor Committee Report on the amendments.¹³

This legislative policy is applicable not only to assistance under the Manpower Development and Training Act and the Economic Opportunity Act, but has been just as firmly stated for assistance under the Public Works and Economic Development Act of 1965. The Senate Report makes clear that no assistance is to be given :

"... for programs, projects, facilities, or purchases to be used by or for highly mobile, intensely competitive industries, such as the apparel or garment trades within the textile industry, in which substantial unemployment and abnormal

⁸ Congressional Record, Daily : December 13, 1963 : page 23342.

⁹ Congressional Record, Bound Volume 109, part 18 : pages 24258 and 24261, 1963.

¹⁰ Report No. 1218 : 88th Congress, 2nd Session : page 35.

¹¹ Congressional Record, Bound Volume 110, part 14 : page 18589, 1964.

¹² Report No. 1012 : 90th Congress, 1st Session : pages 65-66.

¹³ Report No. 866 : 90th Congress, 1st Session : pages 18-19.

unused plant capacity exists, and in which labor turnover is high and the prior possession of a specific skill or training is not typically a prerequisite for obtaining employment. The act is not intended to give a competitive advantage to one area over another where it would lead to industrial dislocation."¹⁴

Evidence of Congressional concern over the potential for waste and disruption resulting from the use of Federal funds for training programs in industries such as the apparel industry has continued into 1970. Thus, in its report on the Family Assistance Act of 1970, the House Ways and Means Committee declares:

"The 1967 WIN legislation authorized a comprehensive array of manpower and employment services. Your committee's bill is equally comprehensive as to the services made available and gives sufficient authority to the Department of Labor and the State employment service offices so that they may develop individual employment plans to meet the needs of individuals who have serious vocational, social, and educational handicaps. The committee bill will also assure access to services and opportunities available under existing manpower programs such as MDTA, CEP, JOBS, and other training programs of nationwide applicability. Such services and opportunities would include counseling, testing, work experience, institutional and on-the-job training, upgrading, program orientation, job development, coaching, job placement, and followup services required to assist in securing and retaining employment and opportunities for advancement. It is not intended by your committee that these programs should provide assistance which would be supportive of firms or industries which have high rates of turnover of labor because of low wages, seasonality or other factors."¹⁵

On the Senate side, the Committee on Labor and Public Welfare in its report of August 20, 1970 in connection with the Employment and Training Opportunities Act of 1970—which is the first comprehensive manpower statute reported out in several years—continues to resist suggestions that funds be provided for training in an industry such as apparel:

"The committee has included language in the bill providing that no authority conferred by this act shall be used to enter into arrangements for, or otherwise establish, any training programs in the lower wage industries in jobs where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high.

The above restriction applies if three findings are made: (1) the training program proposed is in a lower wage industry; (2) the training is for jobs or a category of jobs for which prior skill or training is typically not a prerequisite to hiring; and (3) the training is for jobs or a category of jobs where labor turnover is high. The committee believes that training in such situations would substitute for introductory training normally undertaken at the employer's expense and would not provide for the most effective use of funds in seeking to achieve the goals of the Employment and Training Opportunities Act of 1970.

The committee heard testimony that subsidies have been paid under manpower training programs for training which was not actually provided or could not fairly be called training of a substantial nature. It is not enough merely to issue general guidelines; but, more than assure that this requirement is being met.

Training may be provided for jobs in any industries which do typically require training and skill development."¹⁶

2. CHARACTERISTICS OF THE INDUSTRY

This legislative history concerning proposals to use Federal funds to train workers for the apparel industry is not the result of frivolous decision-making. It is, rather, the result of a sound analysis of the characteristics of the industry and of the jobs, and of the manner in which economic forces impinge on this industry. A review of these factors reveals the basic logic in the decisions which have led to the policy of withholding subsidies for the training of apparel workers at a time when a general consensus exists, in which the two apparel unions join, in support of manpower and anti-poverty legislation as a means of combatting unemployment.

In order to avoid any possible misunderstanding it should be made clear that the opposition of the ACWA and ILGWU to public subsidies for the training of apparel workers is not based either on a desire to maintain a

¹⁴ Report No. 198; 89th Congress, 1st Session; page 14.

¹⁵ Report No. 91-904; 91st Congress, 2nd Session; page 33.

¹⁶ Report 91-1136; 91st Congress, 1st Session; pages 52-53.

special status for their members or on any opposition to the unlimited entry of new workers into the industry. Nor do the ACWA and ILGWU have any objection to the training of such workers by and at the expense of their employers, the traditional method of providing the labor supply of this industry. In this connection, Robert E. Solomon, Executive Supervisor of Kurt Salmon Associates, management consultants in the apparel industry, reports that his organization finds "that the union in many local markets encourages the idea of training programs in an effort to expand the local working force."¹¹ Neither organization imposes any restriction on the entry of workers into the industry, either on the basis of prior training or experience, prior union membership, family relationship, race, color or creed. Large numbers of inexperienced workers enter the apparel industry every year and are trained on the job. The opposition to subsidized training of apparel workers is based, rather, on the special characteristics of the apparel industry which make such subsidies, whether in public facilities or on-the-job, a useless expenditure of public funds and a disruptive force harmful to the industry and to the labor standards that the apparel unions have struggled half a century to establish.

In the apparel industry, the ability to get a job does not and never did depend on the prior possession of skill or training. This is due in large measure to the fact that most of the tasks performed by apparel workers do not fall into the skilled category. With the development of technology, such skills as may once have been required in the industry have been diluted by new production techniques, by minute subdivision of labor, and by the resulting specialization which calls for the performance of highly simplified tasks. In the case of sewing machine operators, for example, the work is subdivided to such a degree that most operators may do no more than sew single, short-run seams on garment parts. Once the elementary instruction in the handling of a sewing machine is given to an inexperienced worker—and it requires very little time—the rest of the learning process consists of a progressive and relatively rapid acquisition of maximum operating speed.

The fact that prior training and the possession of a specific apparel skill is not an essential requirement for employment in the apparel industry, and that the training of inexperienced workers by the employer is a normal cost of the apparel business, can be established not only by an examination of industry practice. It is demonstrated, also, by the fact that there has been continuous expansion of the industry in those areas in which there has been no skilled or experienced apparel labor supply available. This can readily be seen in the mid-March employment data available in the *County Business Patterns* published annually by the Bureau of the Census. During the decade 1949-1959, when national apparel employment was comparatively stationary (employment in mid-March 1949 was 1,191,147 and in mid-March 1959 it stood at 1,189,431), the key areas in which employment increased were those which did not have a ready supply of trained or experienced apparel workers, but did have an abundant supply of unskilled labor available. Thus, apparel employment in the South Atlantic States increased from 109,508 to 154,595; in the East South Central States, from 50,524 to 103,477; and in the West South Central States, from 33,005 to 52,715. With the more rapid expansion of the American economy in the 1960's, nationwide apparel employment also improved and rose to 1,388,750 in mid-March 1968. Substantially all of the net gain in employment that took place between 1959 and 1968 occurred in the regions listed above, all which lacked a ready supply of experienced garment workers. Thus, by mid-March 1968, employment in the South Atlantic States rose to 262,896; in the East South Central States to 168,003; and in the West South Central States to 80,976. Traditionally prominent garment production areas—New York, New Jersey, Ohio, Illinois, Indiana, Missouri—where experienced workers are concentrated in the major urban centers showed a decline between 1949 and 1959, and in most of these areas this decline continued between 1959 and 1968. It is apparent from the examination of these data, and any other data on the shifting geography of the apparel industry, that the unavailability of skilled and experienced apparel workers has not been a barrier to the expansion of the apparel industry into areas in which there has been a supply of inexperienced labor that apparel employers could train.

Those who have sponsored government programs to subsidize the training of apparel workers have usually had no trouble obtaining a favorable response from employers, not because the absence of prior skill or training has ever been

¹¹ *Apparel Manufacturer*, March 1967.

a barrier to employment in the apparel industry, but because the employer recognizes government-financed training as a money-saving opportunity. A letter in our files from one of the apparel manufacturers under contract with us puts the matter succinctly as follows: "We have been training help in our business for over twenty years and if we could get the help of the government it would cut down the expense of this job considerably."

Since the prior possession of skill has never been and is not now a pre-condition of employment in the apparel industry, government subsidization of the training of apparel workers is not required to provide employment in the apparel industry. Instead of creating jobs, such training merely shifts to the government training costs which traditionally have been part of the normal expense of running an apparel business. For the individual employer, anxious to increase his profits, the opportunity to transfer his usual cost of training to the public treasury is most attractive. For the nation, it represents an obvious waste of government funds.

Although government subsidization of the training of apparel workers does not create additional employment, it does contribute to disruption in an industry plagued by unfair competition and instability. In this industry, labor cost (including training cost) has always represented a relatively large proportion of total cost. Were this cost subsidized by the government instead of being paid for by the employer, it would become another factor in unfair competition. Employers who would be able to shift part of their traditional cost to the public treasury would obtain a competitive advantage.

Government subsidization of training apparel workers would actually give differential advantages to employers in areas in which there are relatively large numbers of inexperienced workers. These workers provide a pool of labor from which the most rapid workers are normally selected and the rest discarded. The discharge of workers of average or slower speed and their replacement by faster workers is facilitated by the piece-work nature of the industry which make individual performance levels readily visible.

In developing a work force, apparel employers tend to try out many more persons than they actually need for their production, and weed the slower ones out through selective firing. So long as the employer has to pay for training, there is some ceiling on selective firing. If the government subsidizes training, the practice of selective firing is made costless from the point of view of the employer. The government would thus, in effect, become a party to this intensification of unfair competition in the industry in terms of labor cost.

Government subsidies for training apparel workers would also encourage increased instability in an industry that is already highly unstable. The average plant in the industry is small. Little capital and equipment are needed to start a business. As a result of low capital requirements and intense competition between firms, the industry is one of the most mobile and unstable in the manufacturing sector. It is characterized by the relocation of plants in search of competitive advantages, thus creating joblessness in one location while generating employment elsewhere. The substitution of apparel unemployment in one area for apparel employment in another is both wasteful and harmful.

The cost to the employer of training a new work force has, to some extent, been a deterrent to irresponsible plant relocation and a stabilizing influence in the industry. Eliminating this deterrent is not sound public policy. Employers relieved of training costs through government subsidies would obtain a labor cost advantage which would tend to increase business mortality and foster higher unemployment elsewhere. The net effect would be a change in the pattern of apparel industry location without any overall reduction in unemployment, nor any overall gain in employment.

The individual apparel firm tends to view government-financed training of its labor supply largely in terms of its own financial statement. The community, whether a locality, a city, a state, or a region, likewise tends to see the problem in terms of its own particular interests. The problem however, must be viewed in national terms, taking account of the competitive character of the apparel industry and the broad social objective of government policy.

The fact is that spending government funds to train apparel workers will not create additional jobs or add to the quarter of a million inexperienced workers hired annually by this industry. They will be hired anyway. Government training subsidies would, however, increase the propensity toward excessive plant relocation in the apparel industry and cause industrial dislocation by intensifying competition on the basis of labor cost. Ultimately, the end result would be to

weaken the industry's labor standards which responsible government policy has always sought to strengthen as a safeguard against the powerful downward pressures on wages and working conditions, to which apparel workers are subjected because of the forces that are at work in this industry.

The destructive potential of government-subsidized training of apparel workers has not affected the long-standing interest of the ACWA and the ILGWU in the possibilities of providing the economically-disadvantaged with employment opportunities in the apparel industry. Both organizations have been conscious of the important role played by the apparel industry in providing jobs for the urban and rural poor, and have been working to encourage additional employment of the hard-core unemployed by the industry. Even in the absence of special programs to provide job opportunities for the disadvantaged, and without reference to any program for subsidized training, the apparel industry has been a major source of jobs for a large number of persons for whom alternative employment opportunities are limited. Thus, approximately 80 percent of the industry's workers are women. Moreover, in 1969, over 12 percent of the nation's apparel workers were nonwhite—as compared to 10 percent for all manufacturing industries—and, according to data from the Equal Employment Opportunity Commission, the degree of nonwhite participation in this industry within the nation's population centers is even greater.

Furthermore, the apparel industry is an employment source for persons with little formal education. According to 1960 Census data, one out of every four persons in the industry failed to complete primary schooling and virtually three out of every four persons did not finish high school.

In an effort to secure a greater number of jobs in the apparel industry for the hard-core unemployed, the two unions have been working with the National Alliance of Businessmen to set up appropriate pre-vocational training and orientation programs as part of the government's Concentrated Employment Program (CEP). This approach makes it possible to concentrate on the elimination and moderation of specific handicaps which interfere with the employability of chronically unemployed persons. At the same time, it avoids conflict and confusion with the issues involved in subsidizing training, off or on the job, of production workers for the apparel industry.

STATEMENT OF FAY B. GRAVES, PRESIDENT, HEALTH EDUCATION SYSTEMS

Mr. Chairman and members of the committee, my name is Fay B. Graves. I am a practicing pediatrician and the President of Health Education Systems, a non-profit organization formed to seek and apply solutions to those particular problems now causing overly expensive and inadequate delivery of health and educational services to the American people. In concentrating on this class of problems, it has become very clear that income is not the touchstone to their solution; that is, income alone will not insure getting reasonably priced and adequate delivery of needed services.

The middle-class American is constantly bemoaning the fact that he cannot secure (or afford) private, 24-hour per pay medical care. He also complains bitterly about the inadequacy of his children's education, as measured in reading and mathematical skills, among other criteria. The proposal I am about to describe has, against this background of dissatisfaction, been designed for broad application rather than strictly as an approach to meeting the delivery problems of the poor and disadvantaged. Having said this, I do want to emphasize that it is our intent to prove the merit of our approach first in low-income—urban ghetto—areas.

More particularly, we propose to deliver a comprehensive set of services which will measurably:

1. *Directly reduce the overall cost of publicly supported medical assistance.*
2. *Reduce the financial and human costs associated with mental retardation, premature birth and illegitimacy.*
3. *Increase the ability of children of low-income parents to enter and successfully negotiate the educational system.*
4. *Directly remove a substantial number of families from the welfare rolls by providing career opportunities for adults and teen-agers.*
5. *Demonstrate—with full accountability and rigorous evaluation—a superior method for delivering medical and educational services to the population at large.*

In presenting my testimony, I want to emphasize several things at the outset. First my organization is already providing some of the services that a more comprehensive delivery system should do: we combine medical services with, for example, family counselling, nutrition and training of teenagers for paying paraprofessional health service jobs. I hasten to add we are doing these and other things without Federal aid, here in the District, so we know that our approach is practical.

Second, let me refer to page 102 of your Committee document dealing with H.R. 16311. There HEW states that "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 the social services programs funded by the department."

Although this quotation quite precisely states our own view of what needs to be done, I do not feel that, as written, H.R. 16311 will produce any more tangible results than have the efforts since 1962. On page 261 of your document, Section 2000 (c)-(1) spells out the department's desire for, and concept of, a comprehensive delivery system, as follows: "comprehensive planning and supervision on an interdisciplinary basis for the provision of services pursuant to health, education, or welfare programs . . ."

Gentlemen, much more is needed than an increase in "administrative tools." Specifically, what we need is a carefully designed exercise of your legislative power which will do the following things:

1. Define what is meant by an integrated, comprehensive delivery system, so that there are no doubts about what the real job entails.

2. Indicate unmistakably the legislative intent to conduct a prescribed number of delivery system demonstration projects and identify specific funds for use solely in support of such demonstrations.

3. Establish a single decision-making authority, including any appropriate administrative guidance, with full power to approve and expend funds for these demonstration projects and to command other HEW resources in support of them.

4. Establish a legislative oversight procedure which will insure that HEW does, in fact, act *now* to let us and others prove the efficacy of our proposals on a rigorous performance basis.

I repeat, Mr. Chairman, these problems cannot be solved by tinkering further with the present system or attacking it under the present bureaucratic structure. Your Committee must clearly identify the job to be done, provide adequate powers and funding specifically for that purpose, require the necessary administrative arrangements which will allow the job to be done and then make sure that the powers and funds are used for the stated purpose in an equitable manner. By "equitable manner" I mean in such a way that departmental biases do not rule out intelligent innovation and that procedural or other impediments are not used to harass system operators.

OUR BASIC APPROACH

We base our system on clusters of neighborhood centers, each serving approximately 500 families (2500 persons at usual ghetto densities). There are several reasons why we have chosen such a small basic unit. This size service unit and scale will permit those who deliver the services to work *closely and directly* with those who need them where the recipients live. In our system, no person walks more than 2-3 blocks to obtain *all* of the services we plan to deliver. Our approach recognizes the *fundamental immobility* of low-income inhabitants. Our neighborhood-based system also allows us to employ neighborhood residents to deliver most of the services. These neighborhood workers have the confidence of recipients to a degree that cannot be matched at a distant location by hurried, impersonal professionals.

Our system operates on the basic premise that it is the ability to effectively deliver *and* to induce effective recipient use of services that is the key to reducing our presently escalating costs for social services. In the system we propose to create, all of the services I am about to describe will be furnished at these neighborhood centers, at no cost to the recipients. Funding would be on a *prepaid* basis for medical and child care, primarily using existing sources, while some portions of our program would require special funding.

We propose to furnish:

1. Comprehensive medical services plus dentistry.
2. A complementary (and similarly comprehensive) range of family planning, nutritional, pre- and post-natal, family counselling and mental health services.
3. A three-phase comprehensive child care and development program, covering ages 0-3, 3-6 and 6-9.
4. Adult career education in concert with jobs.

Apart from professional supervision, all of these services are actually furnished by neighborhood residents, both adults and teen-agers, whom we train and employ. We believe that our neighborhood centers should focus on the child, because that is where the long-term payoffs are, but we also recognize our responsibility to the entire family, and our system is designed to meet that responsibility.

DELIVERY OF MEDICAL SERVICES

To deliver our medical services, we start with our basic cluster of eight (8) neighborhood centers, serving a low-income community of 20-25,000 persons. Two of the eight centers are open 24 hours daily, and every fourth center has a ten-bed capacity for prehospitalization and observation purposes.

In the course of a day, the full-time medical staff—physicians representing the various required specialties—spend one or more hours per day at each center. For example, a pediatrician or an OB-GYN will rotate daily among each of the eight centers; where a specialty is not needed on a daily basis, each of the centers will receive visits one or more times weekly as appropriate. If a specialist is needed at one center, and he is working at another, the distances are so small that he can quickly answer an emergency requirement.

In all cases, the patient sees the same doctor on each visit, and the doctor has continuous individual responsibility for the patient. Thus, our system avoids the stigma of "charity medicine," by providing each patient with his own doctor in a reassuring, local setting.

These health centers are manned and supervised by specially trained nurses and/or physician assistants. We expect to make heavy use of discharged medical corpsmen in this way. Attached to each center are eight "Neighborhood Health Representatives," whose home visiting functions are to (1) bring people requiring medical attention to the center at the earliest possible moment, (2) follow-up treatment to see that the doctor's instructions are followed, and (3) to instruct parents and children in proper health practices. The Neighborhood Health Representatives are also the point of contact for family planning, maternal and educational services.

COMPREHENSIVE CHILD CARE AND DEVELOPMENT SERVICES

To overcome the health and educational deficiencies of children from low-income families, we propose to start with the unborn child and to meet his care and development requirements until he has finished the third grade. Gentlemen, that may sound ambitious, but we sincerely believe that only this type of effort can answer our fiscal and humanitarian concerns for ending the generational cycle of welfare dependency.

This effort begins, with the help of the Neighborhood Health Representative, by discovering as early as possible that a child is on its way, hopefully within a month or six weeks after conception. The pregnant mother immediately begins to receive appropriate prenatal medical and nutritional care, and the Neighborhood Health Representative watches closely to see that the pre-natal regime is followed properly. This single step will markedly reduce the incidence and costly impact of premature births and mental retardation.

After the child is born, we commence the infant development phase of our early childhood development program. Here, our aim is to make certain that the infant receives those fundamental experiences that both clinicians and sensitive parents have discerned are vital to subsequent development. These are delivered at home, wherever the mother is willing and able to provide them, after training if necessary. Where this is not possible, they are provided by specially trained neighbors, either at home or at the centers.

For the 3-5 age group, we propose to greatly improve the scope and quality of services customarily obtainable by ghetto children under conventional child care programs. Since literacy is the central requirement for "making it" in our

society, we plan to concentrate on teaching reading and mathematics. For example, we expect that our children will be able to read—testably—at the second grade level at age 5.

In the final and most elaborate phase of our comprehensive care and development program, we plan to operate our own neighborhood schools, in substitution for the existing public schools, covering the equivalent of the first three grades. Our aim is to insure that our 3-5 year-old graduates will not be "turned off" by the inhospitable elementary school environment that most of these children can expect to encounter in inner-city America. Experience suggests that successful completion of the first three grades, with concomitant superior reading, math and communication skills, will guarantee a successful educational career. But let me again note, here, that although I am emphasizing the child, the system looks to a comprehensive, family-oriented program.

SYSTEM PAYOFFS

I have stressed the fact that any effective solution for controlling the burgeoning fiscal and social costs of disadvantage must begin by reducing the absolute number of persons entering the degrading environment of poverty and disadvantage. Two illustrative system payoffs are a reduction in the number of unwanted pregnancies and a lowering of the incidence of mental retardation.

Although there is evidence to show that at least 50% of pregnancies nationwide are unwanted, and that a relatively large number of first births are illegitimate, current family planning programs are grossly inadequate for two reasons. The first is that contraceptive information and techniques cannot be transmitted effectively to those who need them most by—again—impersonal professionals in a strange, remote location. The second reason is that cheap, safe, low-cost out-patient abortions cannot be obtained by the low-income patient unless this service is nearby, reasonable priced and available within the first few weeks of pregnancy. In this respect, the avoidance of teen-age pregnancy is particularly critical, since the young mother drops out of school and is likely to continue her child bearing.

Cost savings in terms of prevented births, especially to low-income mothers, are so great as to defy simple exposition. Assuming that our system eliminated only 250 live births per 25,000 person service area, the *first cost savings would be about \$325,000 yearly* (based on Medicaid costs of \$600/birth, first year post-natal care costs of \$200, and AFDC per child increase of \$40/month).

Cutting down the number of mentally retarded children is another critical element of any effective solution. Assuming that an IQ of less than 80 is an acceptable criterion, it can be shown that the incidence of lower-class mental retardation is 4-5 times that of the middle class, primarily because the lower-class children (and their mothers) are subjected to inadequate nutrition, medical care and early cognitive experiences. Given appropriate birth rates, etc., a 25,000 population service area might be expected to produce about 40-50 retarded children, each of whom, over its lifetime, can be expected to cost society at least \$100,000. If the rate of retardation in a low-income community can be reduced to equal that of the more favored segments of our population, that is, about 10 in a population of 25,000, the annual net savings (on a lifetime basis) would run between \$3-4 million annually (projected lifetime).

