

SOCIAL SERVICES REGULATIONS

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

FIRST SESSION

ON

REGULATIONS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE CONCERNING SOCIAL SERVICES FUNDED UNDER THE SOCIAL SECURITY ACT

MAY 8, 15, 16, AND 17, 1978

PART 1 OF 2 PARTS

HEW Testimony
(May 8, 1978)



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SOCIAL SERVICES REGULATIONS

TUESDAY, MAY 8, 1973

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

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

Present: Senators Long, Hartke, Byrd, Jr., of Virginia, Nelson, Mondale, Gravel, Bentsen, Fannin, Packwood, and Roth, Jr.

The CHAIRMAN. The committee will come to order.

OPENING STATEMENT OF THE CHAIRMAN

Today the committee begins its hearings on social services funded under the Social Security Act. In 1972 the Congress enacted a \$2.5 billion limit on Federal funds for social services at a time when the program was threatening to get completely out of control.

Last week, the Department of Health, Education, and Welfare issued new regulations on social services. The major difference between the new regulations and the regulations previously in effect relates to what persons not on welfare are eligible to receive as services.

Under the prior regulations, persons were eligible for services if they had been on welfare at some time during the previous 2 years or if they were likely to go on welfare during the next 5 years.

Under the new regulations, dollar limits are set on eligibility, and every family to be eligible for services must also meet the State assets test for cash welfare eligibility. Depending on the State and the family size, these requirements can be quite limiting.

In these hearings, the committee will want to be sure that the regulations are not pennywise and pound foolish. We don't want to cut off low-income working persons from the day care, family planning, or other services they need to stay off welfare.

We hope during these hearings to receive testimony on the impact of the new regulations so that we can decide whether legislative action is desirable.

Our witness today will be Hon. Caspar W. Weinberger, Secretary of the Department of Health, Education, and Welfare.

I suggest that we let the Secretary introduce his assistants and make his statement in its entirety before we interrogate him, and at the conclusion of his statement, I would like to suggest to the committee that during the first round of questions we confine ourselves to 5 minutes for each Senator. Some Senators might only have one or two questions to ask. After the first round we will let each Senator have a turn again to interrogate the Secretary.

We will print the committee's press release announcing these hearings and you may begin Mr. Secretary.
 [The press release follows:]

PRESS RELEASE

FOR IMMEDIATE RELEASE
 April 13, 1973

COMMITTEE ON FINANCE
 UNITED STATES SENATE
 2227 Dirksen Senate Office Building

HEARINGS ANNOUNCED ON
 SOCIAL SERVICES REGULATIONS

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that on Tuesday, May 8, 1973, the Committee will begin public hearings on regulations of the Department of Health, Education, and Welfare, concerning social services provided with Federal matching under the Social Security Act. Proposed regulations were issued in February, and the Department has indicated that final regulations will be published by May 1.

The Honorable Caspar Weinberger, Secretary of Health, Education, and Welfare, will be the lead-off witness and will present the Administration's case for its regulations. Secretary Weinberger will testify at 10:00 a. m. on Tuesday, May 8, 1973, in Room 2221 Dirksen Senate Office Building. Testimony from other persons will begin on Tuesday, May 15. Senator Long stated that this schedule will permit interested persons an opportunity to review the final regulations before preparing their testimony.

Senator Long stated: "Last year the Congress enacted what we felt was a much needed limitation on Federal support for social services under the Social Security Act. Under that limitation, we provided for up to \$2-1/2 billion Federal funds for social services. Portions of the proposed regulations published by the Department of Health, Education, and Welfare two months ago, however, go well beyond last year's legislative action or intent. In particular, the regulations would severely restrict eligibility for child care and family planning which are important services in any effort to help welfare recipients to work their way off welfare and to allow them to remain off welfare.

"I would hope that the final regulations which the Department publishes before May 1 will be much more consistent with Congressional intent. In any case, the Committee intends to give the regulations close scrutiny in order that we can evaluate their impact and the necessity for possible legislative action."

Requests to Testify. -- Senator Long advised that witnesses desiring to testify during this hearing must make their request to testify to Tom Vail, Chief Counsel, Committee on Finance, 2227 Dirksen Senate Office Building, Washington, D. C., not later than Friday, May 4, 1973. Witnesses will be notified as soon as possible after this cutoff date as to when they are scheduled to appear. Once the witness has been advised of the date of his appearance, it will not be possible for this date to be changed. If for some reason the witness is unable to appear on the date scheduled, he may file a written statement for the record of the hearing in lieu of a personal appearance.

Consolidated Testimony. -- The Chairman also stated that the Committee urges all witnesses who have a common position or with the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Committee. This procedure will enable the Committee to receive a wider expression of views on the total bill than it might otherwise obtain. The Chairman praised witnesses who in the past have combined their statements in order to conserve the time of the Committee. And he urged very strongly that all witnesses exert a maximum effort, taking into account the limited advance notice, to consolidate and coordinate their statements.

Legislative Reorganization Act, -- In this respect, the Chairman observed that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress --

"... to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

The statute also directs the staff of each Committee to prepare digests of all testimony for the use of Committee Members.

Senator Long stated that in light of this statute and in view of the large number of witnesses who desire to appear before the Committee in the limited time available for the hearing, all witnesses who are scheduled to testify must comply with the following rules:

- (1) All statements must be filed with the Committee at least one day in advance of the day on which the witness is to appear. If a witness is scheduled to testify on a Monday or Tuesday, he must file his written statement with the Committee by the Friday preceding his appearance.
- (2) All witnesses must include with their written statement a summary of the principal points included in the statement.
- (3) The written statements must be typed on letter-size paper (not legal size) and at least 50 copies must be submitted to the Committee.
- (4) Witnesses are not to read their written statements to the Committee, but are to confine their ten-minute oral presentations to a summary of the points included in the statement.
- (5) Not more than ten minutes will be allowed for the oral summary.

Witnesses who fail to comply with these rules will forfeit their privilege to testify. Those who have already requested to testify need not submit a second request.

Written Statements. -- Witnesses who are not scheduled for oral presentation, and others who desire to present a statement to the Committee, are urged to prepare a written position of their views for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Tom Vail, Chief Counsel, Committee on Finance, Room 2227, Dirksen Senate Office Building not later than Friday, May 18, 1973.

STATEMENT OF HON. CASPAR W. WEINBERGER, SECRETARY OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Secretary WEINBERGER. Thank you very much, Mr. Chairman.

I am delighted to appear today to discuss the new regulations governing the social services programs under titles I, IV A&B, X, XIV, and XVI of the Social Security Act. These regulations were published on May 1 by HEW and deal with matters that have been of great concern over the years to this committee.

I am accompanied by Stephen Kurzman, who is the Assistant Secretary of Legislation; Joan Hutchinson, Acting Deputy Assistant Secretary for Welfare Legislation, and on my right, Philip Rutledge, Social and Rehabilitative Services; and Robert Carleson, Special Assistant to the Secretary for Welfare Matters.

INTRODUCTION

Before I proceed to describe the new regulations and the circumstances which led to them, I would like to emphasize two points.

The first is that the purpose of social services as authorized under the welfare titles of the Social Security Act had become distorted over the past 17 years during which they have been authorized. Particularly within the last few years, instead of focusing on persons receiving public assistance, social services had become a program available to a much larger group through loose regulations defining eligibility for former and potential recipients.

The new regulations, which we published in proposed form on February 16, are a part of our effort to refocus and reform that program.

As you and the committee are aware, Mr. Chairman, the proposed regulations issued on February 16 stimulated a lively debate. We believe we were able, during the debate, to make the basic purpose of the social services program clearer.

The second point I would like to emphasize is that these regulations are not simply designed to trim costs, nor are they some kind of abstract exercise in public policy. They are called for by section 1130 of the Social Security Act as amended by Public Law 92-512, which had some of these requirements contained in them.

Last October, the Congress enacted, as a part of Public Law 92-512, a ceiling of \$2.5 billion on the Federal share of social services provided under the Social Security Act. At the same time the Congress wrote into law and into the legislative history for it several new restrictions on the social services program which I shall discuss later in the course of this statement.

I would like to stress at the outset, Mr. Chairman, that if the States show us that they will provide services calling for a Federal share of \$2.5 billion, we will pay every penny. We will match their expenditures up to their allotted ceilings.

You are aware, I am sure, that the States had estimated that is all it is, an estimate—they would use substantially less than \$2.5 billion. But if they can use the full \$2.5 billion, we must pay it under the terms of Public Law 92-512, and we will.

GROWTH OF THE SOCIAL SERVICES PROGRAM

Let me take just a moment to outline for you the history of a program which has become one of the fastest growing in HEW's history.

The original Social Security Act passed in the 1930's was designed to provide programs of cash assistance to needy adults and needy children in single parent families. This strict focus on cash assistance continued until 1956. In that year, Congress authorized the provision of services to welfare recipients, but only by the staff of State welfare agencies. The Federal match was set at 50 percent—one Federal dollar for every State dollar.