SYSTEM STAFFING

Each cluster of eight neighborhood centers will employ approximately 100 Neighborhood Health Representatives and 48 clerical persons for medical service operations.

Comprehensive child care and development operations will employ 150 adults and 150 teen-agers to handle 1500 children in the 0-3 age group; similar numbers of each will serve 2000 children in the 3-5 and 6-9 age groups, respectively.

Professional medical staff at the centers includes 15 MD's, 8 Dentists, 30 Physician Assistants, 30 Nurses and 20 Dental Assistants. Professional staff for child care and development includes 20 special education teachers, 30 early childhood development specialists and 30 specially trained instructors for our reading-mathematics program.

The development program at the center would employ a teacher ratio of about 1:80 for the child population of each unit, but the assistant ratio will be 1:5 for the 0-3 age group, rising slightly to 1:8 for the two older age groups.

SYSTEM COSTS

For this part of my testimony, please refer to the chart on the last page. First of all, the medical portion of our program runs essentially on Medicaid, but recall that we are talking prepayment. Funding arrangements for including low-income but Medicaid ineligible can and must be devised, because a substantial proportion of the people in the service area fit into this category.

Your staff has particularly inquired about the cost of our child care and development program. *We project a total cost of \$25 per child per week.* The components of this weekly cost are \$3.50 for the professional teacher(s), \$10 for the teacher assistant, \$10 for facilities and supporting services and a pro-rated \$1.50 for the time of medical and other professional personnel dedicated to child care and development.

We project that the total annual cost of an 8-center cluster will run about \$13 million. Medical and educational services run about \$8.5 million; hospitalization runs \$2.0 million; staff training \$0.9 million; and dentistry \$0.8 million.

Now let's consider the pattern of the present system's costs. I say "pattern," because the fragmented nature of the present system makes true accounting virtually impossible. Consider some of these major cost items in the light of our approach.

Our system creates, in the community service area, 600 full-time jobs for neighborhood adults, *cutting the welfare rolls immediately by \$2.4 million* (2000 hours of employment per year @ \$2/hour). Balance our basic health and education costs of \$8.5 million against both the *\$2.4 million welfare reduction and \$5 million prepaid Medicaid*, and then take into account the possibility of prepaid child care. Viewed in this way, I think our proposed program begins to make very good fiscal sense, although some other major cost items remain, and we should now look at them.

We propose to run neighborhood-type schools for the 6-9 age group, but unlike the usual ghetto school, or indeed most other public schools, our schools will guarantee performance. Guaranteed performance means simply that payment for providing basic reading and mathematics skills—the skills that count—depends solely on the number of children that reach a pre-determined level of achievement, as measured by independently administered, standard testing methods. In essence, this portion of the system would spend more effectively the approximately \$1.8 million now spent annually in the conventional system (3000 children @ \$600/year).

Lastly, we expect to cut Medicaid costs, on an annual basis, by 20% or some \$200 per family for those 5000 families. That \$1 million will be available for recycling into other effective programs for reducing delinquency, retardation, etc.

Since we create good jobs, their income impact also affects the economics—the cost-effectiveness—of our system. To summarize the employment impact, for each 25,000 person service area, we create 600 adult and 500 teen-age jobs. As I mentioned a moment ago, each of the adult jobs generates \$4000 of annual income, and we estimate that each teen-age job will generate about \$1000. Especially for the adults, we foresee our jobs as the means of entry into more sophisticated careers. We not only expect our neighborhood workers to "graduate" into the broader employment market, we also make provision for training so that they can achieve their expectations: each work day consists of six hours of work and two hours of formal training. In general, our training is aimed at entry into the allied health professions and in education.

I want to stress that I consider the participation of teen-agers a centrally important part of our approach. These teen-agers will receive a truly relevant high school education, an education whose usefulness and meaning will be directly and immediately apparent and which will be reinforced through work experience at the centers.

Through their jobs, these young students will make a personal contribution to family stability and develop a strong sense of personal worth and independence. Not least by any means, their work experience will make them better parents—itsself a highly effective way to terminate the cycle of welfare dependency. Finally, these jobs should provide both the educational and fiscal impetus for these students to go on to college and advanced career opportunities.

SYSTEM SUMMARY

In concluding my testimony on our proposal, let me again make one point clear: the bulk of our proposed program for comprehensive delivery of social services—in health, education and child care—entails spending about the same amount of money that is now being spent ineffectively. We propose to provide needed services in new and far more effective ways. The kinds and levels of effectiveness we—and I'm sure others—believe we can achieve cannot be attained today. Innovators will remain totally frustrated by the fragmentation of authority and administrative morass that exemplifies the present system.

One final point. A comprehensive delivery system is more than carefully coordinated, cost-effectiveness programs, vital as these are. Our health and welfare problems will be attacked successfully only if solutions are illuminated by the understanding that physical and social health—in the child, the family and the community—must be dealt with in a sensitive, unified way, in a way where the outcome shapes our public and private actions.

WE RECOMMEND

First, that \$100 million per year for two years be made available specifically and exclusively for four projects. We think a range of \$13-15 million is about right, but experience in both domestic and military innovation suggests that we could be wrong by 100%. In addition, a reasonable portion of the funds should be spent on rigorous evaluation. This evaluation should be of two kinds: it should examine the inherent performance of the systems and their components—do they deliver the goods as advertised; and this evaluation effort should compare new system performance with what we have now.

Second, that legislation should specifically create, or require the Secretary of HEW to create immediately the post of Program Administrator for Innovation in the Provision of Social Services, with full statutory and administrative powers to conduct the four-system demonstration program. This post should be analogous, in its ability to command and allocate departmental resources of all kinds, to those managerial positions created to achieve major accomplishments in space and weaponry. The legislation should do two other things. It should make clear that the \$200 million is to be spent solely by the Administrator on the four projects, and it should direct the Secretaries of HUD and Labor to provide the fullest assistance possible to the Administrator in the fulfillment of the demonstration program.

Third, that there be established direct legislative oversight both of departmental action to carry out the program and of system performance in each of the four projects.

Thank you very much for inviting me to testify. My colleagues and I will be happy to answer questions.

SYSTEM COSTS

(In millions of dollars)

Item	Cost
NES proposal:	
Medical	2.5
Dental	1.0
Hospitalization	2.0
Education	6.0
Training	1.5
Total	13.0
Offset costs:	
Medicaid	5.0
Dental	(0)
Education	(0)
6 to 9	2.7
0 to 5	(0)
Welfare payments	2.4
Training	(0)
Total	10.1

1 Not provided.

Notes: The above figures do not reflect savings attributable to better health care; e.g., reduction in retardation, premature births and illegitimacy, or to effects of education and training; e.g., useful, well-paying jobs on teenage behavior.

PRESENTED BY MRS. WAYNE W. HARRINGTON, PRESIDENT, WOMEN'S DIVISION,
UNITED METHODIST CHURCH

My name is Mrs. Wayne W. Harrington. I am the President of the Women's Division of the United Methodist Church. The Women's Division represents 1,970,597 women who are members of Societies of Christian and Wesleyan Service Guilds. The latter consists entirely of employed women in the United Methodist Church. Staff members in nine regional offices around the country act as liaison between the local women and the national office. The Women's Division is the only unit of the United Methodist Church which has a lay constituency, which has administrative, interpretative and educational functions, and which makes financial appropriations to all other units (except one) of the Board of Missions.

Guided by statements of the 1968 General Conference of the United Methodist Church, the Women's Division is deeply aware of the need for Christian witness and active participation in the struggle for economic and social justice. At the 1969 Annual Meeting of the Board of Missions of the United Methodist Church the Women's Division adopted the following resolution:

The United Methodist Church has been unequivocal in its definition of society's economic and social responsibility to all its citizens and has noted the inadequacy of current welfare and social insurance programs for meeting that responsibility.¹

We commend, therefore, the Nixon administration's welfare proposals insofar as they are designed to alleviate inadequacies and inequities in the current system. In particular, we draw attention to the following features: (1) the establishment of a fixed national minimum standard of support, aimed at minimizing wide variations between state payments; (2) provision of assistance to the "working poor," thus ending the system of "punishing" a welfare recipient for working by cutting welfare payments equal to what he earns; (3) ending the need for an unemployed father to desert his family in order that they may be eligible for assistance; and (4) simplified procedures for eligibility determination.

Such provisions as these were clearly meant to relieve some of the more flagrant injustices of the present system. However, while we recognize the progress these proposals represent, we must also make clear our serious reservations about several major aspects of the Nixon plan.

First, we question the justice of those features of the proposals which would require the head of a household to work or to accept job training in order to receive welfare payments. As there is no guarantee that the recipient would have any appreciable choice in the work he would do, this seems to us a clear violation of the principle of self-determination.² For a mother of school-age children who is the head of a family, this is a denial of her right to decide what is best for her family, in terms of working to earn more money or staying home.³

Second, the administration's manpower training plan would not provide federal jobs but would depend solely on the labor market as it exists.⁴ With unemployment figures rising now,⁵ it is highly unlikely that jobs will be available to those required to work. It has also been pointed out that no attention has been given to raising the minimum wage level or to the coverage of additional jobs by the present minimum wage law. It is feared that many recipients could be pushed into menial underpaid jobs, thus "subsidizing and perpetuating substandard wage levels."⁶

It is also conceivable that such a program could lead, on a local or state level, to the coercive use of labor for negative political or economic ends, for example, using the poor as strikebreakers in controversial labor/management disputes.⁷

¹ "Health, Welfare, and Human Development," *The Book of Resolutions of the United Methodist Church*, 1968, pp. 45-47.

² *Ibid.*, p. 47; also, see Policy Statement of Guaranteed Income of the National Council of Churches, February 1968, pp. 3 and 6; and Statement of Welfare Reform of the Board of Christian Social Concerns of the United Methodist Church, October 1969.

³ Resolution on A Federal Family Assistance System of the National Council of Churches, September 1969, p. 2.

⁴ *Congressional Quarterly*, Weekly Report (October 24, 1969), p. 2096.

⁵ *AFL-CIO News*, Oct. 11, 1969, p. 1. "The nation's unemployment rate soared to its highest level in 23 months in September. . . . The unemployment rate of 4 percent for the month, announced by the Labor Department, was a five-tenths of 1 percent jump, the largest monthly increase in 9 years.

⁶ "Looking Ahead With Respect to Income Maintenance," speech delivered by Ellen Winston, former commissioner of welfare in the Department of Health, Education, and Welfare at Lake Junaluska, N.C., Annual Conference of Board of Christian Social Concerns, United Methodist Church, Oct. 7, 1969.

⁷ Friends Committee on National Legislation, *Washington Newsletter*, August-September 1969, p. 2.

Furthermore, the administration expects to provide no money for the construction of new child care facilities but only funds for rental or rehabilitation of existing structures. The National Association of Social Workers notes that such plans are "completely unrealistic. . . . Experience to date with a similar authorization in the 1967 public welfare amendments indicates that lack of construction funds has been a serious block to the development of day-care programs."

We particularly question the obvious inadequacy of payments under the new plan. The National Welfare Rights Organization estimated that a family of four needs \$5,500 per year.⁹ This amount makes pitifully small the administration's proposed minimum payment of \$1,600 for a family of four. And even the maximum of \$3,920 that can be obtained through a combination of work and welfare is not up to a realistic level of estimated need. Furthermore, no aid is provided for the childless and the single poor.

While definitions of what constitutes poverty differ, it is generally conceded that any welfare or income maintenance program must provide decent food, clothing, shelter, and health care. Most importantly, it must somehow provide the leverage which will enable the poor to break the cycle of poverty instead of simply continuing to exist within it.

The Nixon administration's proposals, though well-intentioned, are clearly inadequate for this task. While we cannot offer an alternate comprehensive plan which would encompass the monstrous complexities of urban and rural poverty, we can call upon all Christians to recognize that they are "obligated to develop the moral foundations for public policies which provide every family with the minimum income needed to participate as responsible and productive members of society."¹⁰

We feel that such policies would first of all guarantee a minimum adequate income to all Americans as a matter of right, not charity. What constitutes a sufficient income would be determined according to realistic appraisals of living costs and would be revised regularly to meet changing local and national conditions.

An integral part of an adequate system of income maintenance would be massive jobs and job training programs. Legislation is needed which would establish a system of public service employment designed to open up job opportunities in a wide range of community, health, welfare, and education programs.

Other approaches to adequate income maintenance programs might include extended and upgraded social insurance programs, unemployment compensation, a children's allowance, negative income tax, and a system of grants. The food stamp program should also be continued and liberalized.

Finally, adequate provision should be made for community-controlled social services, such as job counseling, legal aid, health, day care and social and recreation centers. Such programs, though themselves only a partial approach to poverty in America will be expensive. However, any truly creative policy which is designed to end, not perpetuate, poverty can hardly be otherwise.

This resolution was adopted before the Family Assistance Plan was revised by the Administration. However, our reservations about the bill under consideration are essentially unchanged. We view with alarm the removal of the word "suitable" from the work requirement description. Although we felt before that this section was vague and indefinite about protecting the rights of those registering for jobs, the removal of the word makes even more room for the abuse of this provision.

We also question the provisions regarding unemployed fathers and features of legislation related to F. A. P. which deal with compulsory health insurance and housing. First, we feel that abolishing Federal matching assistance for unemployed fathers could unfairly discriminate against males who are unable to work. Secondly, while we agree that it is inequitable to exclude from Medicaid the working poor which including families headed by females and non-working males, we feel that requiring a contribution from all participating families does not solve the problem, but merely shifts its weight to those who are poorest. Even a "modest" contribution of 5% is an excessive demand from fami-

⁹ "Statement of the National Association of Social Workers on the President's Welfare Reform Proposal," in NASW's Washington Memorandum, Aug. 28, 1969, p. 4.

¹⁰ "NWRO's Guaranteed Adequate Income Plan," published by National Welfare Rights Organization. The figure was obtained by taking the Bureau of Labor's latest figure for a "low standard budget," released by the Bureau in 1967, and updating it according to a 9.4 percent cost-of-living increase.

¹¹ *The Book of Resolutions of the United Methodist Church*, 1968, p. 16.

les whose income might be as little as \$1600. Similarly, twenty percent of income for rent in public housing would be prohibitively expensive for many families and often higher than current average rents for public housing.¹¹

The Women's Division Resolution on Welfare Reform was adopted nearly a year ago. It was the result of months of study and discussion among staff and members of the Women's Division. The strength of our commitment to *meaningful* welfare reform and a concomitant change in national priorities has been immeasurably strengthened by our working relationship with the National Welfare Rights Organization. As you know, NWRO is a national organization composed entirely of welfare recipients—mainly mothers—Black, White, Spanish-American and Indians from every part of the country. We have felt very fortunate to be able to work closely with these women and consider whatever help we've been able to give through our own channels small recompense for the awareness about poverty they have brought to us. Because our convictions on this subject have been so strongly intensified by this relationship with NWRO we feel a brief history of our work together will help explain our position on the bill under consideration.

In September 1968, Dr. George Wiley, executive director of NWRO, spoke at the first organizational meeting of the United Methodist Women's Division in Cincinnati and, soon after, the officers of the Women's Division voted to meet for several days with the national officers of NWRO. We felt sharply the need to find ways in which poor and non-poor people, traditional and nontraditional organizations could work together effectively for social change, and that new coalitions between the Women's Division and unfamiliar groups would be necessary not only in the fight for justice and dignity but for the life of the church itself.

During the three-day meeting, with national officers of NWRO, members of both organizations were surprised to learn how much alike we were. Both groups were made up of women working for justice in a man's world; both were deeply concerned for their children and the kind of world they would inherit; both wanted to participate fully in American life; both were willing to work very hard. There were differences, of course. The Women's Division executives were shocked to hear about the actual conditions of life necessarily endured by their sisters on welfare—the inadequate diets, poor housing, and lack of educational or health facilities.

But even more, we were shocked to hear about the constant harassment women receiving assistance underwent at the hands of welfare departments—arbitrary cut-offs of checks with little or no chance for appeal, 4 A.M. raids on their homes to determine whether or not a man was there, long delays in receiving assistance, rudeness of personnel and humiliating examinations into their personal lives. It also became more and more apparent that the welfare system worked primarily to keep people on the welfare rolls, as any personal initiative was awarded by cutting off welfare checks. We were told that almost no means for self-improvement was allowed—professional training and higher education were not permitted. In short, their lives were a constant, debilitating struggle, not only against poverty, but against the very system which was created to "help" them.

Since that meeting, welfare rights has become a priority concern for the Women's Division. NWRO has been our consultant and "sister organization" on this issue, participating in our annual meeting in January, 1970, a training event for new officers in April, and at executive meetings. Members of the Women's Division recently attended NWRO's Annual Conference in Pittsburgh. Much educational material has been disseminated through the channels of the Women's Division and local contacts between United Methodist women and NWRO members have been encouraged. Last summer, between 10 and 15 welfare mothers from NWRO attended each of five regional schools and several more conference schools where they met and lived with about 2000 local women of the United Methodist Church. At these schools, old stereotypes about welfare recipients clashed violently with the reality of NWRO members themselves.

These encounters have taught us in little more than a year what many Americans seem not to have learned in their entire lives—that poverty is not

¹¹ In testimony before the Senate Subcommittee on Housing, Jesse Gray, Chairman of the National Tenants Organization, quoted data from the Bureau of Labor Statistics indicating that 19 percent of income was the average rent in public housing, but that the average poor family of four now paid 16.4 percent of income in all housing. (Transcript of hearings for July 24, 1970.)

the fault of those who are poor. Mostly, poor people are desperately anxious to do meaningful work at wages which will enable them to live dignified lives and plan for the future. It is the hopeless circle of poverty—malnutrition, poor housing, inadequate schooling, underpaid menial work (if even that is available), little or no health care, and often, the welfare system itself—which creates and perpetuates poverty often in the same families for generations.

From our own experience, we learned that welfare mothers have as much ambition and energy, often more, as any other group in society. According to a study conducted by the City University of New York, 7 out of 10 mothers on welfare who were interviewed indicated they would prefer to work rather than stay at home.¹² Now, for many mothers, whether on welfare or living in Scarsdale, New York, being a housewife is a full-time occupation. For families without a father however, a mother must work even harder. Yet a majority in the New York sampling would prefer the double jobs of house-keeping and working for money so to improve their families' lives.

Furthermore, those who feel that work is a panacea which will solve the welfare problem must be reminded that even where jobs exist (keeping in mind the current unemployment rate of nearly 5 per cent),¹³ for those without training or education, the possibilities are dismal. The kind of unskilled jobs available do more to *guarantee* poverty than end it. According to the U.S. Census Bureau, female clerical workers make \$4,000 a year, sales workers, \$2,000 for females to \$7,000 for males, service workers, \$2,000 to \$4,900, female household workers, \$800. Grinding poverty is the life style provided by this kind of income.¹⁴

We feel that the work requirement for welfare mothers rests upon unjust assumptions about their unwillingness to work. In addition, it reflects a widespread prejudice which implies that being a housewife is a sufficient full-time occupation only for middle class women. Finally, it suggests an unrealistic assessment of available employment opportunities. Thus, unless adequate provision is made for vocational and professional training, it is fatuous to claim that "jobs" are the answer, when in fact, jobs of any kind are scarce, and the training required for occupations with any future are out of the reach of most poor people. In this connection we applaud the recent decision of a Federal Court supporting a welfare mother's claim that the New York City and State Social Services Departments pay her registration and tuition fees for training as a registered nurse.¹⁵ Without such realistic professional training the poor continue in unskilled jobs, as marginal members of the society, passing on the heritage of poverty to their own descendants.

Another myth exploded for the Women's Division by our association with welfare mothers is that welfare provides "a good life," that it is possible to "live it up" on welfare by doing nothing. Under the F.A.P., a family of four would receive a federal minimum of \$1600. With food stamps this would be brought to \$2400.¹⁶ However, the Bureau of Labor Statistics estimates that the average family of four needs \$6567 to achieve a minimal "low living standard."¹⁷ Furthermore, the poor get none of the benefits which middle class people take for granted—clean, modern schools, well-built, attractive housing, superior health facilities, playgrounds and parks, adequate police protection. Even public transportation and sanitation are far superior to that which poor people endure. In December, 1969, many United Methodist women attempted to live on a welfare budget for one week. Even while remaining in their own middle class homes and neighborhoods, and suffering no additional deprivations, simply trying to buy food and necessities on about \$.59 per day per person was extraordinarily difficult and frustrating. Most could not last a week on what welfare recipients must live on.

¹² From a study titled "Families on Welfare in New York" (p. 17) by Lawrence Podell, Center for the Study of Urban Problems, Graduate Division, Baruch College, City University of New York, 257 Park Avenue South, New York, New York 10010.

¹³ "In the second quarter of 1970 . . . the jobless rate averaged 4.8 percent for adult men . . . 4.7 percent for adult women, and 14.9 percent for teenagers . . ." From "The Employment Situation: June 1970," Bureau of Labor Statistics, U.S. Department of Labor (News release dated July 2, 1970.)

¹⁴ "Income Growth Rates in 1939 to 1968 for Persons by Occupation and Industry Groups, for the United States," U.S. Department of Commerce, Bureau of the Census, Series P-60, No. 69, April 6, 1970; p. 82.

¹⁵ New York Times, July 5, 1970.

¹⁶ "Background Paper, June 1970 Amendments to F.A.P.," Department of Health, Education and Welfare, June 10, 1970, p. 5.

¹⁷ "Three Standards of Living for an Urban Family of Four Persons," U.S. Department of Labor, Bureau of Labor Statistics, March 1970.

We learned that no solution to the problems of poverty is possible as long as poor people are not allowed the same opportunities as the rest of this society. Therefore, while we applaud the *principle* in this bill which guarantees an income *floor* for every American family, we feel that anything less than a guaranteed *adequate* income as well as meaningful professional and vocational training will only serve to reinforce the vast interlocking poverty systems which now suffocate at least 25.4 million American citizens.¹⁸

We recognize that any program which begins to attack the root problems of poverty with the aim of providing welfare recipients the help they must have to become self-supporting will cost a great deal of money. However the cost to society of maintaining at least 12.8 percent of the population in poverty is infinitely more expensive in terms of crime, mental illness and incapacity, drug addiction and the loss to this nation of a huge reservoir of creative human beings.

Furthermore, we find it ironic that so many Americans are unaware of the cost of other "welfare" programs for the rich, such as farm subsidies, oil depletion allowances, capital gains exemptions, defense contracts, insurance company reserves and so on, which amount to billions of dollars every year. We find it ironic that the government can consider subsidizing Lockheed Aircraft Corporation for \$300 million¹⁹ or the Penn Central and other railroads for \$750 million;²⁰ that Congress can authorize hundreds of millions each year on technology of dubious value such as the SST and the ABM, and billions for an adventure to the moon; indeed, that the budget for the war in 1970 is \$79.5 billion²¹ while the far more critical investment in the lives of fellow citizens is, as usual, slighted.