In 1962, the Federal match was increased to 75 percent, the provisions on services were expanded, purchase of services from public agencies was authorized, and the 3 to 1 Federal match became available, not only for services for public assistance recipients, but for those likely to become recipients. The intent underlying this change was a preventive one—to keep potential recipients from becoming dependent on welfare.

In 1967, major amendments to the Social Security Act expanded still further the activities for which Federal financial participation was available. The work incentive program was enacted emphasizing employment goals. Mandatory and optional services to families were added without any definition as to their scope. Finally, Federal matching was authorized for services purchased by the welfare agency from private agencies.

Throughout this period of gradual expansion of the social services program, the funding for social services continued to be open ended. No ceiling on the Federal share was established with any of these amendments.

During the 2 years following 1967, the States began to realize the potential in the program for funding a variety of State programs. Regulations issued by the Department in January, 1969, were loosely drawn, making it possible to match almost any State activity with social service moneys. Succeeding policy issuances had the effect of expanding the possibilities for funding.

Federal expenditures in the years since 1967 show the dramatic growth in the program:

Fiscal year:

1967.....	\$235, 500, 000
1968.....	287, 700, 000
1969.....	386, 800, 000
1970.....	671, 800, 000
1971.....	741, 000, 000
1972 (estimated).....	1, 712, 100, 000

In the spring and early summer of 1972, State estimates for fiscal year 1973 began to skyrocket. For example, one State, which spent \$1.8 million in fiscal year 1972, estimated that its cost in Federal dollars would increase to \$269 million in fiscal year 1973. The estimated totals for all States rose with each quarterly report so that by June 1972, informal indications pointed to a level of \$4.6 billion for fiscal year 1973 and \$5.1 billion to \$6 billion for fiscal year 1974.

RESPONSE TO THE BURGEONING SOCIAL SERVICES PROGRAM

The rapidly increasing growth in State expenditures and projected expenditures caused considerable concern in the administration. Twice, in 1970 and in 1971, a 110 percent limitation over previous years' expenditures was included in a version of the HEW appropriations bill, at the administration's request. But on both occasions, this limitation was dropped from the bill as finally sent to the President.

An \$800 million ceiling, thought to be generous at the time, was included in H.R. 1, but that didn't pass. That bill also, for the first time, defined social services.

In the summer of 1972, with congressional concern also growing, the administration made still another attempt to place a cap on this gusher of Federal dollars by seeking to include a ceiling of \$2.5 billion in the fiscal year 1973 HEW appropriations bill. This effort also failed.

Finally, it was this committee, Mr. Chairman, which proposed that the general revenue sharing bill—H.R. 14370, which later became Public Law 92-512—become the vehicle for a limitation on expenditures for social services.

A number of funding levels were discussed and your committee proposed to limit the program to child care and family planning services, with a total ceiling of \$600 million. As enacted, Public Law 92-512 contained a \$2.5 billion ceiling on Federal funding and the

requirement that at least 90 percent of social services be spent on applicants for or recipients of public assistance. Five exemptions were made to this requirement:

(a) child care services related to the employment or training of a member of the family, or the death, incapacity or continued absence of the parent or guardian;

(b) family planning services;

(c) services to mentally retarded individuals;

(d) services to drug addicts and alcoholics undergoing treatment and

(e) services to children who are under foster care.

The combination of the ceiling and the 90-10 limitation for most services caused HEW to face squarely the challenge of making the social services program truly accountable to meeting the needs of those persons it was designed to serve: welfare recipients and those in danger of dependency.

From this brief chronology of legislative and budgetary changes in the social services program, let me move on to describe some of the major problems which I believe led the Congress and the administration to take requested action to control the program.

DISTORTIONS IN THE ORIGINAL MEANING OF SOCIAL SERVICES

From the beginning of the program, there has been a great deal of discussion about what was intended by the Social Security Act's social services provisions and what kinds of activities should be considered reimbursable services. Although complete definitions of services or of their availability have never been written into law, it is fair to say, I believe, that social services have always been intended to complement the programs of cash assistance authorized by the act. That is, it seems to us, services were intended to be of principal benefit to welfare recipients, not to some more general segment of the public.

With the benefit of hindsight, I believe that what Congress truly intended was not well enunciated in regulations of our Department nor followed in its administration of the program. This is particularly the case in the years immediately following the 1967 amendments, the same years, of course, which saw the phenomenal growth of the program.