Obviously, to afford any meaningful welfare reform, spending priorities will have to be changed. As long as defense spending, including costs for past wars, uses over 60 percent²² of the federal budget, there will not be enough money to meet *any* domestic needs, poverty included. Thus even a bill as inadequate as the one under consideration, will cost "too much" unless this, the richest nation in the world, becomes also more humane.

JEWISH LABOR COMMITTEE,
NEW YORK, N.Y., May 19, 1970.

Subject: H.R. 16311, Family Assistance Act of 1970.

Senator RUSSELL B. LONG,

Chairman, Committee on Finance, U.S. Senate, New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: We wish to express a positive view toward the basic principle of a nationally guaranteed minimum income standard as embodied in H.R. 16311. However, we regard the amount of the minimum established in this legislation as totally inadequate.

Therefore, while H.R. 16311 accepts the principle of a nationally guaranteed minimum income, which we strongly support; and would also reform our present welfare system, which is in need of major reform, in many respects; we believe that the bill is grossly deficient in meeting human needs, and in other aspects. Hence, the Jewish Labor Committee believes the bill needs serious modification, and urges the Senate to consider the following alterations:

1. The minimum income in H.R. 16311 should be more than doubled. Under this act, a family of four would receive a \$133.33 monthly income which provides a poverty level of existence. The poverty cutoff for a non-farm family of four has been set at \$3,553 by the government. Even this amount does not provide for lavish living.

¹⁸ "Poverty in the United States 1959 to 1968," U.S. Department of Commerce, Bureau of the Census; Series P-60, No. 68, Dec. 31, 1969; p. 1. The poverty level is set at \$3,531 for a family of four, over \$3,000 less than the Bureau of Labor Statistics sets as the minimum amount to achieve their "low living standard."

¹⁹ "Twenty-Four Banks Agree on Plan for Lockheed Financing", *New York Times*, July 22, 1970.

²⁰ "Congress Hurries To Help the Pennsylv", *New York Times*, July 23, 1970.

²¹ "The Budget in Brief", Executive Office of the President/Bureau of the Budget, Feb. 2, 1970 p. 32.

²² "The Nixon Administration claims that 41 percent of its budget will be spent on 'human resources', 36 percent on 'national defense'. But it lumps trust funds such as Social Security (for which the government is simply the caretaker), veterans' benefits, and even the costs of the Selective Service System under 'human resources'. When these misleading costs are put where they belong, only 17 percent of the proposed budget will go for 'human resources', 64.8 percent for 'national defense' and the cost of past wars. In reality, we will spend almost as much on the cost of past wars as on 'human resources'." Based on an address by Senator Mark Hatfield, Corvallis, Oregon, Feb. 10, 1970, printed by SANE, A Citizens Organization for a Sane World.

2. Mothers of children over 6 years of age should not be compelled to register for work or training. This should be voluntary. Instead, mothers of such children should be provided with information and training to enable them to function more effectively as heads of their households. The social benefits of such training are of greater significance to the community than getting them into the labor market. By forcing mothers into the labor market, we run the risk, in innumerable situations, that young children will receive inadequate parental supervision.

3. Social security benefits should be increased by 50% with a minimum of \$100 a month. Over 5,000,000 persons 65 years of age are classified as being within poverty income levels. The recent social security increase is insufficient.

4. The minimum wage should be increased to \$2.00 an hour, and its coverage should be extended. By this measure alone 8 million Americans would be brought out of poverty income levels. The working poor would not need government allowances if they received decent wages. H.R. 16311 may, in effect, be subsidizing employers who pay inadequate wages and would create a cheap labor pool.

5. Federal standards and supervision of manpower training must be maintained. The Federal Government cannot simply turn over training to state and local governments. Training must be a partnership between the federal, state and local governments to help make for greater mobility, and if necessary the resettlement of those trained where the jobs exist.

6. The government must accept the responsibility to serve as the employer of last resort if the private sector is unable to absorb all who want to work and are unable to be absorbed by business and industry. There are many jobs in the public sector which are not being done. Our schools, hospitals, city, state and federal governments can use millions of workers in jobs which will enhance the quality of our lives. Some examples of personnel needed are: teachers' assistants, nurses' aides, recreation workers, sanitation workers, hospital technicians, etc.

7. Many states and cities now carry staggering welfare costs. They desperately need relief from this burden which can only come from the federal government. The federal government should assume complete welfare costs.

8. A nationwide job opportunity inventory survey is needed on an ongoing basis to determine specific occupational opportunities for training, as well as the geographical regions where these opportunities exist so that training is related to current and projected manpower needs. We really do not have much firm data at present.

9. We must maintain a full employment economy. The poor among us will continue to decline so long as our economy booms. Any steps by government which will decrease employment must be viewed with alarm. On the contrary, government policy should be directed towards increasing employment opportunities.

We must not view the problem of welfare in isolation. Many government economic programs should be re-examined, which in our view must include reorganization of the social security system, liberalization of unemployment compensation, upward revision of minimum wage laws, and an increase in job creating social programs, such as housing, transportation, health care, anti-pollution enforcement and expansion of educational and hospital facilities. And as we indicated above, expanded employment and the use of the government as the employer of last resort offers other opportunities for reducing the size of the welfare rolls.

The Senate must take a total view—a commitment to full employment and an acceptance of the principle that the nation must use the instruments of planning; so that all of the nation's resources can be put to work on behalf of all of the people.

Sincerely yours,

EMANUEL MURAVCHIK,
Executive Director.

TESTIMONY OF AMERICAN FRIENDS SERVICE COMMITTEE, SUBMITTED BY BARBARA W. MOFFETT, SECRETARY, COMMUNITY RELATIONS DIVISION

The American Friends Service Committee appreciates the opportunity to present this statement to the Senate Finance Committee as it considers legislation on income maintenance programs. This statement is on behalf of the AFSC

and represents the views of many like-minded Friends. No single body can speak officially for the Quakers, the Religious Society of Friends.

For more than 25 years, the AFSC has carried on programs in many communities of poor people in the United States. Present programs involve us with, among others, farm workers in the east coast migrant stream, black dwellers in the Chicago ghetto, fishing Indians in the Northwest, and Mexican-Americans in California and Texas. We do not speak *for* these people and these communities, but we would like to speak *of* them, and to present our views, growing out of this grass-roots experience, about what our country should do in order to end the economic deprivation which divides our nation.

The goal toward which our small efforts are aimed is precisely that which we would urge upon our government. All our people should have an adequate standard of living, whether they can hold jobs or not, whether their parents can hold jobs or not; all should be enabled to maintain a stable family life, to develop their own capacities and, as much as possible, to build a base of self sufficiency for themselves, their families and their communities. Achieving these purposes requires building a floor under the income of every American, and providing for those who can and should have jobs outside the home the positive incentives of training and employment opportunities. In our eagerness to encourage people toward economic self-sufficiency, we must avoid the trap of utilizing deprivation to punish those who do not have jobs, including the many who are too old, too young, handicapped or otherwise unable to escape the punishment.

CRITERIA

Our field experience indicates that certain standards should be met by any legislative program aimed at eliminating poverty in America—and we believe that any lesser aim is improper and unworthy of our country.

Very briefly, our criteria call for:

1. coverage determined by need, with no categorical exemptions;
2. nothing less than an income sufficient to maintain a decent standard of living;
3. recognition of freedom from want as a human right;
4. elimination of red tape and demeaning procedures;
5. full availability of all anti-poverty benefits;
6. training and job opportunities in private and government employment;
7. no forced work or exploitive pay and working conditions;
8. protection against misuse of income programs to block civil rights and political activities;
9. protection of family life;
10. administrative separation of income support from other government programs that deal with social issues.

1. ALL WHO ARE IN NEED SHOULD BE ENABLED TO RECEIVE INCOME SUPPORT

The only question should be whether income measures up to a specific level of adequacy, and not whether an individual or family fits into a certain category of age or family composition or sex of family head, work status or place of residence. Sorting people into arbitrary pigeon holes not only compounds human problems, but also subverts public and private efforts aimed at solving social and economic problems. It is bizarre to say that a child's hunger should be ignored by the government because his unemployed father is home, that a sickly couple should be denied aid as soon as their youngest child reaches the cut-off age whether or not there is any income-producing capacity, that a man and wife working long and hard for money far below the poverty level should find their family's need of no concern to the nation, or that deprivation is more acceptable in one part of the country than in another.

From a town of California, our staff writes, "The most ignored group with the most tragic needs are those whose children, if they had any, are grown and who are too young for old age assistance and whose infirmities aren't enough to qualify them for aid to the totally disabled. There are at least token gestures for helping the elderly, the blind, those with children, those who've dropped out of school—but there is nothing but county relief, which is always limited, for these people. Some may be capable of some kinds of work, but they are extremely unlikely to get hired. Here in R——, the county welfare office has a branch, but

it's only for family assistance. Even to get certified for food stamps, single or childless adults must go to another town. A complicated trip, involving four buses, and a wait of several hours at least in the welfare office might get them certified."

Staff working with farm laborers in Florida tells of insoluble problems resulting from the unevenness of services from county to county, a microcosm of the differences between states. Many families living in P—— County would like to move to I——, which is closer to their work, and where they can get adequate housing at a reasonable price through the AFSC program. "But there are no food stamps, there is no health clinic, for a long time there has been no doctor any closer than 20 miles and these doctors are very reluctant and sticky when it comes to charity cases. This leaves people in a terrible dilemma. They can get housing in I—— but hesitate to move because, on their very meager incomes, in order to survive, they need recourse to food stamps or commodity foods occasionally and they need the services of the health clinics that are available to them in P—— County."

2. BENEFIT LEVELS MUST ASSURE AN ADEQUATE LIVING STANDARD

A minimum adequate budget for a family of four is \$5,900, according to the Bureau of Labor Statistics. For most families lacking any other source of income, this amount should allow an adequate level of nutrition, shelter, clothing and medical care, unless there are special medical or nutritional needs. Below this figure, by definition, a family of four cannot achieve an adequate standard of living.

We therefore believe that the adequacy of any income support program should be measured against the BLS standard, keyed to family size. Prompt achievement of this standard is well within the capabilities of the U.S. Any program setting income levels lower than the BLS standard should include an explicit plan for reaching the standard, with adjustments for changes in the cost of living.

The hopelessly low income levels now provided to those poor people who fit the categories of the welfare system are so well known that they seem to have lost the capacity to shock. We would like simply to cite a few examples of what it can mean to be caught in poverty.

"As a teacher (in southern New Jersey) I have seen dozens of cases where children have been marked for failure at a tender age not because of the lack of ambition or brains, but because of the lack of physical provisions to keep them in school on a regular basis.

"One of the most frequent problems was that of providing eye glasses. Sometimes service clubs like Lions would provide glasses for needy children, but not always. And many rural areas are without such clubs. . . . Dental care is still a luxury among the working poor. I have known pupils to be absent from school intermittently for months because of tooth aches. When they did manage to come to school, the pain was often so severe they were unable to concentrate on school work. The final solution was always abstraction, the tooth being decayed beyond repair.

"Perhaps the most frequent cause of absence was the lack of proper clothing, especially in the winter. The lack of fully soled shoes or boots kept many children out of school on snowy days.

"Often poor children have no sleeping pajamas and sleep in their underwear. More than likely they sleep with a younger brother or sister who may wet the bed. School age children are ostracized and mocked by the others because they 'smell bad.' The eventual dropping out of school assumes many forms and expressions, but the uncomfortable feeling among their peers may have been rooted many years back."

Starting in 1964 the AFSC has worked with farm laborers in the east coast migrant stream. According to the 1969 Report of the Senate Subcommittee on Migratory Labor, the 1967 yearly earnings of migratory farm workers who engaged exclusively in farm labor averaged \$922; those who were able to add non-farm employment averaged about \$2,100. These are people who work long and hard for their pay, who travel long, unpaid journeys to find and wait for work, who live in terrible conditions. One camp in upstate New York was particularly bad. "The complaints were urgent: no screens, open toilets, flies and mosquitoes, no showers, bed bugs, 'raining in the rooms,' stoves out of order, no hot water, low pay and high prices. It was, said the laborers, no place for families. They re-

ported that they were-intimidated, both verbally and physically. Periods of waiting for work were long, using up all their money." The average worker on a good day on this farm earned about \$5.00, out of which 25 cents was deducted for 'social security' (which the crew leaders pocketed) and three meals a day at 85 cents each took \$2.55. The work schedule did not allow for a day of rest and a worker who took a day off was in danger of eviction from the camp.

People who are this poor often cannot take advantage of efforts to combat poverty; they are too poor. In one county of Pennsylvania, only one-quarter of those entitled to buy food stamps actually do so, despite efforts to publicize the program. The director of the social services department says that people often cannot tie up their limited cash for a month in advance, making them even more helpless in the event of an emergency.

For poor people, the need to pay for a cab to take a sick child to the doctor is an emergency, paying a bondsman to keep an arrested son out of jail pending trial an impossibility and rains which hold up work on a harvest a disaster. An adequate income program would enable families to deal with this kind of special financial demand; special aid should be available to help meet major or long-continuing emergencies.

3. ADEQUATE INCOME SHOULD BE ESTABLISHED AS A RIGHT

We regard freedom from want as a basic human right, and protection of that freedom as a responsibility of the national government. We believe that every family and every individual should be guaranteed the essentials for survival.

4. PROCEDURES SHOULD BE SIMPLE, EQUITABLE AND RESPECTFUL

Present welfare procedures often seem aimed at keeping as many people as possible from getting their benefits and at making the situation as unpleasant and complicated as possible for those who do receive assistance. Mechanisms are complicated, applicants are presumed to be untrustworthy, and welfare officials are given wide scope for the exercise of class bias, racial prejudice and self-interest.

We recommend a federal system, in which eligibility is established through a type of affidavit, confirmed by random checks and other checks where indicated. The use of this procedure has been tested sufficiently in various parts of the country to demonstrate that it works well. The margin of error (which includes fraud as well as mistakes) is approximately the same as in the old and far more costly system of universal prior investigation, and compares favorably with the experience of the Internal Revenue Service with income tax returns. Honesty is as prevalent among low income people as among other classes.

Benefits should not be denied or terminated without a hearing. The right to appeal unfavorable decisions must be fully protected with guarantees of prompt hearings and prompt decisions. Areas of administrative discretion should be subject to regular review by competent authority in order to prevent patterns of inequity and to avoid placing upon recipients all the burden of discovering and opposing incorrect practices.

Our field experience shows that insults, humiliations and delays are built into the mechanism of assistance programs in most states and that more insults, humiliations and obstacles are added gratuitously by functionaries employed to deliver the assistance. The experience in one California county can be cited as an example of all too common practices in the food stamp program. "The program can involve degradation at every step—from the four-hour wait in the crowded welfare office to get certified, then having to stand in long, special lines at banks to purchase the stamps, sometimes at outside windows in the sun or rain, and then at the grocery store where recipients are likely to face loud comments about the user's purchases and about how *they* couldn't afford such and such for *their* families, but then *they* have *husbands* who work."

In South Jersey the price of seeking support for her child can be the demand that an unwed mother answer, sometimes in public, detailed questions about intimate relationships.

In Maine, Indian clients can have the privacy of their homes and outbuildings invaded by a social worker investigating an application.

In one county in western Maryland, it is generally believed and nowhere publicly contradicted that if a child gets a free lunch it means he hasn't got a father.

In another part of Maryland, an old man, diabetic, senile, illiterate, collapsed on the street. The hospital treated him, and wrote a prescription, but the drugstore wouldn't fill it because his medical card had expired. A friend called the welfare office, located in another town 10 miles away, and was told that the only way the old man could get a new card was to come to the office. The fact that he was too sick, and the fact that he had no way to get there anyway, were certainly not welfare's fault.

5. AID MUST BE TRULY AVAILABLE

We are constantly struck at the tendency to judge the success of assistance programs by the wrong standards. Low welfare rolls and low expenditures are seen as evidence of success. But in fact they indicate failure if needs are left unmet because people do not know that they are entitled to benefits or because of geographic or procedural obstacles. The true test of a successful assistance program is the extent to which the poverty is eliminated. Affirmative action by the responsible agencies is required, to assure the achievement of this goal.

In 1969, AFSC teams, in a program known as CRASH, studied the operations of federal food programs in 35 counties across the nation. Trying to determine why so few people participate in food programs, the teams found that the key answers were lack of information, language barriers, fear, stigma of welfare, lack of transportation and rigid regulations.

"CRASH found few food program administrators who felt that part of their job was to inform people of the existence of their programs and their operation. In fact, few administrators had any idea of who the target audience for such information might be. In every area in which CRASH operated, we asked those officials administering the food programs how many people were eligible. In every instance, the officials either said they had no idea or gave us the figures indicating how many families were receiving public assistance. No official offered the number of people or families officially below the poverty income as the potential eligibility figure for food programs. . . . If attempts to inform people about the food stamp and donated commodities program are minimal, such attempts with relation to free or reduced price lunches are almost nonexistent."

In Florida, our program attempts to deal with the failure of agencies to make their benefits known. Over the years our staff has helped hundreds of people to get their social security benefits; they had not known that they were eligible or, if they suspected that they were, did not know how to go about getting the benefits.

6. INCENTIVES TO ENABLE PEOPLE TO CLIMB AND STAY OUT OF POVERTY SHOULD BE PROVIDED

Most poor people work. Of the rest, the great majority cannot be self-supporting because most people are old, ill, disabled, too young or responsible for the care of young children. For those who could work outside the home, unavailability of jobs is a serious and growing problem. But jobs are no answer to poverty if they provide below poverty level wages and offer no chance of advancement.

The key word is enable. When people are healthy, have some skill and can find decent jobs, they almost invariably want to work. To enable people to become self-sufficient, therefore, efforts need to be made, separately from the income support program, in such varied areas as nutrition of expectant mothers, health care of mothers and children, adequate education, developmental day care services, job training programs related to available jobs, and the creation of useful job opportunities in public service and the private sector. Such jobs should involve meaningful work at the prevailing wage or the minimum, whichever is higher, with opportunities for advancement. Nondiscrimination should be assured in all phases of the incentive program.

Those who are able to work should be enabled to bring home the fruit of their labor in the form of increased income. Gross income from employment should not be confused with real income because of work-related expenses. Therefore, the income support program should allow people to keep substantially more of their earnings than work-related expenses use up. Such an arrangement is a real work incentive for those who can take advantage of it.

In a time when unemployment is rising, a "work incentive" program that chiefly punishes people who cannot work or who cannot find jobs is a hoax. Similarly, a program that puts people through "job training" programs, sometimes over and

over, without doing what may be necessary to provide jobs, is wasteful of tax money and destructive of that key element in incentive, the element of hope.

During the summer of 1970, thirty-one large cities had from 6 to 9% of their work force out of work. Of youths between 16 and 21, almost 16% were out of work; and for Negro youth, the unemployment rate was over 30%.

Too often officials refuse to recognize the poverty that exists among people who are unable to work or unable to find jobs. A county welfare director told our staff in Florida that food stamp and commodity food distribution programs were unnecessary because people could get work on the farms. Our staff was able to document 1200 names of old people, children, disabled and blind people, who were on welfare and need help, people who could not work even if work were available. Most of the time there are not nearly enough jobs available for those who can work.

In a southeastern Pennsylvania county, we are told, "There are women who have been through three or four training programs, for teachers aides, nurses aides, power sewing machine operators, beauticians, etc., who still have no jobs. The problem in some cases may be child care. But mainly it is that there are no jobs available where they can reach them. No public transportation, for example, to the local County Home which might employ nurses aides, if registered (in the right political party). The beauticians' union limits the number of shops and licenses so no new ones can open, etc."

The leader of a large training and manpower program estimated that the main flaw in the program is that while the great majority of trainees were women, the great bulk of available jobs were for men.

7. TO PREVENT THE ECONOMIC EXPLOITATION OF THE POOR, FREEDOM OF ECONOMIC CHOICE SHOULD BE PROTECTED AND ADEQUATE COMPENSATION SHOULD BE ASSURED

Among the criteria for a valid employment program should be protection against economic exploitation, including requirements that at least the federal minimum wage be paid, that minorities be given equal access to jobs and training, that job creation programs be established in locations accessible to poor people, and that acceptance of employment be a matter of choice, not coercion.

In connection with our Family Aid Fund, which operates throughout the South, we find that wages for domestic and laundry work can be as low as \$15 or \$20 per week. We have already referred to the below-subsistence pay received by many farm workers. In the hands of some welfare offices, the weight of the United States government can become the force behind a demand that a mother work for a pittance, leaving her home and children untended in order to free other women from the demands of home and child care.

In a small town in Virginia, the local welfare office serves as a source of domestic help. A young black woman sought aid for her baby. Instead she was referred to a job: three hours a day, \$1.00 an hour, cooking, cleaning and caring for an invalid. The job was three miles from her home; she had no transportation and would have had to walk both ways. She refused the job and because of this was turned down for assistance. She appealed to the state welfare board and, at a hearing, her claim was upheld. But the local welfare official refused to abide by the decision.

8. THE CIVIL AND POLITICAL RIGHTS OF RECIPIENTS MUST BE ZEALOUSLY GUARDED

To the extent that income support payments are increased, and to the extent that they free people from the arbitrary and retaliatory control of local officials, new proposals are desirable. To the extent that they place people under the thumb of local officials, permitting benefits, even higher benefits, to be withheld for political activity or driving activists into coerced labor, they take away more than they give.

Since 1965 the AFSC has carried on a program providing "sufferings grants" to families who were in financial need as a result of their involvement in the struggle for equal rights in the South. One form of retaliation faced by these families has been denial, cancellation or cuts in welfare benefits. A report on our Family Aid Fund speaks of "the depersonalized contempt often directed toward Negro applicants, the unexplained cuts and terminations occurring after recipients' bids for civil rights (even just to the extent of enrolling children in 'white' schools), the lack of satisfaction from complaints." When a Mississippi mother with six children registered two girls in the previously all white school in 1965, her welfare checks were reduced; several cuts resulted in a final reduc-

tion from \$58 to \$20 per month. Two top officers of the American Public Health Association reported that a woman in Houston had her welfare check cut from \$123 to \$23 a month because her children participated in a demonstration against hunger. (WASHINGTON POST, 11/4/69).

9. FAMILY LIFE SHOULD BE PROTECTED

It is contrary to the traditions of our country to sacrifice family stability to purely economic interests. Income maintenance programs can enhance the quality of family life in two ways: first, by enabling families to stay together when faced with economic adversity and second, by providing to parents real options in protecting the best interests of their children, including the decision as to whether the mother should work outside the home. With respect to the first of these goals, the President in his message on Welfare Reform of August 1969 pointed out that denial of assistance to families headed by unemployed men or by working fathers regardless of how little he earns, has been "a cause of dependency, (and) results in a policy that tends to force the father out of the house." Speaking of the Family Assistance Program as then proposed, the President went on: "The new plan rejects a policy that undermines family life. It would end the substantial financial incentives to desertion. It would extend eligibility to all dependent families with children, without regard to whether the family is headed by a man or woman. The effects of these changes upon human behavior would be an increased will to work, the survival of more marriages, the greater stability of families."