So, rather than a program which was focused clearly and steadily on the neediest, the social services authority in the act became identified as the source of Federal funding for services programs benefiting a much broader segment of our population, as an almost universal services program to be used to combat a wide variety of society's problems. This fundamental distortion of the program was manifested in several ways.

Following enactment of the 1962 and 1967 amendments to the act, as I have noted, new provisions allowed the purchase of services for

eligible recipients from State and local agencies other than the welfare department and from private agencies. While use of other agencies for the provision of services is not objectionable in and of itself, this segment of the program became the source of many abuses. This problem was noted by your committee, Mr. Chairman, and was also reflected in the extensive hearings held by the Subcommittee on Fiscal Policy of the Joint Economic Committee. Among the abuses in this area were vague, oral agreements between the welfare departments and other agencies in many cases; a lack of accountability on the part of many agencies; and poor reporting practices. And in many purchase-of-service arrangements, the criteria used for determination of eligibility were left to the provider, with no attempt to determine whether individuals or families receiving services were eligible for the program. The net effect of these abuses was expansion of the program beyond its intended, needy beneficiaries.

Another example of this distortion, in our view, was the practice of accepting eligibility determination on a group basis. Model Cities areas, for instance, were often "blanketed" in making every individual, regardless of his income, employment status or needs, eligible to receive free social services if he lived within the geographic limits of the Model Cities neighborhood. Group eligibility precluded program accountability by making it impossible to allocate expenditures only to those eligible for them. This lack of accountability subverted the goal of the act—making services available to those who need them most to enable them to get off welfare.

The lack of definition of "family services" in the 1967 Social Security Act amendment served as another important incentive to program growth. Almost every service, aid, or program, designed to help anyone, became a "social service," eligible for 75 percent Federal matching. Thus many States began claiming as "social services" everything from parole and probation counseling to meals served in community settings.

Finally, the lack of any kind of maintenance-of-effort provision in the law or regulations allowed the States, with Federal matching to refinance programs which they had traditionally supported entirely out of State funds. By using intergovernmental arrangements they were able to solve both State and local revenue problems and to expand existing programs. Extreme examples of this refinancing of State programs included the funding of new and existing prison guards, uniforms, educational programs, and juvenile detention centers with Federal social services funds. Because of this extensive refinancing, I think that it cannot be too strongly emphasized that much of the real and projected growth of social services expenditures did not represent a real or projected growth in social services—especially not in social services for the neediest.

In summary, then, the social services programs had been allowed to finance a broad range of services without much regard for whether they were focused on public assistance recipients or whether the services were designed to make welfare families independent of welfare payments and persons in the adult welfare categories more self sufficient.

With enactment of Public Law 92-512 last October with its ceiling on Federal expenditures and its explicit directives on the focus of

services, a fundamental redirection for the program was authorized and, indeed, required.

NEW SOCIAL SERVICES REGULATIONS—CONFORMING THE SOCIAL SERVICES PROGRAM TO ITS PROPER ROLE

When I joined the Department in early February, one of my primary concerns was the social services program. Although regulations implementing Public Law 92-512 were being developed, we were continuing to operate under wide open regulations. Our limited resources were being dissipated over a variety of social services, available in most cases without charge to a broad segment of our population with no real correlation to the welfare program and no need requirement.

Taking into account the legislative history, as well as the provisions of title III of the Revenue Sharing Act, we felt that two underlying factors should be considered throughout the regulations.

First, services available to persons receiving benefits through the aid to families with dependent children (AFDC) program should be directed toward increasing the employment of heads of AFDC families.

Second, services should be targeted on those persons receiving public assistance or with incomes which placed them in a position that was likely to lead them to dependence on public assistance.

Proposed regulations to implement Public Law 92-512 were issued by our Department for public comment on February 16. The regulations proposed to focus on the neediest by limiting the eligibility for social services to recipients of financial assistance and others with incomes under a uniform ceiling related to and just above the assistance payment level in each State. To qualify as a potential recipient, a person or a family that was related to one of the categorical programs would have had to meet a few tests: Did his income fall within 133½ percent of the public assistance payment level in his State? Was he expected to become a public assistance recipient within 6 months (as opposed to 5 years in the then-existing regulations), or, to qualify as a former recipient, had he been a public assistance recipient within the past 3 months (as opposed to 2 years in the existing regulations)?

Another significant change proposed by the regulations was a sharp curtailment of the services which a State was required to provide, thus giving the States increased flexibility in providing on an optional basis social services to the needy.

In addition, the regulations proposed the elimination of the practice of allowing private donations to the States to serve as part of the State's funds.

As members of this committee will recall, Mr. Chairman, the Department was so directed by this committee in its report on the bill which eventually became Public Law 92-603. Group eligibility, a source of considerable diversion of social services from the neediest and of substantial diminution of accountability for social services funds, was also proposed to be eliminated.

A. Comments on the proposed regulations

These changes and others of a less significant nature proposed by the tentative regulations called forth a virtual avalanche of comments

from the Congress, the professional groups involved with social services delivery, State and local government officials, and the general public. The formal comment period ran for 30 days. During that period and after it, we received a total of 208,515 comments from 198,759 individuals and groups.

Many of the comments were devoted to the features of the proposed regulations which I have described briefly. Many thought that our proposed restrictions on eligibility for services were too strict and criticized both our income limit of 133½ percent of public assistance payment levels and the 6-month and 3-month standards for determining whether a recipient was a potential or past recipient.

A large number of comments were directed at the "notch" problem; that is, the situation which results when, by earning a dollar or two of additional income, a person exceeds the eligibility level and is no longer eligible for free social services. The effect of the "notch" is to cause such persons to pay fully for services, such as child care, which may be necessary for them to continue working. The "notch" thus creates a situation in which it may be more advantageous for a person to be on welfare than to work.

Support for continued availability of private donations to match Federal dollars was strongly expressed in many of the comments we received. The proponents of continuing this arrangement cited the strong partnership between private, voluntary efforts and governmental activities at the State and local level which is represented by this kind of matching.

B. The final regulations published on May 1, 1973

As you and the committee can appreciate, Mr. Chairman, the review of these comments and their incorporation into the final regulations was a major undertaking. On the one hand, we felt it necessary to take the flood of comments into account to the greatest extent practicable; at the same time, we felt that final regulations should be issued as soon as possible so that social service agencies and State and local officials would have guidance on our new guidelines for the program. I believe that the end product of the comment and review process is a set of regulations which reflect those suggestions, and, at the same time, help accomplish our purpose and comply with the legislative mandates.

We were accused by many people of abolishing day care for children and in many cases accused of abolishing children by the regulations.

Nobody seemed to understand what we were doing or what the problem was, but we did feel it was necessary to get it on the books as soon as possible.

I would like at this time to explain briefly the major features of the final regulations:

1. Eligibility

Persons eligible for social services are recipients and applicants for public assistance. These individuals, when no longer recipients or applicants, remain eligible for 3 months to complete services which have been initiated. Also eligible are persons who are expected to become recipients within 6 months and who have incomes within 150 percent of their State's public assistance payments standard. This upper income level was raised from 133½ percent of the public assistance payment level, as proposed in the February regulations, and

contrasts with the very general limitations in the preexisting regulations.

In one important respect, with regard to child care, we have expanded eligibility beyond the limits I have just described by allowing families with incomes from 150 percent of the payments standard to 233½ percent of that standard to be eligible for child care services with the requirement that they pay fees according to a sliding scale fee schedule, with fees increasing as income increases.

Our new regulations do not incorporate a schedule; in the next few weeks we will publish guidelines for the States in establishing fee schedules for their jurisdictions.

Fee schedules developed by the States will then be subject to the Department's approval. Of course, child care services, whether free or subject to a sliding scale fee schedule, must be employment or training related, or they must be related to the death, incapacity, or continued absence of the child's parent or guardian.

While I am dealing with eligibility for child care services under the new regulations, Mr. Chairman, I would like to take a moment to note that the new regulations will provide more, not less, child care for needy families. Contrary to some fears which have been expressed, the new regulations will provide an increase in child care for working public assistance recipients—from 317,000 child care years in 1973 to 532,000 child care years in 1974. And the total of all child care years federally subsidized under the Social Security Act, will rise to 998,000 in fiscal year 1974, compared to 694,000 in the current fiscal year.

2. Donated funds

The second area which attracted significant attention was that of donated private funds. The new regulations permit the continued use of private funds donated to the States, subject to increased safeguards, to match Federal dollars. This position reverses the proposed regulations, which would have totally prohibited the use of such funds for matching purposes.

On the one hand, Mr. Chairman, we were faced with the concern this committee has expressed about the abuses which can result from allowing donated funds to be considered part of the State's share for matching purposes.

On the other hand, we were faced with thousands of comments, many from Members of Congress, including some from this committee, which urged us to continue to allow private funds to match Federal funds and try to eliminate abuses. In the end, we decided that the partnership between the efforts of our voluntary agencies and governmental entities, which such matching represents, should be preserved. At the same time, mindful of the problems which your committee had in mind, we are developing along with the new regulations, stronger administrative procedures for monitoring the application of donated funds.