With respect to the decision on working outside the home, mothers must consider the needs of individual children and also the reality of hostile and demoralizing environments. Economic necessity does indeed force many mothers to leave their children in the care of elderly neighbors or of older sisters or brothers and to permit their youngsters to return to empty and neglected homes after school. The necessity of taking these risks should be lifted from mothers. In many instances, adequate day care facilities will be a boon to mothers of young children. However, they will not help with the after-school situation of most school age children, or with the problems of mothers who must work at night. In urban areas, hospitals are a major source of employment for Negro women who work, at wages approximating the poverty level, in jobs requiring them to work night shifts. The worst shift, from the point of view of children, is probably the 3 to 11 shift. Mothers often must let children run the streets or be alone and unprotected at home.

10. ANY INCOME MAINTENANCE PROGRAM SHOULD BE ADMINISTRATIVELY SEPARATE FROM BUT CONSONANT WITH OTHER ESSENTIAL SERVICES AND ANTI-POVERTY PROGRAMS

We feel this criterion is essential if income supplements are to be supportive and not degrading, free of coercion and simply administered.

We believe that most of the disabilities of poverty would be removed if people simply had enough money to pay for the goods and services they need. However, we recognize that some problems demand measures unrelated to income programs.

Paramount among these problems is the shortage of housing for low and moderate income people. Without affirmative government programs to increase the housing supply, an adequate income policy could mean radical inflation of the cost of existing housing.

Second in importance is the area of medical care, in which supply and delivery systems require government involvement and support. Experience has already shown abuses of programs aimed to help the aged and the poor. Not only more careful controls, but also rapid expansion of the facilities are necessary in order to assure that shortages of services are not translated into burdensome costs. Also, varied and innovative services will continue to be needed.

Carefully designed employment programs and policies are needed in order to help develop our human resources to their full potential. Among the elements should be: extension of the federal minimum wage to all workers, setting and keeping the minimum wage above the poverty level, training for available jobs, public employment opportunities geared to such pressing needs as health care and education and the development of adequate child care arrangements.

Also, regulations regarding eligibility for housing, health care and other services will have to be adjusted so that increased incomes are not wiped out by loss of necessary services. A Mexican-American family in Florida living in a leaky

shack had searched long for a house they could rent. They learned of new housing under a special FHA long-term low-interest mortgage arrangement, scraped together the down payment, only to be turned down because the combined income of the mother and her oldest son put the family over the income limit. The son decided to set up house on his own so that the rest of the family would qualify for decent housing; this time they were turned down because their income was too low.

EVALUATION OF PROPOSED PLANS

In the light of the above criteria we would like to examine the several plans which have been placed before the Senate Finance Committee.

H.R. 16311, the Family Assistance Plan, is not a national income maintenance plan, but is rather a welfare reform package. However, it would offer significant advantages over the existing welfare system in certain respects: (1) it would include the working poor in its coverage, (2) it would set nationwide standards of financial eligibility and (3) the proposed payment scale would mean increased benefits for people in the few states now paying lower amounts. The Administration also recognized a need for increases and adjustments in other federal programs, including increases in child care services, expansion of training and manpower programs, and elimination of some financial disincentives contained in the present payment and eligibility structure of some health care, housing and social service programs. *H.R. 16311* includes some of these changes; others are to be embodied in separate proposals. Aside from these gains, the FAP offers no improvements and in fact would be worse than the present system in some important respects. It does not meet any of our criteria fully.

Thus the bill fails to fulfill our first standard, calling for inclusion of *all* who need income support. The FAP ignores single people, childless couples and couples or widowed parents whose children are grown, no matter how poor they may be, no matter how impossible it may be for them to find or to take employment. The bill would take one forward step by including male-headed families among the working poor. But it would take a backward step by increasing the disparities between states in the treatment of male-headed families where the father is unemployed. The measure would not significantly improve the widespread disparities between state benefit levels.

The FAP also fails the test of *adequacy*. The FAP does not pretend to set benefits sufficient to do more than keep people barely alive. Even to stay alive on these benefits, people would have to be fortunate enough not to have special physical problems or emergencies. While the FAP would raise the disgracefully low benefits now paid in the lowest few states, it would not raise, indeed encourages lowering, the benefits offered by most other states under the current system. Furthermore, there is no protection against the erosion of benefits by rises in the cost of living, nor a provision for step by step raises in the income floor toward a level of adequacy.

The FAP falls far short of meeting the third standard which calls for establishment of income support as a *right*. The FAP would set nationwide standards of financial eligibility. However, implementation would be essentially local, and there are no national standards of administrative competence or equity.

The FAP fails to provide simple, equitable and respectful administrative procedures as required by criterion number four. In his August 1969 speech announcing the FAP, President Nixon said, "The new system will lessen welfare red tape and provide administrative cost savings. To cut out the costly investigations so bitterly resented as 'welfare snooping,' the Federal payment will be based upon a certification of income, with spot check sufficient to prevent abuses. The program will be administered on an automated basis, using the information and technical experience of the Social Security Administration. . . ." Unfortunately, none of these advantages is embodied in the FAP bill. It would permit continuance of the present fragmented system with its wide variations in professional competence and standards, from locality to locality. It would mean the same humiliating treatment, the same misuse of authority and the same arbitrary and inequitable judgments by officials. The advantages of certification by declaration, supplemented by random checks and investigations where evidence points to error, are ignored. In one important respect, procedures would be less desirable than now. Clients would find that they have lost a portion of existing rights to appeal unfavorable administrative decisions, because of the provision that administrative findings of fact are not subject to review.

The FAP is completely silent with respect to our fifth standard, assurance that aid is fully *available* to those who are covered by law. No attention is given to accessibility or to publicity.

Work incentives, covered in criterion number six, are put forward as a major claim to merit in the FAP, and the bill contains the desirable feature of permitting the working poor to retain a portion of their earnings. The remainder of the supposed work incentives of the FAP consist only of training requirements without creation of jobs and work requirements without protection against exploitation.

A real work program is needed, not as part of an income support package, but as part of a broad program of public service job development. Such job development should establish useful and meaningful work and provide jobs with chances for advancement, decent working conditions and pay scales adequate to pay workers above the poverty line.

One of the most serious and dangerous demerits of the FAP concerns our seventh criterion, which calls for *protection against economic exploitation*. Under the FAP people would be exposed to greater exploitation than at present, because they could be required to accept any job that was offered, including low paid jobs not protected by minimum wage legislation. A mother could be required to place her children in day care facilities, approved by local officials; no standards for such facilities are established. A mother could be required to accept training or employment, regardless of her judgment as to effects on her children.

The FAP also would have a negative impact with respect to *civil and political rights*, covered in criterion number eight. In some parts of the country, this bill would provide new opportunities for silencing or punishing those who are active in the struggle for human rights in such areas as education, employment and the welfare system itself.

Our ninth criterion relates to the protection of *family life*. The FAP is retrogressive in two respects. First, it fails to meet the need stated by the President, and recognized for many years by everyone close to the welfare situation, to help fathers stay with their families. The FAP would make it economically beneficial in many states for the father to leave home. Second, the FAP would take mothers away from their homes and families, regardless of their judgment as to their needs. It is as though there were two kinds of families in our country, one the affluent where we expect mothers to stay home and care for their children, castigating them for neglect if they do not, and the other the poor, where mothers are required to leave their school-age children and their homes.

The final standard concerns the question of *facilitating other programs and policies* needed to eliminate poverty. Administration spokesmen have given long-needed attention to the fact that arbitrary eligibility cut-offs serve to penalize advances toward economic self-sufficiency. However, the recommended solution would undercut the purposes of the income maintenance program, by requiring many poor people to pay for certain kinds of assistance they now are entitled to without cost. No attention is given in the FAP or in other legislative proposals tied in with the FAP to the urgent need for large-scale low cost housing construction, expanded and well-planned health care, training and job development programs and coverage of the presently exempted ranks of the working poor under minimum wage and compensation programs.

S. 3780, submitted to the Senate by Senator McCarthy, is a far more adequate response to the need for income support. Eliminating the categorizing of people, it would cover *all* who are in need of one federal system, regardless of work status or family status. Publicity concerning the law and rules and regulations and a requirement that the convenience of applicants be considered in the placement of offices would make aid more widely *available*. *Adequate* income is established as a *right*. The benefit levels are set at \$5,500 for a family of four.

This represents the BLS low range budget, less than \$400 for the value of Medicare. Adjustments would be made for changes in the cost of living, for special family needs and for emergencies. *Incentives* for financial independence are created by permitting retention of a portion of net income, but assistance is not denied to those who are not employed outside the home. The *procedures* established a nationwide system, based on certification of income, but assistance is not denied to those who are not employed outside the home. The *Procedures* establish a nationwide system, based on certification of income, and with opportunities for complete and prompt appeals. None

of the negative effects on *family life* of the present welfare or of the FAP are present in this bill, which, by furthering family stability and well being, would tend to strengthen the family. This measure is a true income maintenance bill; it does not touch upon manpower, housing, child care and other issues which are properly the subject of other legislation. (As we pointed out earlier, many special means-related services would not longer be necessary, once people have sufficient income to deal on the open market for services they require. However, housing and medical care present special economic problems and require large-scale and carefully conceived federal involvement.)

S. 3433, proposed by Senator Harris, may be discussed very briefly. The major weakness of the bill is that benefits are too low, being pegged to the poverty level, which by definition is far less than adequate income. However, it contains some of the desirable features of S. 3780. It would create a nationwide, federally administered system, would allow adequate eligibility and appeals procedures. It would apply to all Americans. Retention of portions of earnings would constitute for those who could find and fill jobs, an incentive to work. Work requirements are allowed, but the measure would include protection against exploitative wages and working conditions, and would exempt mothers of preschoolers or children attending school.

CONCLUSIONS REGARDING FAMILY ASSISTANCE PLAN

The Administration's plan has confronted all concerned with eliminating poverty with a difficult decision. Should we support the bill, with all its drawbacks, as the start of a new and largely better approach to government's responsibilities toward the poor, planning to fight for improvements over the years? Or should we conclude that the advantages offered by the present bill are outweighed not only by its drawbacks, but also by the probability that passage of the bill will be heralded as having solved the problem, that it will be seen as actual and not merely potential improvement in the lot of most of our poor people, thus preventing the changes that are really needed? In considering the argument that it would be enough to get a foot in the door for the idea of adequate income guarantees, we noted the remarks made in 1935 by Representative Connery, a supporter of the National Labor Relation Act: "If we can get this bill through and get it working properly, there will be opportunity later, and I hope soon, to take care of agricultural workers." (Quoted in MAINE LAW REVIEW, V. 12, No. 1, 1970.) Thirty-five years later, in August of 1970, the President signed a law extending coverage under the NLRA to nearly five million more workers, but farm workers are still not covered. For most of the poor people we know in all parts of the country, in cities and the country, thirty-five years from now is not later, it is never.

The American Friends Service Committee was torn at first between a weak measure and none, since we believe that at present only the FAP would have a chance of passage. Meanwhile we watched the bill's progress through Congress. What we saw was a further weakening of the plan. For example, a universally recognized drawback in existing welfare procedures is the tendency to force unemployed fathers to desert their families, and one widely trumpeted asset of the proposed FAP was that it eliminated this drawback. But this advance has been eliminated, and benefits would actually be lowered for families with unemployed fathers in many states. Other changes have substantially reduced the work incentive aspect by lowering net gain from earned income.

Reluctantly, we must conclude that passage of the FAP as now conceived would hurt many more people than it will help and that it would not hasten, but rather delay the day when our country really attacks poverty. The FAP tinkers with welfare, instead of making needed fundamental changes. It would benefit hard-pressed state budgets, rather than people. *We therefore oppose passage of H.R. 16311, and urge Congress to consider establishing a truly new program.*

RECOMMENDATIONS

We recommend scrapping the concept and structure of welfare and replacing it with a federal system of guaranteed incomes for all families and individuals, maintaining levels adequate to free all Americans from the misery and constraints of poverty.

The adequacy of levels should be based on figures developed by the Bureau of Labor Statistics, which currently would call for approximately \$5,900 for a

family of four. Levels should be revised at least once a year to reflect not only changes in price levels but also rising standards of living in our country.

Eligibility should be determined by a simple affidavit, similar to that used in filing an income tax return.

Work incentives should be built into the program to allow families to raise themselves significantly above a minimum level of adequacy.

The administrative structure of the present public assistance system should be eliminated, and should be supplanted by a federalized system utilizing mechanisms of the Internal Revenue Service for certification and examination of returns, and the Social Security System for conveyance of benefits.

In February 1970, the American Friends Service Committee published *Man and the Economy: the Social Implications of Economic Patterns*, a comprehensive effort to locate the factors which keep some men apart from the general affluence and to ask how the economy can serve all men. One of our key answers to that question is a federal guarantee of adequate income to all Americans. *Man and the Economy* ends with this thought:

"Before we can decide how to accomplish the goal of eliminating poverty, or whether we can afford to do the job, we must first decide that we want to do it—that we will no longer expect children to fill hungry bellies with Kool-Aid and candy, to be the prey of rats, to be weakened by tuberculosis, to grow up amid filth and organized vice, to be taught in deteriorating classrooms by teachers who have lost hope, and that we will no longer allow old people to huddle in lonely, heatless rooms, living on pennies, unable to afford needed medicines and services.

"Second, we must decide that we are willing to make the sacrifices necessary to eliminate poverty—not so much the financial sacrifices, if any, but the overturning of old presuppositions, old fears, old ways of proceeding and old privileges.

"In the hope that these decisions will indeed be made, we have offered our thoughts and recommendations. Our interest is not in structures, but in human values, in making the system capable of serving man."

PULLEN MEMORIAL BAPTIST CHURCH,
Raleigh, N.C., September 30, 1970.

The SENATE FINANCE COMMITTEE,
The New Senate Office Building,
Washington, D.C.
(Attention of Mr. Tom Vail, Chief Counsel).

GENTLEMEN: I am grateful and honored, as a minister in a Southern Baptist Church in Raleigh, N.C. to submit for your consideration a brief statement in support of the intent and desired effect of the President's recommendations regarding welfare reform. I have been impressed and encouraged by the measure of favorable vote this matter has received in the House of Representatives which quite accurately reflects, in my judgment, the climate of approval throughout the nation. Our country, as you are well aware, has for a number of years lagged far behind other leading countries in Western Civilization, including Canada, in placing a minimum standard of human decency and dignity on the income of family units.

I do not need to remind you that in the national priorities adopted by our Founding Fathers is the phrase, "to promote the general welfare." I have always lived and served in that area of the country where we have the largest percentage, even today, of those people described by a former President of our country as "ill housed, ill fed, ill clothed." As much as we honor our economic structures and traditions, these people, please believe me, will never "make it" under the system alone. As a matter of fact, the system, in their eyes, which has enriched so many others, has deprived them!

Be that as it may, I would think primarily of the children of these people, and of their children's children, who are the future of our nation, and who must be rescued from the blight and the shame and the cycle of poverty. I want these families shielded from the punitive and vindictive attitudes and the calculated chinchiness of those who administer the welfare program. I want them, in short, to be liberated, to become free and self respecting and unanxious citizens. A guaranteed minimum income would go far in the direction of achieving these ends.

As a clergyman I am under no illusions regarding the fallacy of all of us and of the way that people let us down. Nevertheless I would submit to you that, as has been proven elsewhere, a minimal and predictable guaranteed income tends to, and does have, the effect of restoring rightful pride and independence and self reliance and hope to despairing millions in their homes. In supporting such legislation you gentlemen will not only be redeeming the commitment of our federal government to promote the general welfare but also its dedication to establish justice and secure the blessings of liberty to ourselves and to our posterity.

W. W. FINLATOR, *Minister.*

SERVICE EMPLOYEES INTERNATIONAL UNION,
Washington, D.C., September 18, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I am very pleased to be able to write to you in reference to H.R. 16311, the Family Assistance Act, not only as General President of Service Employees International Union, AFL-CIO which represents over 425,000 members (including social service workers in a number of states), but also as a member of the Commission on Income Maintenance Programs which was appointed by President Johnson and which completed its two year study on November 12, 1969. The main recommendation of the President's Commission, calling for "the creation of a universal income supplement program financed and administered by the Federal Government, making cash payments to all members of the population with income needs" is the goal sought by this legislation.

I am sure that you have already studied *Poverty Amid Plenty--The American Paradox*, the report of the President's Commission on Income Maintenance Programs, but for your information I am enclosing a copy of this report and would like to direct attention to the supplementary statement which I submitted and which is set forth at page 86.

In that statement I set forth my view that even the \$2,400 income supplement level proposed by the Commission was insufficient and argued that that level ought to be set at no less than the official "poverty line" figure. Obviously I still hold that view and feel that the \$1,600 level proposed in H.R. 16311 is totally inadequate.

In that same statement I also pointed out the value of the minimum wage as a weapon in the fight against poverty and as a means to help the "working poor". I do not believe that your committee should consider the placement of any persons in any employment at levels below the minimum wage.

I do not want to attempt to comment here on each of the many facets of the problems your committee is considering. My views have already been set out in the report of the President's Commission and in my supplementary statement. Rather, let me offer encouragement to you and the members of your committee in your task of developing an effective Family Assistance plan for the American people. Such a program is badly needed to correct the unnumbered inequities of our present patchwork welfare system.

There is one aspect of this subject about which I have grave concern in my capacity as General President of this union. As I noted, we represent many thousands of social service workers and would urge that your committee insure that any proposal for federal administration of a Family Assistance Program not destroy the working conditions and collective bargaining rights any of these employees presently enjoy. Rather your committee should fix affirmative guidelines for the Secretary of HEW to follow in approving contracts transferring state and local health and welfare programs to the federal government. You have already heard similar testimony on this same point offered by the AFL-CIO.

Finally, Mr. Chairman, I must congratulate you and your committee for the fine work that you are doing in helping to bring the Family Assistance Program into reality.

We would ask, Mr. Chairman, that you accept this letter as our testimony in reference to H.R. 16311, the Family Assistance Plan.

Sincerely,

DAVID SULLIVAN,
General President.

STATEMENT OF MARTTIE L. THOMPSON, ESQ., DIRECTOR, AND ERIC HIRSCHHORN, ESQ.,
STAFF ATTORNEY, MFY LEGAL SERVICES, INC., NEW YORK CITY

Mr. Chairman, MFY Legal Services, Inc., is a grantee agency of the Legal Services Program of the U.S. Office of Economic Opportunity.¹ Fully funded by the O.E.O. through Community Action for Legal Services, we operate six storefront offices on the Lower East Side and the Upper West Side of Manhattan. Each year, our twenty-seven attorneys represent hundreds of public assistance recipients in their dealings with local welfare authorities.

We are quite familiar with the day-to-day, grass roots problems of the welfare system. We are painfully aware of the need for change and improvement in this area.

We are deeply pleased by the interest of the Administration and the Congress in enacting meaningful reforms in the welfare field, and appreciate the opportunity to offer our comments on the bill under consideration by this Committee.

Our specific comments on Titles I, II, and III of H.R. 16311, the Family Assistance bill, are as follows:

TITLE I—FAMILY ASSISTANCE PLAN

There are many areas of the welfare system in which the Family Assistance Plan makes or seeks to make improvements. The gross variations in aid from state to state will be lessened. Aid to the working poor will be provided to a somewhat greater degree than previously. Financial assistance and services will be separated more than ever before. But the most crucial aspect of any reform of the welfare system in the United States is money, and in this all-important area, FAP fails to make the grade.

Under the bill, no family will receive an annual income of less than \$1600 (some now receive as little as \$552),² but this is far less than is needed for even the bare essentials of life. The Labor Department's Bureau of Labor Statistics estimated in March, 1970 that a family of four in which there is no wage earner requires approximately \$5,000 per annum to exist at a "low living standard."³ This is felt to represent the minimal level at which a family can exist as decent human beings. The Family Assistance Act itself defines the poverty level as \$3720 for a family of four (453[c]),⁴ yet that is the *maximum* which will be required to be paid in any state, with states which were paying less than that level in January 1970 being permitted to continue without any increase⁵ (452[a]). Thus, families in the few states⁶ which presently pay less than \$1600 will receive an increase to that level and families in the majority of states, which paid greater than \$1600 as of the beginning of 1970, will not receive any increase at all, even though they may fall far below both the BLS lower living standard and the poverty level set by FAP.

The spectre of the abysmally low level of income under FAP is bad enough when considered alone, but it is even worse when considered relative to the amounts to be paid to aged, blind and disabled individuals. Under those programs,⁷ each individual will receive a minimum income of \$1820 per annum (1603[b]). Thus, a family of four persons receiving benefits under FAP would receive a minimum of \$1600 per annum, while that same family would receive a minimum income of \$5280 if all of its members were receiving aid in the aged, blind or disabled categories. A rationale might be conceived which will support some differential between FAP and AABD levels, but a chasm of this enormous magnitude cannot possibly be justified.⁸

While the concept of giving a family a definite sum of money without inquiry as to the family's specific needs is a laudable one, it encounters serious difficulties in practice, given the low level of FAP benefits. Most families will have

¹ Section 222(a)(3), Economic Opportunity Act of 1964, as amended (42 U.S.C. § 2309[a](3)).

² Average annual AFDC payment to a family of four in Mississippi.

³ "Three Standards of Living for an Urban Family of Four Persons," U.S. Department of Labor, Bureau of Labor Statistics, March 1970.

⁴ Unless otherwise noted, all citations in parentheses are to new or amended sections of the Social Security Act which would be enacted by the bill under consideration.

⁵ Except that FAP's \$1600 minimum payment will assure that each family receives at least that much.

⁶ Eight states—Alabama, Arkansas, Arizona, Louisiana, Mississippi, South Carolina and Tennessee—paid less than \$1600 per annum as of July 1969.

⁷ Title XVI, Social Security Act of 1935 (42 U.S.C. 1381-85); revision of this program under the Family Assistance Act is discussed *infra*.

⁸ It is the witnesses' belief that only a very small differential can be justified on the basis of actual living costs.

roughly similar needs, but there will be many which have recurring needs of a special nature, and almost all families will encounter one-shot special need situations from time to time. Examples of the former situation are provided by individuals who require special diets for medical reasons or by families whose living quarters do not have cooking facilities; typical of the latter is the case of a family whose belongings or cash have been lost through theft or fire. In both cases, special, additional expenditures will be required.⁹ While the family services section of the Family Assistance Act⁸ (2001-2031) provides for temporary emergency assistance, there is nowhere a clear statement as to which individuals will be eligible therefor, and under what circumstances¹⁰ (2002[5]).