3. The mentally retarded

The new regulations permit the provision of child care services for mentally retarded individuals who are otherwise eligible for social services, without regard to a requirement that the care be related to the training or employment of the parent or other caretaker, or to the death, absence, or incapacity of the caretaker. The new regulations also allow mentally retarded individuals to continue to be considered

eligible for services under existing regulations until January 1, 1974. At that time, the new supplemental security income (SSI) program enacted in Public Law 92-603 will be effective, with new eligibility criteria for receipt of benefits by the disabled. We will then relate provisions of services to the mentally retarded to their eligibility under the new SSI program.

4. Program flexibility

The new regulations reduce the number of services which States must make available, from the 16 services specified in the old regulations to the 3 services which the Social Security Act, as amended by Public Law 92-512, required. These three are protective services for children, foster care services, and family planning. For the adult categories, the requirements have been changed so that, instead of providing the six services mandated in the old regulations, the States now may choose one or more of these services in order to qualify for the 75-percent match. These changes increase the State's flexibility in planning services to meet the needs of their own eligible populations, and not in accordance with some mandate issued in Washington applying uniformly to eligible persons in all States.

5. Administrative simplification

The new regulations are, we believe, considerably easier to read and understand than the old ones. In part, this results from the programmatic simplification which I have just described. In part, it is due to our deleting the requirements, which would have been imposed by the proposed regulations in February, of a service plan for each individual served and of a quarterly redetermination of eligibility. The individual service plan requirement has been dropped completely, and eligibility redeterminations now will be required only every 6 months. These changes were made in response to comments from many Governors and other State officials.

We believe that we have achieved a reasonable balance between developing an accountable program and retaining for the States adequate flexibility to shape their own social services programs.

6. Family planning

As I noted a moment ago, family planning is one of the services mandated by the Social Security Act, as amended in 1967. This mandate is reflected in our new regulations.

I would like to note, in addition, that we believe we have carried out the provision of the 1967 amendments to the Social Security Act, which specified that under title IV-A, States must arrange for and provide family planning services to all public assistance recipients, and may furnish them as well to applicants and former recipients, and to those likely to become dependent on welfare.

Medicaid funds may now be used for this purpose on a more favorable matching basis in concert with State social service funds. Moreover, HEW project funds are available for those individuals who are not served by welfare programs but who come to a social service, public assistance, or medicaid agency seeking help in securing family planning services. These persons will be referred to the clinics operated with family planning project grant funds.

7. Foster care

The new regulations provide that services to eligible children placed in foster care at the request of the child's legal guardian are optional services which will be matched if the States provide them. Foster care is a mandatory service for those AFDC children who are placed in foster care facilities as a result of a judicial determination that the child must be removed from his home.

8. Purchase of services

Public Law 92-512 directed that the Secretary specify the conditions under which purchase of services can take place. Both our proposed regulations and the final ones include provisions which will make the purchase-of-service mechanism much more accountable, by requiring that purchase-of-services agreements be in writing and that they include a description of the scope and type of services to be purchased, as well as their cost and quantity. These provisions are generally acceptable, we believe, to State welfare directors and to service providers, many of whom realize that increased safeguards are long overdue.

9. Other provisions

My colleagues and I will be glad to discuss the other features of our regulations with the committee. These include such items as the elimination of group eligibility and of advisory committees not required by statute, elimination of specific staffing requirements in order to allow more discretion to the States, simplification of grievance procedures, and a description of those features of service programs which are and are not eligible for Federal participation.

Contrary to rumors which abounded that the proposed regulations were effective upon publication or were proposed to be effective on April 1 or May 1, most of the new social services regulations will go into effect on July 1, 1973. In a few cases, earlier or later dates are specified, but those specifications are required by the statute.

CONCLUSION

In closing, Mr. Chairman, I would like to reiterate our belief that the new social services regulations fully and fairly implement Public Law 92-512 as well as the original intent underlying the Social Security Act's social services program and will focus needed services on those persons who most need them. I would also like to repeat my emphasis at the outset that, if the States can provide services complying with our regulations which call for Federal matching totaling \$2.5 billion, we will comply.

I would also like to mention, something I think is appropriate, I would like to compliment to this committee on being the first group in Congress to understand and deal with this problem of burgeoning costs.

I appreciate the opportunity for presenting this statement. We will do our best in answering questions.