The bill's requirement that family assistance benefit payments begin as of the date the application is filed fails to provide for cases in which, e.g., an eligible family applies late for a good reason and has run up a backlog of debts for essential services in the interim (442[c]). The revision's deletion of HEW's power to use its discretion in such instances leads to unwarranted inflexibility, and discretion to provide for special situations should be reinstated.

The provisions relating to exclusion of items from income and resources computations are insufficient and unduly vague (443[b], 444). For example, the costs of day care are excluded, while other work-related expenses are not; AABD recipients, who will almost surely not work, are specifically permitted to have an automobile, while FAP recipients, who may need a car to get to work, will apparently not be allowed to own one¹¹ (444[a], 1603[a]).

Insofar as eligibility for assistance under both the FAP and AABD programs is concerned, the requirement that a needy person fit into a sharply defined category in order to qualify for assistance is continued under the Administration plan. Thus, under the "reform" program, as under the existing program, poor adults without children will be unable to receive aid unless they are over sixty-five years of age, blind, or severely disabled.

The definition of a family for FAP purposes excludes from membership a common-law father, despite the fact that many minority and ghetto families include such individuals on a permanent, stable basis¹² (445[a]). Siblings and parents of the mother and father are also excluded. In light of the fact that one purpose of the Family Assistance Act is "to strengthen family life" (441), it would seem more appropriate to define "family" in a manner which will include all of the bona fide members of a household, regardless of whether a legally recognized relationship connects them to one another.

HEW's discretion to make benefit payments to an interested individual who is not a member of the recipient family is entirely too broad and too easily subject to the kind of caseworker abuse which has done so much to make a travesty out of the present welfare system (446[a]). As is presently the case with AFDC,¹³ alternative payment in this manner should be carefully limited to cases in which the adult member or members of the family have seriously mismanaged funds. Nor would it be appropriate to make alternative payments in all cases wherein the adult member or members of the family have refused to register or to work. Behavior of this nature is in no way indicative of a predilection to use the family's income for other than the family's benefit (447[a]).

As is presently the case with AFDC, overpayments (particularly those not obtained due to willful misrepresentation by the recipients) should be recoverable only where they are actually available to the recipient at the time at which recovery is sought¹⁴ (446[b]). By definition, family assistance benefit payments are just enough to meet current needs; any deduction therefrom will *ipso facto* reduce a family's income below the amount required to meet current needs, unless the funds previously paid in error are still available.¹⁵

⁸ Other special expenses include, e.g., household moving expenses, deposits for rent and utilities, and repair and replacement of appliances, furniture and clothing due to wear and tear in normal use.

⁹ Family Assistance Act, Title III (to be Title XX of the Social Security Act).

¹⁰ In New York, for example, emergency assistance is not available for the replacement of cash funds lost through theft, fire or other disaster. 18 New York Codes, Rules and Regulations (N.Y.C.R.R.) § 372.(e).

¹¹ It is conceivable, but by no means apparent or certain, that ownership of an auto might be permitted under the rubric of "other property which is essential to the family's means of self-support" (444[a]).

¹² This situation is due in no small measure to the limited grounds for, and the high cost of divorce in most jurisdictions.

¹³ Section 406(b), Social Security Act (42 U.S.C. § 606[b]).

¹⁴ IV Federal Handbook of Public Assistance Administration, §§ 3120, 3131(7).

¹⁵ Nor would it be appropriate to presume that the overpaid funds remain available. See, e.g., 45 C.F.R. § 302. Cf. *King v. Smith*, 392 U.S. 309 (1968); *Lewis v. Martin*, — U.S. — 90 S. Ct. 1282 (1970).

The provision for hearing prior to reduction or termination of assistance appears to comply with the Supreme Court's mandate as to the requirements of due process in such a situation¹⁶ (446[c]). Unsolved by *Goldberg*—and by the Family Assistance Act—is the problem of the family which is initially found to be ineligible and which then seeks a hearing. If the *status quo ante* is maintained pending the outcome of the hearing, and the initial determination was incorrect, the family may literally starve in the meantime if temporary assistance is not furnished. If temporary assistance is furnished in a case such as this and the initial determination is found to have been correct, the funds are recoverable as overpayments¹⁷ and the total loss to the government would be small in relation to the overall expenses of FAP. Furthermore, the criminal provisions of the Social Security Act¹⁸ will act as a deterrent to fraudulent applications.

Although there is a right to counsel at review hearings, it is limited to retained counsel, with HEW given the power to set counsel fees (which are to be taken out of the benefit payments, if any, awarded on review). Counsel is often essential to the protection of this important right, and should be provided without charge to the recipient in all instances in which an administrative determination is being challenged (446[d]).

The provision which forbids the courts from reviewing HEW's findings of fact is ill-advised and quite possibly unconstitutional. With the exception of a narrowly limited group of administrative acts, usually involving crucial questions of national defense,¹⁹ administrative findings of fact may be overturned by reviewing courts if they are not supported by substantial evidence in the record.²⁰

Article III of the Constitution gives to Congress the power to make exceptions and regulations regarding the jurisdiction of the federal courts, but this power is circumscribed by the due process clause of the Fifth Amendment.²¹ In the case of *Battaglia v. General Motors Corp.*,²² the United States Court of Appeals for the Second Circuit wrote that "while Congress has the undoubted power to give, withhold, and restrict the jurisdiction of courts other than the Supreme Court, it must not so exercise that power as to deprive any person of life, liberty or property without due process of law . . ."²³ and in *Yakus v. United States*,²⁴ the Supreme Court indicated that due process requires that there be provision for judicial review of all administrative action somewhere, at some time.²⁵ On the grounds of both reason and the Constitution, the "substantial evidence" standard of review, presently in the original bill submitted by the Administration, should be reinstated.

A simplified determination method, involving fewer collateral inquiries and verification of only a sampling of applications, is to be instituted for AABD recipients but HEW retains the power to keep the burdensome, unpleasant and unnecessary system of full verification and large-scale collateral investigation for families receiving FAP benefits (446[e]). This discrimination, like various others of a like nature contained in the bill, is inappropriate and unnecessary, and should be removed.²⁶ Also with respect to the determination and verification of applications and other information, the requirement that other federal agencies provide information to HEW on individuals seeking or receiving FAP benefits violates the confidentiality provisions surrounding much of the data in the possession of these agencies²⁷ (446[f]).

The exceptions to the registration requirement are rather narrow in scope, and should be loosened considerably (447[b]). Even if adequate day care facilities are made available, six years is a rather tender age, and something more

¹⁶ *Goldberg v. Kelly*, 397 U.S. 254 (1970).

¹⁷ In this instance, the funds might be recoverable without regard to whether they are actually available to the family, unless recovery would be contrary to equity or good conscience.

¹⁸ Sections 208 (b), (c), (d) and (e) (42 U.S.C. §§ 408 [b], [c], [d], and [e]) will apply to FAP in the same way they apply to OASDI (462).

¹⁹ See, e.g., 50 U.S.C. App. § 460(b)(3) (selective service).

²⁰ *Jaffe, Judicial Review of Administrative Action* (1965), page 596; 5 U.S.C. § 700 (2)(B); 42 U.S.C. § 405(g).

²¹ *Crowell v. Benson*, 285 U.S. 22 (1932); *St. Joseph Stockyards Co. v. United States*, 298 U.S. 38 (1936); *Battaglia v. General Motors Corp.*, 169 F. 2d 254 (2 Cir., 1948).

²² 169 F. 2d 254 (2 Cir., 1948).

²³ 169 F. 2d, at 257.

²⁴ 321 U.S. 414 (1944).

²⁵ See, Hart and Wechsler, *The Federal Courts and the Federal System* (1953), pp. 328, 329; Professor Jaffe has stated that "the enforcement of a right of considerable interest to the proponent cannot be made subject to a power of completely free evaluation of the evidence." *Jaffe, op. cit.*, p. 608.

²⁶ See, Reich, "Midnight Welfare Searches and the Social Security Act," 72 Yale L.J. 1347 (1963).

²⁷ See, e.g., 13 U.S.C. § 9 (Census); 26 U.S.C. § 7513 (Internal Revenue).

like ten might be more reasonable. Alternatively, the statute or regulations might provide that the mother of a child between the ages of six and ten will not be required to work more than halftime, in which case she could be home by the time of the child's return from school.²⁸ While there may be justification for the premise that a sixteen year old who is not attending school and is receiving FAP benefits should do something,²⁹ he should at the very least be given the option of attending vocational training rather than going directly out to work, for it is unlikely that he will by this age have developed the skills necessary for a productive, creative or challenging employment experience. If the provision exempting an individual whose presence at home is required because of the incapacity of another person in the household (447) is construed to include as a "person" a nonmember of the FAP "family," such as a grandparent or a common-law spouse living in the home, it is both proper and acceptable.

The requirement that day care services be provided represents not even a bare minimum of what is necessary for the children of mother, who are compelled to work (447[c], 436). The bill should require that *adequate* child care services, supervised by *licensed, professional* teachers or social workers,³⁰ be provided, and should further provide that the absence of such services be good cause for a mother's refusal to participate in manpower or vocational rehabilitation activities. To the end that the employment of mothers should be encouraged (though not compelled), day care should be without cost to all families who are eligible for benefit payments under FAP (436[c]).

The criteria for the alternative requirement of participation in a vocational rehabilitation program are left too much to HEW's discretion (447[d]). Compulsory participation in this program should be specifically limited to an individual whose incapacity is clearly treatable and likely to be removed within a reasonable time.³¹ It would be inappropriate to compel an individual not meeting these criteria to participate in vocational rehabilitation, and would provide a fertile ground for caseworker abuse of incapacitated individuals.

The four grounds which are specified as good cause for refusal to participate in manpower or vocational rehabilitation programs are appropriate ones, but it should be made clear that "good cause" is not limited to these few specifics. The provision which permits an individual to refuse a job if he has the *present* ability to handle an available better one represents a severe disincentive to entrance upon training programs for more skilled employment. The provision having to do with wages, hours and working conditions as good cause for refusal appears to require individuals to work for less than the local minimum wage³² if they are engaged in employment not covered by minimum wage statutes. If we are going to compel an individual to work in order to eat, the very least we owe him is to pay him compensation which equals or exceeds the minimum wage.³³ If this portion of the bill is not greatly strengthened, the possibility exists that it will be used to provide domestics and other marginal employees not covered by minimum wage laws—hardly likely to aid or encourage anyone to become self-supporting, independent or self-respecting (448[b]).

So far as they extend, the requirements for the state plan under FAP are acceptable, but many important items which should be required have been omitted. For one thing, states should be required to provide each recipient family with a full description of its rights with regard to benefits and services under FAP, with such information to be sent to each family at least once a year.³⁴ Also, the bill should make a clear and unequivocal statement that recipients may not be required to permit home visits by caseworkers as a condition of the receipt of benefits.³⁵

²⁸ Furthermore, appropriate exceptions for periods when school is not in session should be provided.

²⁹ Though the same is not required of the son of a farmer who is drawing substantial benefits for not planting crops.

³⁰ The training and employment of para-professional workers, drawn, insofar as possible, from minority groups identical to the children participating in the program, should also be required.

³¹ This might further be specified as twelve or eighteen months' time.

³² I.e., whichever of the federal, state or local requirements is highest at the place in question.

³³ Proposed § 430 speaks of the purpose of the manpower and vocational rehabilitation program as restoring individuals "to self-supporting, independent and useful roles in their communities."

³⁴ See the present section 402 (a) (13) of the Social Security Act (42 U.S.C. § 602[a] [13]).

³⁵ See, *James v. Goldberg*, 303 F. Supp. 935 (S.D.N.Y., 1969), *prob. jurisd. noted*, 398 U.S. 921 (1970); Reich, *op. cit. supra*, at n. 26.

As has recently been proposed³⁵ with respect to the present procedures relating to conformity hearings,³⁶ client groups and individual clients should have the opportunity—if not the right,³⁷ as it is they who are the most directly affected—to intervene as parties in conformity proceedings. In fact, they should be entitled to initiate proceedings before HEW upon a prima facie showing of substantial non-compliance with the requirements of the plan. The extension of HEW's remedies in the case of nonconformity to permit lawsuits to compel conformity is welcome and long overdue (454, 435[b]).

While giving HEW the flexibility to engage in demonstration projects in which any or all of the FAP requirements are waived is a good idea, such projects may lead to serious and unwarranted deprivations, and should at least be subjected to a Congressional overriding, in the manner of certain executive reorganizations and federal court rules,³⁸ where they will involve the waiver of any procedures intended to protect recipients, or any reduction in the amount of benefits to any families (463[b]).

The provision for recovery of payments made to the spouse or child of an individual who deserts his family should make clear the fact that no such recovery may be had unless and until a court of competent jurisdiction renders a judgment for the funds in question. The government has no right to recover or even freeze such funds, whether through the reduction of other government benefit payments or any other means, in the absence of a competent judgment.³⁹ As is the case with overpayments in general under the bill, such recovery should not be made if it would run counter to equity or good conscience (464).

Permitting a "checkoff" of food stamp allotments is a good idea. Hopefully, it will save recipients additional trips to welfare centers and will cut administrative overlapping and red tape to some degree as well. Since one aim of the bill is to encourage the use of food stamps, it might be well advised to consider only, say, sixty-five percent of family assistance benefits received in determining the amount of food stamps which a family may purchase (the bill would take into account the full amount of such payments) (465).

In enumerating the various opportunities and programs which the DOL must provide under the manpower program, the bill lists relocation assistance which will assist individuals in moving to areas where they may obtain suitable employment. If this provision be construed to permit DOL to require an individual or family to move, it is almost surely unconstitutional. As there is a protected right to travel,⁴⁰ so there must be a right not to travel. This relocation assistance will apparently not be available unless the work sought in the new location is considered "suitable," but the bill sets forth no standard for determining what sort of employment is suitable, and the provisions providing for hearings do not appear to provide administrative redress in the case of a denial of benefits under such a situation⁴¹ (431[c]).

Insofar as "special work projects" are concerned, the bill is unclear as to whether DOL may require a registered individual to participate. If DOL indeed is empowered to do this, the protections against abuse are grossly inadequate and must be rewritten. As is the case with regard to employment in general, the bill permits sub-minimum wages for work in jobs not covered by the minimum wage statutes. DOL is required to have "assurances" that projects of this sort will include the maintenance of adequate health and safety standards, "reasonable" working conditions, and provision for workmen's compensation coverage. Also, they must be such as to improve the employability of the participants. These standards are extremely vague, and there is no redress to the individuals involved if the assurances which DOL obtains turn out to be illusory. The failure of a project to meet any of the above-mentioned standards should give an individual the good cause required to refuse or quit such a position (431[c], [d]).

With the exception of individuals receiving training allowances under section 203 of the Manpower Training and Development Act,⁴² FAP recipients who participate in non-FAP training programs may not receive the allowances paid under those programs if the said allowances are in excess of the \$30 per month

³⁵ 35 F.R. 12180 (July 29, 1970). See, *National Welfare Rights Organization v. Finch*, F. 2d _____ (D.C. Cir., 1970).

³⁶ Section 404, Social Security Act (42 U.S.C. § 604).

³⁷ See, *National Welfare Rights Organization v. Finch*, supra. Cf., *Rosado v. Wyman*, 397 U.S. 397, 402-05 (1970).

³⁸ E.g., 5 U.S.C. § 906; 28 U.S.C. § 2072.

³⁹ *Snidach v. Family Finance Corp. of Bay View*, 395 U.S. 337 (1969).

⁴⁰ *Shapiro v. Thompson*, 394 U.S. 618 (1969); *Edwards v. California*, 314 U.S. 160 (1941).

⁴¹ §§ 446(c) (1), 448(a).

⁴² 42 U.S.C. § 2563.

provided under FAP's training programs. Individuals should be entitled to receive the larger available amount wherever they are eligible for allowances under both FAP and another training program (432).

TITLE II—AID TO THE AGED, BLIND AND DISABLED

Relative to the present AABD program, the proposal is an improvement. With respect to those elements which the two have in common, the AABD proposal is also far superior to the FAP proposal. As has been previously noted, the disparity between payments required under the AABD proposal and those required under FAP is irrational, unjustifiable and inexcusable. The same is true with regard to keeping the burdensome application requirements for AFDC practically unchanged in the FAP proposal's requirements, while mandating the use of a simplified system, with only spot checks of applications and cases under AABD. The limitations upon inclusion of income of persons other than the recipient is a reasonable one—so reasonable, in fact, that it should also be utilized in place of the proposed analog in the FAP plan.⁴⁴

As is hereinbefore recommended with respect to the recovery of overpayments under FAP; overpayments—particularly those not obtained due to willful misrepresentations by the recipient—should be recoverable only to the extent that they are actually available to the recipient at the time recovery is sought. The protections specifically afforded to AABD recipients whose payments are sought to be made to an interested third person are reasonable, except that the funds in question should not be diverted until *after* the recipient has been afforded the opportunity to contest the determination at a fair hearing.⁴⁵ The same protections should be made available to FAP recipients as well.

TITLE III—INDIVIDUAL AND FAMILY SERVICES AND CONSOLIDATED HEALTH, EDUCATION AND WELFARE PLANS

The concept of tying family services to financial assistance while keeping the two independent of one another is a good one, though this might not be the case if the services were required to be accepted (either as a matter of policy or of practice). The statutory provision regarding temporary emergency assistance is woefully inadequate and should spell out in far greater detail a plan which will provide aid to families facing extraordinary expenses of all sorts, including both recurring and one-shot special situations. (2002[5]).

As has been stated with respect to those plans previously discussed, clients and client groups should have the right to intervene in conformity hearings and even to institute them on their own initiative. (2006[a], 2021[c]).

The proviso which permits grants for experimentation into methods of improving the administration and delivery of family services is a good one, but no protections for recipients are provided. (2408[c]). In any case wherein a demonstration or experimental project will in any way decrease or otherwise significantly alter the substance or procedure with respect to services, the plan should be submitted to Congress, which would have the power to block it by acting affirmatively within a specific time limit.⁴⁶

CONCLUSION

Much of the philosophy, and many of the practical aspects of this bill represent an improvement in our nation's ramshackle welfare system. However, we believe that a number of changes must be made in order to render the bill acceptable.

The level of assistance provided for does not even meet the bare minimum required for a decent human existence. In some instances, it will even permit states to decrease their current levels of payment. The Bureau of Labor Statistics' Lower Living Standard should determine the minimum level of assistance.

Exemptions of income and resources from the budget computations of individual families should be expanded, and provision should be made for special needs situations. The statutory definition of "family" should encompass the *de facto*, rather than just the *de jure* members of a household.

Recipients seeking administrative hearings should be provided with counsel at

⁴⁴ See, *King v. Smith, supra*; *Lewis v. Martin, supra*.

⁴⁵ See, *Goldberg v. Kelly, supra*.

⁴⁶ See, e.g., 5 U.S.C. § 906; 28 U.S.C. § 2072.

government expense, and judicial review of administrative actions should extend to questions of fact as well as questions of law.

The requirements as to registration and employment should be carefully circumscribed by strong protections against substandard wages and working conditions. The program's emphasis should be on training for skilled jobs, rather than immediate employment in unskilled, dead-end positions. Day care services must be adequate and under strict professional supervision.

Unless most or all of these basic shortcomings of this bill are corrected, we must recommend that it not be approved.

Thank you for your attention and your interest.

LUTHERAN COUNCIL IN THE UNITED STATES OF AMERICA.
New York, N.Y., June 23, 1970.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The Lutheran Council in the U.S.A. at its Annual Meeting on February 3-4, 1970, adopted a position statement entitled, "The Role of Government in Social Welfare." Because this statement is addressed to issues related to public welfare now under study by the Committee on Finance, I am attaching a copy for your information as well as distributing copies to other members of the Committee.

I believe I should also direct your attention to testimony on H.R. 14173, The Family Assistance Plan, which was presented by the Lutheran Council in the U.S.A. before the House Ways and Means Committee on November 2, 1969, on behalf of the churches participating in the Council. A copy of this testimony is also attached and being sent to other members of the Committee.

We believe there is considerable unanimity in the nation for change in the programs of public welfare for the poor. Though it is granted that the groups calling for change may differ as to their motivation for change, there is wide agreement that the present financial assistance programs are in drastic need of revision.

The Lutheran Council in the U.S.A. is a common agency serving the following Lutheran church bodies.

	<i>Membership</i>
The American Lutheran Church.....	2, 567, 027
Lutheran Church in America.....	3, 288, 037
The Lutheran Church-Missouri Synod.....	2, 847, 425
Synod of Evangelical Lutheran Churches.....	20, 556

The Council was organized in 1966 and has among its functions, as stated in the Constitution: "To represent the interest of the Council, and the interests of a participating body so requesting, in matters which require common action before:

1. -----
2. The national government -----"

Let me highlight several of the issues which are considered in the statement, "The Role of Government in Social Welfare."

You will note that the statement urges that consideration be given to factors in a number of areas which we believe to be of crucial importance. May I underscore those which are particularly germane to substantive matters in the proposed Family Assistance Plan.

1. *Elimination of the categories in the social assistance programs and establishment of the single criterion of financial need.*

Lack of financial resources creates a situation of poverty alike for all persons affected whether they be married, aged, a child or any other social situation.

Our statement rejects the judgment that a distinction should be made between persons assisted on the basis of their social situation. We find no moral justification for discriminating between people because they are old, young, married, unmarried or any other possible category.

2. Adequate provisions for assuring incentives in moving off public assistance for those for whom this is possible.

From every possible point of view we must devise a program which gives assurance that incentives are provided in helping people move off public assistance wherever possible. Here human considerations happily coincide with economic concerns. The proposals now before Congress embody a significant new principle as they endeavor to encourage and assist those who are able to do so, to move off public assistance. The inclusion of the working poor for the first time, with recognition given to graduated levels of income, is a real step forward.

3. Provision of a basic floor of financial benefits by the federal government at an adequate level for health and decency.

Though we do not take a position with respect to a specific dollar figure, we do affirm that the benefit should be of such an amount as to make it possible for the poor to achieve a level which assures both health and decency. We are pleased to note that proposed provisions would authorize the federal government to maintain a floor for financial assistance. We urge that every consideration be given the possibility of maintaining programs of income maintenance at such levels as to make unnecessary food stamp operations or distribution of food products. That level should be calculated in the context of justice and prudence.

4. Development of effective job training programs and related services such as day care centers, homemaker services, family planning, health maintenance, and vocational counseling.

If the tragic cycle of poverty is to be effectively broken, not only must adequate financial assistance be assured but provision must also be made for certain related services. We list here a few which we believe to be of importance. Such services, available to those who need them, would go far to assist the poor out of their critical situation.

5. Assurance that a mother with sole responsibility for children will not be required to accept employment against her own best judgment as to that which is best for the welfare of the children. Protection against possible abuse of mandating employment.

Every effort should be made to strengthen the relationship of mother and children and on the contrary nothing should be done which would place in jeopardy that relationship. A mother should be given the opportunity of making the decision as to how she can best provide for the welfare of her children—taking employment or remaining at home.

Closely related here is the concern we affirm, namely, that adequate protection be provided against possible abuse of mandating employment.

The remainder of the statement sets forth additional areas leading with the role of government in social welfare.

Before closing, we wish to affirm our concern that this nation rise to a new level of moral commitment to the well being of all its citizens. People are the nation's most precious resource and their welfare must be our first priority. All Americans wherever they live in this land, whatever their circumstances of birth, their social situation—children, the poor, the deprived, the aged, the handicapped—all should be enabled to walk in dignity and peace as responsible participating members of our national community.

Respectfully yours,

HENRY J. WHITING,

Secretary for Social Research and Planning.

THE FAMILY ASSISTANCE ACT OF 1969

Joint Testimony Lutheran Council in the U.S.A.

On the request of the presidents of The American Lutheran Church, Lutheran Church in America and The Lutheran Church-Missouri synod in behalf of their respective boards of social ministry, the Lutheran Council in the U.S.A. presented the testimony reproduced below on proposed amendments to the Social Security Act. The testimony dealing with House of Representatives Bill #14173 and Senate Bill #2986 was presented before the House Ways and Means Committee on November 4, 1969.

Local Lutheran church groups and social welfare agencies are encouraged to use this statement as a resource as contracts may be made with Congressional delegations from states and districts.

INTRODUCTION

I am Henry J. Whiting, Secretary for Social Research and Planning, Division of Welfare Services, Lutheran Council in the United States of America. Associated with me in the presentation of this testimony are Dr. Robert Van Deusen, Director, Office of Public Affairs, Lutheran Council in the U.S.A. and the Rev. Rufus Cuthbertson, Associate Secretary, Board of Social Ministry, Lutheran Church in America.

This testimony is submitted by the Lutheran Council in the United States of America at the request of and on behalf of the duly authorized officers of its participating bodies which include:

	<i>Membership</i>
The American Lutheran Church.....	2,567,027
Lutheran Church in America.....	3,288,037
The Lutheran Church-Missouri Synod.....	2,847,425

This council was organized in 1966 and has among its functions, as stated in its Constitution: "To represent the interest of the Council, and the interests of a participating body so requesting in matters which require common action before . . . (2) the national government . . ."

FOREWORD

Throughout the history of our nation, we Americans have developed three broad types of response to people in need, namely, individual, voluntary associational, and governmental.

In the days of colonization and, indeed, also as pioneers and new immigrants pressed the westward expansion of the country, the hazards and hardships of life made necessary the neighborly response of one individual to another individual's need. Without such neighborly assistance, life would have been intolerable and survival impossible.

As ever larger groups of people gathered together into towns and cities, individuals banded themselves together into voluntary associations for mutual protection and assistance. Such associations were generally established upon one or the other of a number of different bases, among which the more common were religion, nationality, labor, business, and fraternal orders.

Government has also responded to the needs of people from the earliest days of settlement. Beginning with the colonial governments, towns, cities, counties, states and later the federal government itself, each filled important roles in the broad field of social welfare.

In this testimony, we wish to affirm the continuing validity and the necessary presence of each of these three basic forms of response to people in trouble in a free democratic society—individual, voluntary association and government.

SOME COMMENTS ON PROPOSED AMENDMENTS TO THE SOCIAL SECURITY ACT

We very quickly sought the opportunity to present testimony on this proposed legislation for we have a conviction that the action taken by Congress will be of deep significance to the well-being of millions of our fellow Americans who are daily experiencing the grinding pain of deprivation and poverty.

We, therefore, place before you some judgments and comments on this critically important subject.

I. Need for Review of Present Programs

The present governmental social assistance programs are in need of critical review and revisions so that the cycle of poverty may be broken and the poor enabled to become full participants in the privileges and responsibilities of society.

Out of all the nation's poor, the federal government has selected for financial assistance only those who match certain defined categories: the aged (Old Age Assistance); blind (Aid to the Blind); disabled (Aid to the Permanently and Totally Disabled); children (Aid to Families with Dependent Children). It is true that states and local governmental units have developed programs of general assistance but this represents only a fraction of the total need. For each of these programs, there are separate and distinct eligibility requirements and each state and territory has established its own program policies within the framework of federal and state laws.

One tragic result of this categorical approach to human need is that many of the nation's poor are completely neglected or receive minimum assistance. How can we select only certain groups in our society as somehow more worthy of assistance than others whose need may well be just as crucial and hurtful?

Moreover, the present programs of public assistance in order to conform to legislation enacting the programs and providing budgetary support have set up a maze of administrative procedures and practices to be followed by staff in establishing eligibility, checking resources, approving requests for special grants, etc., so that little time remains for giving supportive, protective and rehabilitative services. It must not be overlooked that such administrative procedures represent substantial dollar costs—part of which dollars could likely be more helpfully used in money grants or services to persons in need of them.

It is recognized that many persons presently on the rolls of public assistance will undoubtedly have to continue to look to society for financial assistance. Any prospect of being able to get off public assistance rolls through rehabilitative services is undoubtedly quite remote if not impossible. This is particularly true of the aged, the handicapped and the disabled. The demands of our mechanized, industrialized society make their participation in the economy through employment quite unlikely. In the case of the AFDC, it is possible that through genuine family assistance plans, particularly if the employed poor and unemployed were included with adequate grants, the poverty cycle could be broken.

As the present public assistance program is reviewed and revisions are proposed, we urge that consideration be given the following program elements:

1. Elimination of the categories in the Social Assistance program and establishment of the single criterion of financial need.
2. Adequate provisions for assuring incentives in moving off public assistance for those for whom this is possible.
3. Inclusion of the working poor with exemption of graduated levels of earned income and careful attention given to protection against any possible support of inadequate wages.
4. Provision of a basic floor of financial benefits by the federal government at an adequate level for health and decency.
5. Development of effective job training program and related services such as day care centers, homemaker services, family planning, health maintenance and vocational counselling.
6. Assurance that a mother with sole responsibility for her children will not be required to accept employment against her own best judgment as to that which is best for the welfare of the children.
7. Protection against possible abuse of mandating employment by forcing acceptance of jobs which offer no constructive opportunity for development or which are not consistent with the worker's abilities.

II. Strengthening and Extending Social Insurance Program

The social insurance program should be strengthened and extended with respect to persons not now included and benefits paid.

The present social insurance program has proved itself to be an effective instrumentality by which government, employer and employee can enter into a partnership for preparation against certain hazards of life. In a very real way, it is a first line of defense in warding off poverty which formerly resulted from illness, disability, unemployment, and old age.

We must, however, review this program and make necessary adjustments from time to time so that it may continue to serve the people of this nation.

The critical problem faced by persons who are dependent on a fixed income, such as a pension, during a period of rising prices is well known. Steps should be taken immediately to raise the minimums to reasonable levels and to increase the benefits. We note with satisfaction that there is near general support for such an increase with debate centered only on the amount. We urge Congress to provide the maximum possible within the framework of the present and potential resources of the program.

In this connection, we applaud the efforts to tie the benefit schedule to the cost of living. If provision could be made for such automatic adjustments, it would help to give genuine security to older citizens who presently are restricted to a fixed income. Related here are two other proposals which merit general support, namely, (1) an increase in allowable earnings without reduction of benefits and (2) an increase in the wage base for computing the tax in order to keep the benefits in relation to earnings as well as to protect the fiscal soundness of the program.

Although the great majority of workers are now included in the program, there remain some who are excluded. We urge Congress to continue to provide for the inclusion of additional classifications of workers. Society must stand by and provide protection for the citizen against those risks which arise in the social system.

III. The Development of Comprehensive Social Services

Comprehensive social services should be developed and made readily available to those in need with full consideration given to programs of public agencies and those under private auspices.

We recognize that the legislation on which hearings are now being held deal essentially with income maintenance programs through the mechanisms of social insurance and public assistance. Nevertheless, we believe that any discussion of income maintenance should include some reference to the relationship of such programs to others dealing with social services. We believe that these two essential programs under public auspices should be so structured and administered that where the client needs social services along with income maintenance, he can secure them but in those instances where the need is for the one and not the other, he can receive that which he needs. Financial need may or may not be related to personal or family problems. The person whose essential needs is financial should be free to come to a public welfare agency and receive consideration with respect to that need and that need alone. He should not be placed in a position of being expected to accept a social service when, in his mind at least, his need is exclusively for a money grant.

Then there are persons in our communities who need social services but who have no money needs. Many individual and family problems occur without any relationship to money needs, and persons with such difficulties should be able to secure the social services they need.

But there are persons who require financial assistance and special services concurrently, and these needs are interrelated. Such persons, notably the aged, the handicapped, and children in families undergoing crisis should get the help they need.

We believe that voluntary agencies continue to perform valuable services to people in trouble and that there will always be a significant role for such voluntary agencies in a free democratic society. We also believe that government, since it alone has the requisite massive resources and structures, has a fundamentally requisite role to play. As governmental programs are developed, full attention should be given to existent and potential services available under voluntary auspices.

Much study needs to be given to ways by which we can improve the organization and delivery systems by which a comprehensive system of social services is made available to people. As plans are developed for comprehensive service programs, the interrelationships between governmental and voluntary agencies should be clarified and strengthened and provision made for the ready availability of social services to people when and where they are needed.

IV. Improving Mechanisms for Federal, State and Local Cooperation in the Planning and Maintenance of Program

Federal, state and local governments all have necessary roles to play in the development and maintenance of adequate social welfare programs but there is need for improvement of the mechanisms by which these units plan, formulate

and administer such programs and for the more equitable distribution of natural and economic resources to support them properly throughout the entire nation.

Since the inauguration of the Social Security programs in the 1930s, there has emerged in this country a partnership of federal, state and local units in providing social assistance programs to people. Though we affirm the continuing validity of such partnership, we must also recognize the need to continually study and review the arrangements by which these governmental units plan, develop and administer effective social welfare programs.

We are now at the time where we are able to define and articulate broad goals for human and social development in our society and to develop concrete steps toward their attainment.

The increasing mobility of our people, the varied economic resources among the regions of our nation, and the inter-relatedness of many problems throughout the country place upon the federal government an inescapable responsibility for leadership and for provision of necessary resources. We note with approval the growing assumption of this responsibility by the federal government. The federal government should use its broad taxing power to bring about a greater degree of equality among the states in funding social welfare services and financial grants to those in need. All Americans are citizens of this nation and none should be denied or limited in their struggle to realize their full potential because of the circumstances of birth or residence in a particular geographical region.

V. Standards for Public Social Security Programs

Standards for public social assistance, social insurance, and social service programs should be developed and enforced by the federal government.

As the federal government, in cooperation with the states, sets broad social goals, and mobilizes and distributes the fiscal resources of the nation equitably, it follows that it must also responsibly exercise its role in the development of national standards.

A national standard of public assistance payment, adequate for health and dignity, below which no state may fall should be established and the present wide range of public assistance among the states and territories should be corrected. We note the Administration's proposals on welfare provide for a floor of \$1600 in the Family Assistance Plan and \$90 monthly in the adult categories. We express the judgment that these proposed minimum grants are excessively low and urge that consideration be given to placing them at a higher level consistent with health and decency. Although consideration is being given to extending the Food Stamp program which if put into effect would bring some measure of relief to the poor, we believe that this should be undertaken only as a diet supplement program and not be a substitute for adequate money grants.

It should also be noted that the diversity and range of public assistance payments represents both variation in economic capacity among the states, indeed a critical factor, and prejudicial attitudes toward the poor which are too often present. Payments by many states are tragically low and in many cases even below that which the state itself has established as its own standard level.

In considering the proposals for developing the Family Assistance Plan, every effort should be made not only to assist the poorer states but also to devise means by which the several states can be encouraged to move beyond the national floor which is to be established. Just as the proposed legislation recognizes the need to encourage the recipient who has the potential to work his way out of poverty by setting up earnings exemptions, so it should develop a system for encouraging the states to raise their levels of participation in meeting the needs of the poor.

But standards of program operation are also necessary. Programs should be operated in such a way that the rights, dignity, and personhood of all people in our nation are recognized and accepted without regard to race, color, creed, residence or circumstances of birth.

Manpower in adequate numbers and competence is the essential base upon which the necessary programs to help people must rest. Standards dealing with the procurement and maintenance of personnel in public welfare programs are critical for without skilled and competent staff programs necessarily operate at minimal, largely ineffective levels.

VI. The Development of Social Research

The resources of government should be utilized in more extensive development of research in social welfare.

We note with genuine approval that the proposed legislation authorizes the Secretary of Health, Education, and Welfare to conduct research into or sponsor

demonstrations of ways of better carrying out the purposes of the Family Assistance Plan. We fully support this provision and urge financing at levels commensurate with the need for them.

It is critically urgent that resources of government be made available to provide leadership and funds for the development of research in social welfare. Science, industry, communication and other fields are devoting vast resources to research. But in the field of social welfare, an area committed to the well being of the nation's children, youth, families, and aged the provision for research has always been minimal.

With the resultant knowledge in causative factors in individual and family breakdown, dependency, anti-social behavior and other related personal and social ills, society will be the better equipped to develop protective, preventive and rehabilitative services to individuals as well as those social measures designed to deal with such problems. As we seek solutions to such problems as poverty and dependency, we need more research to assist in pointing the way to new forms and patterns for helping people in trouble and keeping them out of trouble.

In conclusion, we affirm the need of this nation to rise to a new level of moral commitment to the well being of all its citizens. People are the nation's most precious resource and their welfare must be our first priority. All Americans wherever they live in this land, whatever their circumstances of birth, their social situation—children, the poor, the deprived, the aged, the handicapped—all should be enabled to walk in dignity and peace as responsible participating members of our national community.

THE ROLE OF GOVERNMENT IN SOCIAL WELFARE—A LC/USA STATEMENT

A POSITION STATEMENT

The Lutheran Council in the United States of America at its Fourth Annual Meeting, February 3-4, 1970, adopted the following position statement on the role of government in social welfare. The statement originated in the Division of Welfare Services which recommended the document to the council for adoption as a public position statement.

Participating churches of the Lutheran Council in the U.S.A. are The American Lutheran Church, the Lutheran Church in America, The Lutheran Church-Missouri Synod, and the Synod of Evangelical Lutheran Churches. Appended to the statement is a list of resource materials produced by these churches and related to the issue of the role of government in society.

Single copies of the "Lutheran Council in the U.S.A. Statement on the Role of Government in Social Welfare" are available on request without charge. Additional copies may be obtained at 10 cents each.

Single copies of "A Background Study on the Role of Government in Social Welfare" are available on request without charge. Additional copies may be obtained at 20 cents each. This study has been prepared by the Division of Welfare Services, LC/USA, as a contribution to the study of the role of government in social welfare. Please send remittances with orders to the Division of Welfare Services, Lutheran Council in the U.S.A., 315 Park Avenue South, New York, New York 10010.

FOREWARD

Throughout the history of the United States, there have been three broad categories of response to human need: individual, voluntary association, and government.

In the early days of the nation's development and, indeed, also as pioneers and immigrants pressed the expansion of the country, the rigors of life required a neighborly response of one individual to another's need. Without such spontaneous responses, life would have been intolerable and, in many cases, survival impossible.

With the growth of population and the gathering together of people into ever larger communities, individuals organized themselves together into voluntary associations. Such associations were established upon one of a number of different

bases—religion, nationality, ethnic origin, business, labor, or fraternal orders were the more common. Pluralism, a significant characteristic of this country, accounts for the great number and variety of such voluntary associations.

Government has also responded to the needs of people from the earliest days of settlement. Beginning with colonial governments, towns, cities, counties, states, and the federal government itself have had important roles to play in the field of social welfare.

These have been the historic forms of response to people in trouble in this nation—individual, voluntary associations, and government—federal, state, and local. This affirmation declares the continuing validity and necessary presence of settlement. Beginning with colonial governments, towns, cities, counties, states, focus will be on the role of government in social welfare.

CIVIL AUTHORITY IN THE SOCIAL ORDER

In the interests of justice and order, there must be civil authority which, according to the New Testament, is divinely ordained. This does not imply, however, that a particular government necessarily enjoys God's approval. Nor does such a concept preclude the existence of government by consent of the governed—the citizens.

Civil authority is derived from God. Therefore, it does not exist in its own right nor does it depend alone upon the will of the people. It is always subject to the will and authority of God. This is the necessary safeguard against the defilement of the state on the one hand and anarchy on the other.

The essential functions of the state, under God, are to establish and maintain civil justice, protect the rights of the people, and promote the well-being of all citizens.

It is further the duty of the state to provide the proper framework in which other social institutions can freely carry on their appropriate functions. The state must not take on the functions of these institutions but rather assure a context in which all may fulfill their proper roles.

An important consideration of this affirmation is the relationship between the church and the state. The church and the state are to be regarded as separate institutions under God. The state is not over the church (secularism), and the church is not over the state (clericalism); but both are under God, each with its functions and tasks. This does not imply an absolute separation as if there could be no interaction between them. Rather, the relationship can be described as institutional separation and functional interaction.

Recognizing the development of justice through civil authority as part of the creative work of God, Christians will participate both individually and through their various corporate relationships with other men of good will in the political processes which are available in a democratic society. It is in this arena that public policy is studied, debated, and formulated and involvement in this political process is an important activity for the Christian in which he can work in concert with men of good will in promoting the general welfare. Here the Christian citizen may strive with others to achieve social change in the implementation of justice by reviewing present laws, enacting new laws, and amending or repealing laws. It must not be overlooked, however, that although in a democratic society we live under the rule of the majority, full and adequate provision must be made at all times for appeal and dissent by the minority.

THE ROLE OF GOVERNMENT IN SOCIAL WELFARE

It is a proper function of the state, under God and in the furtherance of justice, to promote the general welfare. Since man does not always naturally and readily seek the good of his neighbor, the guarantee and enforcement of law is required.

A distinction must be made, however, between the view which sees the state as an omnipotent power giving out of beneficence and that which sees it as a responsible government seeking human welfare in justice and equity. The former might be capricious while the latter would be consistent and dependable.

As a contribution to the present debate in the United States on governmental programs in social welfare, the Lutheran Council in the U.S.A. sets forth the following affirmations:

I. The present governmental social assistance programs are in need of critical review and revisions so that the cycle of poverty may be broken and the poor enabled to become full participants in the privileges and responsibilities of society.

In the review called for in this affirmation, we urge that consideration be given the following:

1. Elimination of the categories in the social assistance programs and establishment of the single criterion of financial need;

2. Adequate provisions for assuring incentives in moving off public assistance for those for whom this is possible;

3. Inclusion of the working poor by making grants supplementary to earnings on a gradually reducing basis to encourage the poor to become self-maintaining and eliminate inequity of treatment between those who work and those who do not;

4. Provision of a basic floor of financial benefits by the federal government at an adequate level for health and decency;

5. Development of effective job training programs and related services such as day care centers, homemaker services, family planning, health maintenance, and vocational counselling;

6. Assurance that a mother with sole responsibility for her children will not be required to accept employment against her own best judgment as to that which is best for the welfare of the children;

7. Protection against possible abuse of mandating employment.

II. The social insurance program should be strengthened and extended with respect to persons not now included and with respect to benefits paid.

III. Comprehensive social services should be developed and made readily available to those in need with full consideration given to programs of public agencies and those under private auspices.

IV. Federal, state, and local governments all have necessary roles to play in the development and maintenance of adequate social welfare programs, but there is need for improvement of the mechanisms by which these units plan, formulate, and administer such programs and for the more equitable distribution of natural and economic resources to support the programs properly throughout the entire nation.

V. Standards for public social assistance, social insurance, and social service programs should be developed and enforced by the federal government.

VI. The resources of government should be utilized in more extensive development of research in social welfare.

VIII. It is a proper role for government to develop standards, grant or withhold licenses, participate in joint planning, and enter into fiscal agreements with voluntary agencies. Any such financial arrangements as may be entered into should be surrounded by safeguards which assure that the proper development of governmental programs is not negated and that all voluntary agencies are treated equally on a non-preferential basis.

RESOURCE MATERIAL

OFFICIAL SOCIAL STATEMENTS

The American Lutheran Church

"Church-State Relations in the U.S.A." Commended by General Convention, 1964. Adopted, 1966.

"Federal Aid for Church Institutions." General Convention, 1962.

"Social Security Coverage for Ministers." General Convention, 1962.

"Christians in Politics." General Convention, 1966.

"Pastors and Political Participation." General Convention, 1968.

"The Christian in His Social Living." Compilation, Board for Christian Social Action, 1960.

Lutheran Church in America

"Church and State—A Lutheran Perspective." General Convention, 1966.

"The Church and Social Welfare." General Convention, 1968.

"Poverty." General Convention, 1966.

The Lutheran Church-Missouri Synod

"Church-State Relations." General Convention, 1962.

STUDY REPORTS

The American Lutheran Church

"Bases for Lutheran Social Action." Commission on Research and Social Action, 1965.

"The Church's Role in Society." Operation Speak Up. Commission on Research and Social Action, 1967.

Lutheran Church in America

"Social Ministry. Biblical and Theological Perspectives." Board of Social Ministry, 1966.

"The Church and the Relief Client." Board of Social Ministry, 1968.

"The Church in Social Welfare." Christian Social Responsibilities Series. Board of Social Ministry, 1964.

"Medicare." Board of Social Ministry, 1966.

The Lutheran Church-Missouri Synod

"The Christian and Social Concerns." By Rudolph F. Norden. Board of Parish Education, 1967.

"Church and State Under God." Edited by Albert G. Huegli. Concordia Publishing House, 1964.

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STATEMENT OF THE CATHOLIC BISHOPS OF NEW YORK STATE, ISSUED BY HIS
EMINENCE TERENCE CARDINAL COOKE OF NEW YORK

The Family Assistance Plan now before the U.S. Congress deserves widespread support. We urge the Senate Finance Committee to act now on the bill and the Senate to vote favorably for the passage of the program as the House has already done.

We consider it timely that this major welfare reform plan is being given wide public consideration in these days of rising expectations among the poor.

We are impressed particularly by those provisions which:

- (1) separate financial assistance from social services;
- (2) establish federal responsibility and standards for family assistance;
- (3) commit the nation to the concept of guaranteeing to its citizens an irreducible minimum of subsistence;
- (4) include the "working poor" among those eligible for help when needed.

While we have reservations regarding some few provisions of the Family Assistance Plan and regret the absence of some other provisions, we see it as a major step forward in the reform of our welfare system and urge its support and passage.