The CHAIRMAN. Thank you, Mr. Secretary, and I would like to again remind the staff we will be limited to 5 minutes for the first round of questions.

ALLOWING STATES LATITUDE IN SPENDING THEIR SHARE OF FUNDS

Mr. Secretary, let's assume that a State has only a certain amount available for social services, for example let's say, \$40 million.

Under those circumstances might it not be well to allow the State a considerable amount of latitude in determining how it is going to use the amount that is available for them?

Secretary WEINBERGER. Yes, and I believe we do do that. There were certain safeguards mandated by the statute and certain regulations relating to the recipient of those funds that make it necessary, as long as those requirements stay on the books, that we draft regulations to insure that 90 percent of the people who receive that hypothetical \$40 million will be people who are on welfare.

We have to have some regulations so that we can guarantee to the committee and the public that the mandate of the statute with respect to eligibility is being complied with.

ASSETS TEST

The CHAIRMAN. Will these new regulations deny social services to individuals who do not meet the assets test imposed on public assistance recipients?

Secretary WEINBERGER. The regulations, Mr. Chairman, provide first of all for full payment for social services for people who are eligible for aid within the regulations in the statute.

They provide that potential welfare recipients or people who have just come off welfare generally may continue to receive the social services so long as their income does not exceed 150 percent of the State's financial assistance payment standard.

People with income between 150 and 233½ percent of the welfare payment in the State would remain eligible, for child care but there would be some small fee required based on a sliding scale determined by income.

People with income above 233½ percent of the welfare payment would not be eligible for the provision of federally supported child care unless they pay the full fee required by the agency administering.

The CHAIRMAN. Yes, but I am asking about their assets rather than their income. If their assets are such that they would not be eligible for welfare assistance, would it be correct that they would also not be eligible for social services?

Secretary WEINBERGER. If they have resources that exceeded the permissible levels for such financial assistance under the State plan or under the amended title XVI.

The State would pretty well be able to govern that by the regulations provided.

The CHAIRMAN. Well, individuals would be eligible if their income exceeds the welfare level; but they would not be eligible if their assets exceed the eligibility level?

Secretary WEINBERGER. That is correct.

NUMBER OF PEOPLE AFFECTED BY NEW REGULATIONS

The CHAIRMAN. Have you made any estimates of how many current recipients of the services will be affected by the new restrictions?

Secretary WEINBERGER. I haven't, Mr. Chairman, no. One of the difficulties is that the regulations at present are so loose that we really don't know anything about the income levels and the status of a great many people receiving these social services.

I think it is perfectly fair to say the programs have been so loosely administered in many States, that is without respect to need, that there are many people who are receiving benefits who will no longer be eligible. This is because a State, in complying, will refocus these funds on people who are in most need. States will have a sharp increase in the amount of child day care services, but those services will go to people who meet the new eligibility standards; whereas, in many situations now there are virtually no eligibility standards.

Because of group eligibility, a great many people, even those with high incomes, have been eligible simply because of the area in which they live. There is no doubt there will be a change.

The CHAIRMAN. Will you seek to obtain an estimate for us?

Secretary WEINBERGER. Yes; we will try to do it. The informational problems are there but we will do our best.

The CHAIRMAN. Will you please make available to us for a record, a table showing the resources test with respect to savings, insurance, property, and so forth in each of the States?

Secretary WEINBERGER. Yes; Mr. Rutledge assures me we can do that and therefore we will.*

The CHAIRMAN. Thank you very much, Mr. Secretary.
Senator Fannin.

MONITORING BY HEW OF SOCIAL SERVICES FUNDS

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Secretary, I want to commend you for an excellent statement. I have great confidence in your abilities and know that you will carry through. One of the reasons why the social services went out of control was because of the failure of the Department to monitor the use of these services in any way.

In your statement you illustrated what has happened.

Your statement speaks of increased monitoring, particularly with increased funding. Please tell us about the increased monitoring you intend.

Secretary WEINBERGER. With respect to donated funds, I would just say that in general we have said that the donor can no longer designate the agency that he wants the funds to go to. He can designate the geographical area. The donating organization may not be the sponsor or operator of the type of activity being funded. This constitutes the principal abuse this committee had in mind, the situation where people who were not employed would, for example, form a day care center. They would put up their matching dollars in the form of services. Then the Federal Government would be required to put up its matching funds. The donors would operate the day care center without any regard to their own need and in some cases, I don't think very many, but in some the arrangement turned into sort of neighborhood babysitting services with people of middle or upper income.