CATHOLIC BISHOPS OF THE STATE OF NEW YORK

Terence Cardinal Cooke, New York City. Bishop Edwin B. Broderick, Albany. Bishop Francis J. Mugavero, Brooklyn. Bishop James A. McNulty, Buffalo. Bishop Stanislaus J. Brzana, Ogdensburg. Bishop Joseph L. Hogan, Rochester. Bishop Walter P. Kellenberg, Rockville Centre. Bishop D. F. Cunningham, Syracuse.

Bishop Charles R. Mulrooney
Bishop Joseph P. Denning
Bishop J. J. Boardman
Bishop Stephen J. Donahue
Bishop John J. Maguire
Bishop John M. Fearnis
Bishop J. M. Pernicone
Bishop J. F. Flannelly
Bishop P. J. Furlong
Bishop Edward E. Swanstrom
Bishop Edward V. Dargin

Bishop John W. Comber
Bishop James E. McManus
Bishop William J. Moran
Bishop Edward D. Head
Bishop Patrick Ahern
Bishop Pius A. Benincasa
Bishop Edward J. Maginn
Bishop John E. McCafferty
Bishop Dennis W. Hickey
Bishop Vincent J. Baldwin
Bishop Bernard J. McLaughlin

NEW YORK STATE CATHOLIC COMMITTEE,
Albany, N.Y., Tuesday, October 6.

The Family Assistance Plan which reforms the United States Welfare system received a boost this week as the Catholic Bishops of New York State endorsed the program and urged Congress to pass it.

Addressing themselves to the Senate in particular, (since the bill is now before the Senate Finance Committee), the state's Catholic Bishops call the plan a "major step forward in reform" and urged the Senators to "vote favorably for the passage of the program as the House has already done."

The Bishops thus join the National Conference of Catholic Bishops, and national interfaith welfare and religious organizations in lending their support for what has been called the Nixon Welfare Plan.

Specifically it establishes a minimum subsistence floor for a family of four and makes it a national policy to grant incentives to those on welfare so they can keep what they earn (when they do return to the working force) and thus lift themselves out of the welfare abyss and back into the mainstream of American working society.

The Bishops were not universal in their praise, however, citing "reservations regarding some few provisions" of the bill. (Most important among the reservations it is believed is the requirement that once a child is of school age his mother must seek work . . . this provision is universally frowned on by most social service groups) and has drawn fire from representatives of national representatives of Catholic Welfare and religious groups when testifying on the merits of the bill.

The Bishops say while it is not the best of all possible plans, it is "a major step forward in the reform of our welfare system" and as such they urge "support and passage" for the plan.

In citing their approval, the Bishops named four aspects most deserving of special notice. They praised in particular the provisions which:

- (1) separate financial assistance from social services;
- (2) establish federal responsibility and standards for family assistance;
- (3) commit the nation to the concept of guaranteeing to its citizens an irreducible minimum of subsistence.
- (4) include the "working poor" among those eligible for help when needed.

Basically the Family Assistance Program establishes for the first time in history a minimum income level below which no one should be forced to live.

The first standard is \$1,600 for a family of four, hardly enough to keep body and soul together . . . but more than is available in some states.

Other provisions include employment registration and retraining as part of the whole package. It is in this area where the Bishops have most serious reservations since it requires a mother receiving assistance to register for employment as soon as her youngest child is over six (unless her husband or head of the household is already working).

One provision that has drawn high praises is the work incentive plan that encourages people to remove themselves and their families from the welfare rolls.

In the past when a man (or woman) went to work gradually what he earned replaced what he received in assistance so there was no incentive for him to remove himself from the rolls.

Under the Family Assistance Plan the worker may keep receiving a portion of welfare aid until his income reaches \$3,290. (Under the old plan his assistance would have ended as soon as he was earning \$1,600 for his family of four).

Although not cited by the Bishops in their statement there is widespread belief among social welfare workers that the time is "now" to pass this legislation. Their feeling is that it is already through the House, and if it can get out of the Senate Finance Committee it has a good chance of passage.

The Bishops statement comes, then, at a critical time, adding strength to the belief that this change in direction for assistance is a major step forward in welfare reform for this country.

For New Yorkers the key people to write to are Senator J. Javits and Senator C. Goodell, as well as the Chairman of the Senate Finance Committee now holding the hearings, Senator Russell B. Long of Louisiana.

THE FAMILY ASSISTANCE PLAN AND THE ELIMINATION OF INEQUALITY

STATEMENT OF HERBERT J. GANS*

SUMMARY

I support many provisions of the Administration's Family Assistance Plan (FAP) but I also support Senator McCarthy's Adequate Income Act of 1970. Consequently, I believe that the Administration's FAP should be amended to increase benefits for the prototypical nonfarm family of four on annual basis so that within three years, the minimum yearly income grant for this prototypical family is, for reasons explained below, equivalent to 60 percent of the median income of all families in the United States. In 1969, this equivalent was \$5650.

Because the present work incentive provisions of the FAP cannot be implemented until jobs are available, I also support the proposal by Senators Fred Harris and Abraham Ribicoff for incorporating a job creation program in the FAP, and if Senator Ribicoff's proposal for an experimental FAP is passed, I would urge that experiments be made to compare the effects of the income grant figure in FAP with that proposed in the Adequate Income Act of 1970.

THE GOALS OF THE FAP

My conclusions are based on the assumption that the main goal of the FAP, as of welfare reform in general, is to do what existing welfare schemes have failed to do: eliminate poverty in America—or at least to make certain that the children of today's poor—especially the people now on AFDC, Home Relief, etc.—will be able to break out of the poverty cycle. Achieving this goal will be expensive in the short run because it requires high income grants to the poor and a job creation program, but it will be cheaper in the long run, because the people who have escaped poverty will be able to contribute to the economy and the tax base, and because they will no longer suffer from the many pathologies which result from poverty and are so costly both for the victims and the taxpayers.

The Administration's FAP is an important and worthy piece of legislation; for the first time in America it establishes the principle that the federal government has some responsibility for providing an income grant to working and non-working poor. For this principle alone, the Administration bill deserves passage. However, if the goal of the FAP is to move toward the elimination of poverty, then the maximum grant of about \$2400 to an unemployed non-farm family of four is clearly the wrong means, for nowhere in urban America can anyone live on such a low income today. Thus, it is quite likely that families who must live on \$2400 will remain firmly embedded in poverty and will not be able to help their children escape the poverty cycle.

I realize, of course, that if FAP recipients work, they will be able to earn up to about \$4000, but even this is hardly enough. Moreover, only a tiny proportion of those eligible are currently employable, and even if the proportion were larger, the jobs for which their skills make them eligible are just not available. For this reason, the job creation scheme proposed by Senators Harris and Ribicoff is essential. Also, the more jobs that can be created, especially for the husbands and absent husbands of women now on AFDC, the greater the likelihood that their families can stay together or be re-united, that their children will be able to escape poverty, and that the number of people who need to be helped by the FAP will decline sharply in the future. Until the federal government is willing and able to develop job creation programs for the employed, underemployed and underpaid poor, however, FAP income grants must be raised to a level that will achieve the goal of eliminating poverty in the next generation.

How high must income grants be to achieve this goal? At present, we do not know, and I would urge that the Office of Economic Opportunity be enabled to expand its current experiments with income grants so that we can find out. But there is one useful first clue from a knowledgeable source, ordinary Americans themselves.¹ Over the years, the Gallup poll has been asking people "what is the smallest amount of money a family of four needs each week to get along in this

*Professor of Sociology and Planning, Department of Urban Studies and Planning, Massachusetts Institute of Technology; and Faculty Associate, Joint Center for Urban Studies of M.I.T. and Harvard University.

¹ Some of the ideas and many of the data that follow are taken from a thoughtful unpublished paper by Lee Rainwater, Harvard University, "A Decent Standard of Living: From Subsistence to Membership."

community?", and in 1969, the figure was \$6240 a year.³ This is 66 percent of the median family income in the U.S. that year.

Poor people, who know better than anyone else how to get along on the least income and are more modest in their aspirations as well, suggested a lower minimal income; in 1964, Gallup poll respondents earning under \$3000 said they needed \$3800 a year, 58 percent of America's median family income this year, or 49 percent of the median income for all four person families. (Poll respondents earning between \$3000-\$5000 that year thought they needed \$4066, 62 percent of the median income and 53% of the median income of four person families.)⁴

POVERTY AS INEQUALITY

In describing the amount of money people think they need to get along, I have referred not only to dollar figures but also to proportions of the national median income. I have done so because I am convinced that in America today, poverty cannot be defined solely by an *absolute* figure, such as in the federal poverty line, but that such a figure must be based on a *relative* definition of poverty, i.e., a definition based on a proportion of the median income.

The federal poverty line figure, now about \$3750 for the prototypical nonfarm family, 's based on food and other budgets which are calculated to do little more than assure the physical or biological survival of the family and its members. Underlying these calculations is the historic absolute definition of poverty as the inability to survive as a biological organism, but for many reasons this definition is inadequate in today's America. First, in most urban areas, at least, most of the poor are fairly free from hunger and have a roof, if a slummy one, over their heads; most are surviving physically. Second the poor can no more be defined as biological organisms than the rich; like everyone else, they are also social organisms and in order to survive in society, they must have the material and non-material necessities required for social survival. And third, physical survival does not reduce the many pathologies that stem from poverty. This is well illustrated by events of the last decade. During the 1960's, the number of people below the federal poverty line decreased sharply from 22.2 percent in 1960 to 12.8 percent in 1968, and using an absolute definition of poverty, the number of poor people in America was almost cut in half. Yet during these same years, there was no equivalent decline in the pathologies associated with poverty, e.g. crime, delinquency, mental illness, alcoholism and drug addiction. In fact, there was a sharp increase in many forms of pathologies, as well as in protest by the poor against their condition.⁵

The seeming paradox between the reduction in poverty and the rise in pathology is resolved if on shifts from an absolute to a relative definition of poverty, and looks at the changes in the number of people who earned less than half the median income at the beginning and end of the 1960's. In 1960, that proportion was 20.2 percent; by 1968, it had declined only slightly, to 18.3 percent. In other words, though incomes rose for everyone during the 1960's, including the poor, the number of people who earned less than half of the median income did not decrease significantly. In short, at the end of the decade, the poor were far behind the average American family as ever. In fact, their position has not really changed in the last generation, even though for many people those years brought about the greatest increase in affluence in American history. In 1947, 19 percent of Americans earned less than half the median income; in 1957, 20 percent; in 1967, 18.7 percent.⁶ Thus, one possible explanation for the fact that the pathology associated with poverty has not declined is that the number of people whose income places them so far below everyone else has not declined, or to put it another way, that the number of people who are unable to get along or to achieve social survival has not declined.

This explanation derives additional support from the belief of many poverty researchers that the most deleterious effects of poverty stem from the inequality of the poor vis a vis other Americans, from their unequal ability to participate in the mainstream of American life, and from the feelings this inequality engenders the poor.⁶ Being unequal means feeling inferior and this in turn generates feelings of inadequacy and self-hate or anger. Feelings of inadequacy help

³ *Ibid.*, p. 19.

⁴ *Ibid.*, p. 20. See also George Gallup, "Poverty by Consensus," in H. Miller, ed., *Poverty American Style*, Wadsworth 1966, pp. 87-89.

⁵ Rainwater, *op. cit.*, p. 4.

⁶ Rainwater, *ibid.*, p. 8.

⁶ See e.g. S. Miller and P. Roby, *The Future of Inequality*, Basic Books, 1970, Chap. 1.

to produce the mental illness, alcoholism and drug addiction that are so frequent among the poor; feelings of anger result in crime, delinquency, and political protest.⁷

But inequality affects more than the minority of the poor who escape from their inferiority through pathology; it also creates damage among the rest. For example, in order for a poor child to do well in school, he needs to live in a home which gives him his own bed, enough privacy so that he can sleep 8-10 hours a night, and a good breakfast so he does not go to school sleepy and hungry. But as studies of slum children have shown, he needs more than that. He must have clothes which are clean, neat and in good repair, not to protect him from the elements, for a flourbag made into a suit can serve this purpose, but so that he need not feel embarrassed in front of the teacher and his fellow-students. We know that often, children refuse to go to school if their clothing marks them as unequal, and that mothers are ashamed to send them in this condition.

Similarly, I think every child in America today needs a working TV set, for in order to be a part of society, one must have the opportunity to watch TV. Since children are avid TV viewers and since a large proportion of their pre-school education comes from TV, and child who has not had a chance to obtain that education will be unequal to the other students. In fact, thanks to the great popularity of "Sesame Street", it may soon be true that any child who does not have a TV set which can receive this program will be behind his fellow students when he enters kindergarten.

But a child needs more than a TV set and clothes that are acceptable to his fellow students to feel equal and do well in school; he must have a family which feels itself to be a part of society and can instill in him a belief that if he works hard in school, he too will be a part of society when he becomes an adult. If, on the other hand, his father is unemployed because jobs are scarce, he will question whether there is any benefit in doing well in school, and even more so if his teachers treat him as inferior because he is poor.

John Kenneth Galbraith identified poverty with inequality when he wrote some twelve years ago that "people are poverty-stricken when their income, even if adequate for survival, falls markedly behind that of the community. Then they cannot have what the larger community regards as the minimum necessity for decency and they cannot wholly escape therefore, the judgment of the larger community that they are indecent. They are degraded, for in a literal sense, they live outside the grades or categories which the community regards as respectable."⁸

It is this definition of poverty that poor people have in mind when they answer Gallup's question about how much they need to get along, and I would argue that if we want to eliminate poverty in the United States, we must begin to think of poverty as a kind of inequality, and must find ways of reducing that inequality. How this is to be done depends on two criteria: how much equality we want to achieve, and how equality and inequality ought to be measured. The development of these criteria will require a considerable amount of policy-oriented research, but I would like to suggest a preliminary answer that can also help to indicate how high income grants should be set for the FAP.

A MORE EGALITARIAN FAP GRANT

How much equality we want to achieve as a nation is a fundamental philosophical and political question, but I shall answer it here by suggesting that initially, we must have enough equality to eliminate the most deleterious effects of inequality, particularly the pathologies that hurt both the poor and the taxpayers, and the social and economic forces that perpetuate the poverty cycle from generation to generation.

At present, we do not know how much inequality must be reduced to achieve this goal, but if we assume that it bears some relationship to the income people say they need to get along in this society, we can come up with at least a preliminary answer. Drawing on the 1964 Gallup poll data cited above, I would suggest as a first general guideline that people seem to need an income of at least 60 percent of the median income to get along—this being the midpoint between the 58 percent figure mentioned by poll respondents earning less than \$3000 and the 62 percent mentioned by those earning \$3000-5000.

⁷ I do not mean to suggest here that political protest is a form of pathology.

⁸ J. K. Galbraith, *The Affluent Society*, Houghton Mifflin, 1958, quoted in Rainwater, op. cit., p. 28.

In 1969, the median family income was \$9433, and if a 1970 FAP grant were set at 60 percent of the median, it would come to \$5659.⁹ This figure is much higher than the \$2400 in the Administration's FAP, but not much different from that in Senator McCarthy's bill—an interesting coincidence since his proposal is not based on median income considerations.

ALTERNATIVE METHODS OF COMPUTING THE FAP GRANT

The proposed FAP grant of \$5659 is a first estimate of how much every American family needs to get along, not what the poor need to escape poverty. Moreover, the proposal is based on data from a six-year old Gallup poll, and is a very general figure which does not take family size into account. Clearly we need more detailed and larger-sample surveys to find out how much different kinds of poor people in different areas of the country need to get along. Also, we need to test different ways of computing the income grant figure. For example, one could argue that it ought to be a proportion of the *mean* rather than the *median* family income, since income inequality is a consequence of average income per se, rather than of the income of the average family. In 1969, mean family income was \$10,577, resulting in a FAP figure of \$6306. One could also argue that many FAP figures should be computed, depending on what different households, families, and individuals need to get along, so that for the prototypical non-farm family of four, it would be a proportion of the median or mean income of all non-farm families of that size. The 1964 Gallup survey suggested that the prototypical family needed half the median income of all four person non-farm families to get along; in 1968, the latest year for which such data are available, this would result in a FAP figure of \$4974, half the median income of \$9948 for all four person non-farm families. If mean income were the criterion, the 1968 FAP figure would have been \$5495.

I must note that I have based all FAP estimates on what the *poor* Gallup poll respondents say they need to get along. If inequality reduction is the goal however, one could argue that the FAP figure should be based on the proportion of median family income the *average* American needs as a minimum to get along. Various Gallup polls assembled by Rainwater suggest that in the last generation this proportion has been about 70 percent; in 1947, it was 73 percent; in 1957, 75 percent; in 1967, 66 percent and in 1969, 69 percent.¹⁰ This would suggest that the FAP income figure should be 70 percent of the median income. Such a figure is also probably closer to what the poor need to escape poverty rather than just to get along.

Clearly all of these alternatives need to be tested out, both to determine what they would cost and to determine their impact on the poor. This could be done by expanding O.E.O.'s current research on negative income tax-like payments, but if Senator Ribicoff's proposal for an experimental FAP is passed, some of these tests could be carried out at that time. I would urge that at the least, there be a comparison of the effects of the Administration FAP grant of \$2,400 and of the higher figures proposed by Senator McCarthy and in this statement on poor recipients.

POVERTY AS A NATURAL BYPRODUCT OF THE AMERICAN ECONOMY

My argument that the FAP should provide for a much higher income grant than presently proposed violates a fundamental value of most Americans—that if people cannot work they should not be allowed to earn more than the barest minimum. In principle, I thoroughly agree with this value, as do most poor people, and if the federal government instituted a massive job creation program to bring about full employment at a living wage, it would be easier to support the \$2,400 income grant in the FAP.

However, the concept that the non-working poor who live in the less affluent or less generous regions of the U.S. should receive only \$2,400—or even less than needed for physical survival—rests on two other assumptions about poverty that strike me as indefensible. The first assumption has it that if income grants to the poor are minimized, they will be forced to work. This assumption may have been defensible in the days when there was full employment for the unskilled, but it is indefensible and even dangerous today when such jobs are not available. As I

⁹ The 1970 grant figure is based on 1969 median income because no later data are available. All median and mean income figures are taken from *Current Population Reports, Series P-60*, Bureau of the Census.

¹⁰ Rainwater, *op. cit.*, p. 19.

noted earlier, the only result is that the presently non-working poor must remain poor, will raise another generation of poor, and will continue to express their feelings of self-hate and anger in pathology and protest—all at high cost to the same taxpayer who thinks he is saving money by favoring low income grants.

The second assumption, which both the present welfare program and the Administration's FAP share, is that poverty is the fault of the poor, whereas in reality, poverty is a natural byproduct of the American economy. That economy has produced more affluence than any other in the world for the majority of the population, but only by also producing a minority that must remain poor. Our economy has produced this affluence by making intensive capital investments per worker, either in machine or education, by paying high wages and salaries to skilled workers, and by relying on government subsidies to assure its continuing expansion. At the same time, however, the economy has discouraged labor-intensive production and is eliminating the use of people with lesser skills. These people, e.g. farm workers, manual services workers and the unemployed, must therefore live in poverty or near-poverty. If they had to be incorporated in the economy as full members, they would reduce the affluence of the rest of the population. Thus, the only way the majority can be affluent is or a minority to be poor.

This is why American poverty is a natural by-product of the American economy, just as air pollution is a natural by-product of our automobile-centered transportation system. That system gets more people around to more places with more freedom of movement than any other system in the world, but at the price of polluting the air of the cities. Even so, we do not deal with this by-product as we deal with poverty; we neither blame the cars nor minimize the amount of gasoline we supply them so that they cannot function. Instead, we are now trying to change the motors so as to eliminate the by-product. Similarly, if we want to eliminate poverty—and welfare—we need to convert the motor of the American economy so that it works more equitably for the entire population and not just the majority.

This is not the place in which to discuss changes in the American economy, but until we develop a truly full employment economy for everyone, we ought to provide equitable income grants for those who are kept out of the affluent economy. Indeed, one could argue that we ought to provide such grants gratefully, for no other reason than that the poor make it possible to maintain an economy that produces affluence for the majority of Americans.

TESTIMONY OF GENEVIEVE T. HILL, DEAN, ATLANTA UNIVERSITY, SCHOOL OF SOCIAL WORK

Mr. Chairman and members of the Committee, my name is Genevieve T. Hill. I am Dean of the School of Social Work at Atlanta University. The School of Social Work is one of the five schools that make up Atlanta University, a privately endowed institution. It was organized in 1920 as an independent professional school, and became affiliated with the University in 1947.

Inherent in the philosophy of the school is the principle that a democratic society has an obligation through its social organization to develop and modify structures whereby man in his social relationships can achieve self realization as an individual and as a contributing member of the social order. Social work as a profession and a social institution also has an obligation to contribute through social action to the treatment, control and prevention of problems in social functioning of individuals, groups and communities. The School of Social Work as a social institution is cognizant of its responsibility to participate in changing the existing social order to insure man's optimum chance to achieve self realization.

It is within this context and with this sense of responsibility that my comments are made on the proposed Family Assistance Plan.

I agree with the underlying concepts and assessment of need put forth by the President in his Welfare Reform Message to Congress and in the bill itself. It is quite pointed out that the existing welfare system is in shambles and has obviously failed to meet the needs of the people it is intended to serve. The numbers and circumstances surrounding the social welfare consumer population has drastically changed in the last thirty-five years. The present welfare system and laws are inadequate to deal with the problems.

I support a replacement of the present system rather than a piece-meal attempt at reform.

The fact that H.R. 16311 has addressed itself to the establishment of a federal floor and the inclusion of the working poor is a step in the right direction. However, the proposed federal floor of \$1,000 is inadequate for a family of four. My recommendation is that the federal government should assure every family no less than \$5,915. The Bureau of Labor Statistics states that this is adequate for a moderate budget. Provisions should be made for automatic adjustments as the cost of living changes. Also, program participation should be based on need rather than the composition of the family. Needy families without children should also be eligible.

Food stamps and commodities should not be considered as financial income. These commodity subsidy measures should be phased out and these monies added to cash payments.

The "workfare" provisions do not allow for individual choice nor do they guarantee workers protection of suitable career-ladder employment. This aspect of the Act could lead to forced labor and in essence would subsidize substandard employment. An option should be given to any single parent family with school age children to remain in the home or go outside to work.

Since one of the objectives of the Act is to move families out of poverty, the work incentive provisions should be increased. The ceiling should be reflective of the moderate budget of the Bureau of Labor statistics that I am suggesting as a federal floor.

If a parent elects to work, there should be adequate day care facilities. These centers should be so designed to provide pathways for excellent opportunities for social and educational advancements. In order to meet these needs, increased provisions must be provided. The present allocations in the Act are far too low to set up any type of comprehensive day care facilities.

In the area of administration, I recommend, for the sake of efficiency and economy, that payments be handled completely on the federal level. The need for centralized administration is evident in the diverse and not always equitable systems existing across the country.

In keeping with the decision to separate assistance from services, I support a revamping and updating of services offered to meet the needs of not only the consumers of the assistance plan but, rather, making services available to everyone on a universal basis. Explicit in this idea is that services should be available and unrelated to kind of "means test." This will help to alleviate some of the stigma that has long been synonymous with the present system.

Clearly defined allocations should be made available to graduate schools of social work and undergraduate social welfare programs to upgrade the education and training opportunities needed in the field. Consumers of services should be assured a role in developing and participating in such programs.

Mr. Chairman and members of the Committee, I would like to thank you for this opportunity to make these comments.

Box 23,
Rolla, N. Dak., October 13, 1970.

TOM VAIL,
Chief Council Senate Finance Committee, 2227 New Senate Office Building,
Washington, D.C.

DEAR MR. VAIL: The President of the United States informed us (Indians) in his July 1970 message that we (Indians) shall have a voice in programs concerning our Welfare and Rights as American Indians.

In reference to your telegram sent to us on September 23, 1970, we are requesting 100% Basic Need Assistance, because of the weather of which we have 9 months of winter at 30 to 40 degrees below zero, and there is no employment for our Indian people in this area.

We cannot survive on the program Mr. Nixon has made for us of \$1,600.00 a year. Unlike our fathers, we cannot survive on Rotten Salt Pork!

"The first American—Indians—are the most deprived and most isolated minority group in Our Nation." Quote Mrs. Richard M. Nixon.

Therefore we are requesting to be represented by an Indian for Oral Presentation

before the Senate Finance Committee. We no longer wish to be represented by "Paper" as we have been in the Past!

We the Undersigners demand to have a *copy of all your welfare legislation.*
Sincerely,

The Little Shell Ojibwea Band of the Turtle Mt. Indian Reservation, at Belcourt, N. Dak., N.W.R.O., Chapter Chairman, Alice Christjohn Mary, Cornelius State Rep., N.W.R.O. Mrs. Delima Decotieue, Dist. 1 chairman, N.W.R.O., Belcourt, N. Dak. Mrs. Bernice Peltier, Dist. No. 1, Chairman, N.W.R.O., Belcourt, N. Dak. Belva Decoteau, N.W.R.O., Belcourt, N. Dak. Rasean De Long, N.W.R.O. Chairmen, Belcourt, N. Dak. Shirley Counts, Dist. 4 Chairman, N.W.R.O. Dunseith, N. Dak. Mrs. Eleanor La Fontain, Rt., Dist. 3, Chairman, N.W.R.O. Belcourt, N. Dak.

STATEMENT OF THE SOCIAL WORK ACTION FOR WELFARE RIGHTS

TESTIMONY AGAINST THE FAMILY ASSISTANCE PLAN

Social Work Action for Welfare Rights is a group of New York City social workers, mainly professionals, working for an adequate income for welfare and wage earning families. In the last four years, SWAWR has carried out a wide range of activities: organizing and educating social workers around welfare rights; sponsoring forums and conferences on new legislation (like Nixon's Family Assistance Plan); demonstrating against regressive welfare policies; lobbying; raising funds for the welfare rights movement; and publishing information and analysis of welfare problems. Currently, SWAWR is campaigning against the Nixon plan; and recently SWAWR voiced an editorial reply on WCBS concerning the Family Assistance Plan. Carole Doneghy, Community Organization Division at Harlem Hospital is the present chairwoman.

Social Work Action for Welfare Rights believes that President Nixon's Family Assistance Plan ignores the basic economic causes of the welfare crisis and proposes a cure which will not work.

With its emphasis on putting the poor to work, the Family Assistance Plan perpetuates the myth that people are on welfare by choice. The facts point to other causes for the welfare crisis: rising unemployment, low wages, and the spiraling cost of living.

President Nixon's plan fails for the following reasons:

1. Its income level is pitiful. President Nixon proposes \$30/week for those who can't work. A working family can receive at most \$71/week, when the Bureau of Labor Statistics minimum is \$140 weekly.

2. The Family Assistance Plan requires all able-bodied recipients (unemployed and employed) to report to the unemployment office weekly and take available jobs at prevailing wages. But because unemployment is rising, this requirement will insure marginal employers a source of cheap labor, and the opportunity to lower wages further.

3. States are not required by the plan to help any working family beyond \$30.77 weekly. More important, the plan will hurt most working families by raising their federal taxes.

4. The Family Assistance Plan in no way relieves the tax burden on working people, who pay the lion's share of taxes on all levels of government. It ignores the responsibility of big business and banks for the welfare crisis. They control investment, but have not created decent-paying, vital jobs in areas like housing and health.

The Nixon FAP states that the Secretary of HEW in consultation with the Bureau of the Budget would determine the poverty level. This does not hold the Administration to any standard which reflects ACTUAL NEED. At present the only standard based on an evaluation of need is the Bureau of Labor Statistics figures. Therefore, grant levels should be measured for adequacy against the BLS standard.

The Nixon FAP does not even set a goal of adequacy to be obtained. While presently it may not be politically realistic to set minimum income level similar to BLS standards, any income maintenance proposals must make provisions for a gradual raising of benefits to reflect the rise in the cost of living and must be tied to the low living standard set by BLS.

6. Jobs in the public sector, taught and performed at technologically advanced levels, paid with a comfortable living wage, and clearly having a credited social purpose are probably the only authentic inducement to bring recipients, of their own volition into the labor market. Yet the Nixon plan ignores these factors. For example, recipients will be entering a labor market marked by rising unemployment, increasing rates of re-entry by women with previous child-rearing responsibilities, and, (we are promised) cutbacks in military personnel. Competition for jobs will be intense; and it is reasonably fair to assume that unless otherwise provided for, recipients will be shunted toward low-paying, unskilled jobs in factories and domestic employment.

To take a second example; evidence that federal manpower training programs barely assist workers from rising above their low income status is borne out by the \$1.73 per hour average rate for those who have completed MDTA institutional training courses through-out the country.

FAP does little or nothing to insure the creation of productive jobs and job programs to remedy the above condition. It should be pointed out, that FAP lacks these job provisions at a time when the needs of our society are painfully obvious. To look at some statistics: We must increase our health care personnel 45% by 1975 or we will not be able to meet existing health needs (according to the Bureau of Labor Statistics). We must build or rehabilitate ten million housing units in the next ten years, or we will not be able to shelter our population adequately (according to the Department of Housing and Urban Development). We need in New York City alone 28 new high schools and 45 new elementary schools to bring the student-teacher ratio 20:1.

7. In addition to the serious omission of an adequate job program, FAP includes some discriminatory and regressive provisions concerning work and women. Elizabeth Wickenden states "arbitrary work requirements are prescribed with the intent of reducing the rolls. But there are only 70,000 unemployed fathers on AFDC in the whole country and the newcomers . . . are, for the most part, already working. These work requirements can only be intended for mothers. Experience to date with enforced employment of mothers has been generally poor, disproportionately expensive, and often harmful to children." Provisions also discriminate against mothers where the father is not present. "The mother with a father in the house is not required to register for work, while a woman with similar family responsibility but no husband to help her is so required."

8. SWAWR supports the creation of an adequate day care center program. However, we fear any stipulation that child care facilities must serve recipient-working families exclusively. If this happens, the consequence will be *de facto* segregated centers for poverty-income children. Furthermore, a more subtle but insidious consequence would be the heightening of hostility already felt by some working people toward the welfare population. New York City now has a 1:1 ratio between children served in its public, group-centered child care facilities and children on waiting lists. Most of the children on these waiting lists come from working families who would be by-passed by the new "recipient-only" facilities.

9. Finally SWAWR emphasizes again who will pay for the proposed Family Assistance Plan. We feel that as the Plan now stands, it is clear that wage-earning taxpayers will bear the major burden. It is true, that Nixon's plan would increase the contribution of federal tax revenue to state assistance costs. Because of the confusing standards of reimbursement, the variation in state payments, and the unpredictability of the growth of welfare rolls under the plan, it is difficult to say how much individual states will benefit. The important fact is that although states may be politically relieved of a financial burden, the wage-earning taxpayers will pick up the increased cost, this in Federal revenues.

SWAWR believes that the welfare cost should be carried *not by wage earner* but by those corporations who make substantial profits without investing in vital areas of human need. We state the following facts to support our belief:

A. The less than 1% who own more than 70% of all productive property in the U.S. pay only 14% of all taxes. (Lundberg, *The Rich and the Super Rich*).

B. All corporate taxes are passed on to consumers, where corporations are making the average return of investment; the only way to avoid this is to levy taxes on a corporation's total property and income, not on "net income".

C. Corporate income, for tax purposes is income minus *all* costs including unreal costs like depreciation.

D. Median rates of profit on actual capital investment are estimated to be between 9-16% (Lundberg, 1968); yet, 6-7% is usually guaranteed in regulated industries."

E. Where non-taxation of corporations is practiced in order to encourage a certain kind of investment (as in housing subsidies and tax-free state and municipal bonds), the result is deteriorating public services, high cost, and inadequate production.

We believe that the important thing about taxing corporations is not so much to hold down individual executive incomes, but to direct where the nation's wealth is invested. This is exactly what corporations want to avoid; for, it is their source of power.

In sum, we believe that President Nixon's proposed "solution" will only expand government subsidies to big business at the expense of the rest of the population. The Family Assistance Plan takes no steps toward full employment or toward producing the goods and services whose shortage has caused inflation. It supports low wages and the present tax system. It gives no one an income adequate for a healthy, productive life.

President Nixon's welfare plan must be defeated.

FORUM ON SOCIAL ISSUES AND POLICIES, PHILIP BERNSTEIN, CHAIRMAN

THE NATIONAL ASSEMBLY FOR SOCIAL POLICY AND DEVELOPMENT

Joint Statement on H.R. 16311 the Family Assistance Bill of 1970

The Forum on Social Issues and Policies functions as an independent group of social welfare organizations and individuals concerned with social policy, under the auspices of the National Assembly for Social Policy and Development, for the purposes of: (1) exchanging views on pending social welfare policy issues, (2) identifying areas of common viewpoint on such issues and (3) cooperating on joint statements on specific issues at the option of each signatory organization and individual. This statement on pending proposals for welfare reform is the result of such a process and reflects the judgments of those organizations and individuals listed as its sponsors.

This joint statement on recommended changes in HR 16311, the Family Assistance Bill of 1970 as adopted by the House of Representatives, represents the views of those who have signed it in behalf of their organizations or as individuals engaged in the social welfare field. It has been developed and circulated for signature through the Forum on Social Issues and Policies of The National Assembly for Social Policy and Development. The Forum is an instrument for such voluntary pooling of viewpoint and permits those of like mind to speak with one voice to Congress on their common concerns.

These recommendations are based on a *Statement on Goals of Public Welfare Reform* adopted by Forum members in June, 1969 setting forth seven principles against which subsequent proposals for welfare reform might be evaluated.

The proposal now pending before the Senate which most nearly incorporates these principles is the National Basic Income and Incentive Act, S 3433, introduced by Senator Fred Harris and a number of other Senators. Since, however, HR 16311 is the bill now pending before the Senate, our comments are directed to that bill in the hope that our views may be useful to the Senate in its deliberation. Each of these principles is discussed in terms of its relationship to HR 16311.

1. Structural reform is no substitute for adequacy of financing sufficient to improve the situation of all those who depend upon it

Comment.—HR 16311 adds substantially to the Federal financial investment in aid to low income people, especially in terms of broadened coverage. On the other hand it does nothing to improve the financial situation of the 82% of present AFDC recipients living in the forty-two states now paying benefits above the proposed Federal floor (\$1600 a year for a family of four.) There are no incentives to raise or equalize the supplementary benefits above the grossly uneven levels prevailing in January 1970. Unless the Federal role and financing is strengthened, there is danger that the situation of some may be actually weakened by the division of the program into two separate components.

2. The level of minimum income assurances should be adequate in relationship to cost of living estimates

Comment.—The basic floor provided by HR 16311 falls far short even of the official poverty standard (let alone the lowest standard of the Bureau of Labor Statistics.) The Federal floor should be raised to the poverty level, either immediately or through a series of projected transitional stages.

3. These transitional stages must be such as to (a) strengthen Federal standards, (b) protect the higher level of payment while raising the lower, and (c) maintain the level of state expenditure necessary to achieve these ends

Comment.—HR 16311 contains no provisions projecting such a plan for future upward adjustment of standards for the state supplementary program supported by an increasing assumption of Federal responsibility on which the states can plan and no provisions for such maintenance of state expenditures up to the point where a full poverty level of assistance is achieved. We recommend the addition of such provisions.

4. Benefits in kind and services extended to those aided by the plan should not be used to reduce assistance levels

Comment.—HR 16311, as interpreted by the Committee report, assumes a major reduction in public assistance by work, training and rehabilitation requirements supported by the provision of day care and other supportive services. We strongly support the extension of these services on a voluntary basis but believe that mothers should be permitted to exercise their own judgment as to whether their children's best interest requires their presence in the home. Rehabilitative and other services cannot fulfil their proper function if they are imposed under threat of reduction or discontinuance of essential aid. Similarly child welfare services, including those related to parental support, should be administered in the best interest of the child under existing provisions of state law.

5. Welfare reform should be such as to move toward greater inclusiveness and away from categorical distinctions

Comment.—HR 16311 improves the present situation for needy families by including those with both parents in the home insofar as the basic Federal benefit is concerned. It, however, perpetuates incentives to family breakdown and underemployment by failing to include Federal matching in the supplementary payment for families with a fully employed parent in the home. The same coverage should be mandated for both programs.

It also makes no provision for childless couples and single individuals. This should be added.

It also perpetuates present disparities of aid as between the adult categories and children by mandating a monthly \$110 minimum net income per individual for the former and only \$25 monthly for children (beyond the first two members of a family group.) We do not find the adult standard too high but the children's standard too low.

The fragmented administration among a possible five agencies provided by this bill is a major danger to responsible administration and a probable source of hardship and confusion to the potential or actual beneficiary. At the very least, we recommend that a plan of unified administration for the basic Federal and supplementary state family assistance program be mandated.

6. The legal and constitutional rights of recipients should be fully protected

Comment.—We see great dangers for the coercive and discriminatory application of the requirements of this bill which condition Federal aid on mandatory work requirements for mothers, mandatory work registration and assignment for those already working full time, mandatory vocational rehabilitation, a Federal liability on deserting fathers beyond the application of state laws and the placing of a lien on all future Federal payments to such fathers, an unlimited authority for third party payments, and a mandatory obligation to repay interim benefits received pending the outcome of a fair hearing which is adverse to the person appealing. We recommend the deletion or modification of all these provisions.

7. *No improvements in the public welfare system should be such as to reduce the effectiveness of measures to prevent need or obscure the urgency of steps for their improvement*

Comment.—It would be a tragedy if this or any other welfare measure served to dull the sense of urgency that should lead to strengthening and extending those basic measures of economic and social reform that prevent poverty before it occurs. Supplementation of full-time wages points up the need for a higher minimum wage; new provisions for training and child care, the need for expansion of the job market; higher old age assistance, the need for more adequate social security benefits; rising medicaid rolls, the need for universally available and rationally organized health services. These and other basic social reforms are the way to reduce the ultimate cost of welfare and are, therefore, relevant to this bill.

ORGANIZATIONAL SIGNATORIES

American Jewish Committee, Bertram H. Gold, Executive Vice President
 American Parents Committee, Inc., George J. Hecht, Chairman
 Council of Jewish Federations and Welfare Funds, Phillip Bernstein, Executive Vice President
 Day Care and Child Development Council of America, Inc., Erika Streuer, Special Assistant for Public Affairs
 Executive Council, Episcopal Church, Reinhardt B. Gutmann, Executive for Social Ministries
 National Council of Jewish Women, Hannah Stein, Executive Director
 Family Service Association of America, Clark W. Blackburn, General Director
 Florence Crittenton Association, Mary Louise Allen, Executive Director
 National Board of the Y.W.C.A., Edith Lerrigo, Executive Director
 National Federation of Settlements, Margaret Berry, Executive Director
 Travelers Aid Association of America, Alfred D. Bell, Jr., President
 National Association of Social Workers, South Dakota Chapter, Norman Van Klompenburg, President
 Rhode Island Conference of Social Work, Rev. George L. Frappler, President
 Wisconsin Welfare Council, A. Rowland Todd, Executive Director
 Catholic Social Services of Providence, Rhode Island, Rev. George L. Frappler, Director
 Family and Child Welfare Committee of Community Service Society of New York, Mrs. Henry N. Pratt, Chairman
 Community Service Society of New York, Rowena Friedman, Staff Associate
 Health and Welfare Council of Philadelphia, Pa., Owen R. Davison, Executive Director
 Greater Miami Coalition, James J. Furdon, Chairman, Health and Welfare Task Force
 Welfare Federation of Cleveland, Richard E. Streeter, Chairman, Public Welfare Committee
 Council of Community Services, Nashville, Tenn., David L. Alexander, Associate Director
 Health and Welfare Council of the National Capital Area, Markham Ball, Chairman, Committee on Federal Legislation
 Greater Hartford Community Council, Mrs. R. Leonard Kemler, Chairman, Public Affairs Committee
 United Fund of Greater Glens Falls, Inc. (New York), John H. Reardon, Executive Director
 Community Services of Pennsylvania, Cecil S. Feldman, Executive Director
 Council of Planning Associates, Seattle, Washington, Roger Thibaudeau, Executive Secretary
 National Urban League, Jeweldean Londa, Associate Director

PERSONAL SIGNATORIES

Margaret Berry, Executive Director, National Federation of Settlements and Neighborhood Centers
 Ned Goldberg, Staff Director for Social Education and Action, National Federation of Settlements and Neighborhood Centers
 Raleigh O. Hobson, Director, Maryland State Department of Social Services
 Duane W. Beck, Executive Director, Community Council of the Atlanta Area

Mrs. Eleanor Richardson, Board Member, Community Council of the Atlanta Area, Catherine Holding, Associate Director
 A. D. Mallin, Executive Director, Racine (Wisconsin) United Fund
 Richard N. Aft, Executive Secretary, Health and Welfare Council, Louisville, Ky.
 John W. McGowan, Executive Director, Health and Welfare Council of Pulaski County, Little Rock, Arkansas
 Donald Noll, Planning Associate, Welfare Planning Council of Scranton, Pa.
 Ellen P. Manser, Specialist, Family Development, Family Services Association of America
 Peter G. Meek, Executive Director, National Health Council
 Edith Lerrigo, Executive Director, National Board, Y.W.C.A.
 Naomi Hielt, Illinois Commission on Children
 John McDowell, Director for Social Welfare, National Council of Churches
 Jeweldean Londa, Associate Director, National Urban League
 J. Frank Dearness, Executive Director, American Council of Nationality Services
 Owen R. Davison, Executive Director, Health and Welfare Council of Philadelphia, Penn.
 Mildred Fairchild Woodbury, Volunteer, National Committee on Employment of Youth, Philadelphia Health and Welfare Council
 Rev. George L. Frappier, President, Rhode Island Conference on Social Work
 Eleanor G. Bidwell, Executive Director, Conn. Social Welfare Conference
 Roger Thibaudeau, Executive Secretary, Council of Planning Affiliates, Seattle, Washington
 John Reardon, Executive Director, United Fund of Greater Glen Falls, New York
 Bella Altschuler, Chairman, Committee on Income Maintenance, New York City
 Harleigh B. Trecker, University Professor of Social Work, University of Conn.
 Philip Booth, Lecturer, University of Michigan
 Fern Chamberlain, Planning Consultant, United Community Services, Sioux Falls, S.D.
 Martin I. Scherr, Staff Associate on Public Welfare, Health and Welfare Council, Philadelphia, Pa.
 Joan Martin, Social Worker, Sleighton Farm School, Delaware County, Penn.
 Nancy Brighton, Social Worker, Philadelphia County Board of Assistance, Philadelphia
 Sister Bernadette Cronin, Catholic Social Services, Philadelphia, Pa.
 Jack S. Myles, Executive Director, Community Council of Lancaster County, Lancaster, Pa.
 Stanley J. Brody, Associate Professor of Social Planning, School of Medicine, University of Pennsylvania
 Robert H. MacRae, Chicago Community Trust
 Rev. George L. Frappier, Director, Catholic Social Services, Providence, R.I.
 H. Finkle, Philadelphia
 Deborah Lipschutz, Philadelphia
 Gilbert Hunter, Haverton, Pa.
 Family Service Association of America—25 employees

NEW TOWN, N. DAK., October 12, 1970.

Mr. TOM VAIL,

Chief Counsel,

Senate Finance Committee, Washington, D.C.

DEAR MR. VAIL: I am an interpreter of a lot of the Welfare recipients and truly know what the cases are actually about so therefore, I do not need any endorsement of any family to these statements.

The Welfare System on Ft. Berthold Reservation is involved with 5 counties as follows: McClean, Mountrail, McKenzie, Mercer and Dunn. From the heads of these county agencies our employees which consist of 3 receive their instructions when if it were done locally it would simplify matters tremendously regarding transportation, time just as well as expenses, etc. These people that sit behind their desks and set the rules really do not know what the situation is with these families other than the reports they rec' on paper which shows nothing. I feel that the Welfare agencies should actually make home visits and see the living conditions that exist with these people.

One of the rules I will refer to is that when these Indian people rec' income from their land leases or some other source through the Ft. Berthold Agency and wish to draw it out to meet expenses needed for their school children's tuition, for furniture, for maybe remodeling or repairing their homes, for clothing and all the extras the amount that is drawn out is deducted from their monthly welfare checks so because of the high cost of living which definitely exists in our community the amount of the monthly welfare checks should always stay the same regardless of the income drawn out from leases, etc. Considering all these extras and the high cost of living I feel that their budgets should be raised also. Many that do not own cars or any means of transportation still have to haul their fire wood and water adding another expense because they have to hire someone to do this.

Another thing is that when children are taken and put in foster homes the white family rec's more pay than the Indian family that takes in the same which leads me to believe that prejudice and discrimination is involved along the way so I demand equal pay for white and Indian in such an instance.

Referring to a news item recently in some papers in N. D. recently there was a story concerning illegitimacy being of high rate in a certain reservation or something to that effect. We feel that trash like that about Indians should not be published in any paper and that the Health, Education and Welfare Dept. is responsible to curtail this kind of publication. We Indians do not believe in birth control as we consider what we are—human beings and not a bunch of animals.

And since I am on this subject an unwed mother who is having a child should be required to disclose the father's name at the time of birth so as to eliminate confusion and enrollment requirements in our agency.

One other thing is a welfare family is allowed \$250. for a casket when death occurs to a member which we feel is very cheap considering the respect we have for our dead so the allowance should be raised to at least \$500.00 to \$700.00.

This is only a small part of what welfare recipients complain about so if the system could be improved it would be greatly appreciated.

Yours truly,

Mrs. ROSE CROW FLIES HIGH.