Again, the new regulations provide that donations may not be earmarked for particular organizations or organizations closely connected with the donating agency.

*See p. 185.

The other requirements, eligibility, those with respect to purchase agreements, and the limitations on purchase cost will all be applicable, they will have some impact in controlling the situation I described.

REPLACEMENT OF STATE FUNDS BY FEDERAL FUNDS

Senator FANNIN. One of the objections to the vast expansion of social services which led to the \$2½ billion limit we imposed last year was the fact that this increased cost did not represent an increase in services to people, but rather represented an increase to State funds for plans not considered to be social services within the meaning of the act.

These funds provided revenue sharing rather than additional services to recipients, and this has been confirmed by a study made for the Department.

The new regulations will apparently allow refinancing to take place. Why should refinancing be permitted at all?

Secretary WEINBERGER. We do have a provision that permits refinancing under a much more stringent set of guidelines.

I think Mr. Rutledge would be perhaps better qualified than I to answer the details of those new protections which we believe will eliminate the uses of refinancing as it occurred in the past.

As you have pointed out in that question, what was happening was that a State would simply arrange, through oral agreements, to receive matching funds for some things they were doing by calling them social services.

Some States went from \$1 million to \$269 million in 1 year as they discovered how to use this technique.

Mr. Rutledge can tell you what we plan.

Mr. RUTLEDGE. One of the major abuses, Senator, was in the purchase of services from other public and private agencies. Our definitions of a social service were so vague that almost any service that the other public agency was providing could be brought into the State plan.

One of the things we have done that will have the greatest impact is provide a clearer definition of what services may be purchased and which ones may not be purchased. We also have provided a very clear statement of what the services are and the goal they must be directed toward, primarily to assist the caretaker, the head of the household to achieve self-support.

In addition to that, we have eliminated the abuse whereby a State may reorganize its services under the InterGovernmental Cooperation Act or other similar arrangement and thus bring those programs and services into the single State agency so as to qualify for the 75-percent match.

We kept the proposed plan dates in the regulations so as to eliminate this kind of match and this kind of reorganization.

In addition, we are requiring, where States make new purchases of services from another public agency, between March 1 and June 30, 1973, that they must maintain the same level of participation and expenditures that they did in fiscal year 1972. Where States expand purchase of services over and above that level, we would match.

Now, we want to give the States an opportunity to reassess their needs and the kinds of service programs that they would require and not force them to spend funds on services which they would not normally do in order to meet a required need.

So, effective July 1, we are going to permit the States to begin gradually to expand services without requiring an expenditure at 100 percent of the previous year's level. Over a period of 4 years we want to permit the States to gradually change that if they so desire.

We think that the better definition of services, the better monitoring and administration and the more specific requirements to obtain approval of these purchases of service contracts, will achieve the goals that the committee is interested in.

Secretary WEINBERGER. I think Mr. Carleson might want to add just a little bit.

Mr. CARLESON. Yes, Senator. Sometimes in order to curb an abuse, such as the abuse of refinancing just brought out, we can create a situation almost as bad as what we are trying to cure. By requiring an expansion of service in order to meet the Federal match, some States presently doing an effective job would find there would be pressure on them to expand their social services unnecessarily—in order to get the Federal money. We felt that an artificial expansion of services was certainly not good.

So this consideration is another one of the reasons for permitting a 3-year phaseout. Combining that, as Mr. Rutledge said, with the fact that now the eligible services are more tightly defined, probably should eliminate the abuse and should not produce an expansion of services just to bring in Federal dollars.

Senator FANNIN. Thank you. My time has expired.

The CHAIRMAN. Senator Hartke.

EMPLOYEE MORALE AT THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Senator HARTKE. What is the morale of the Department now?

Secretary WEINBERGER. I think it is very good, Senator.

Senator HARTKE. My reports are it is pretty low, especially out in the field.

Secretary WEINBERGER. I have been out in the field quite a bit. I visited five of the regional offices, and will visit the remaining five before summer.

I have been favorably impressed with the findings I have made out there with the interest of the people and the work of the Department and the fact they are being visited in connection with the decentralization programs we have in mind.

I have been told by people familiar with the Department that as a result of the decentralization, the visits, and the increases in authority that we plan to give each regional director, we have a—

Senator HARTKE. Has there been an exodus in the people?

Secretary WEINBERGER. No, sir.

Senator HARTKE. Would you supply for this committee the number of people who have resigned, not because of age, since the first of the year?

Secretary WEINBERGER. We will have over 111,000 people. We still haven't noticed any exodus.

[The Department subsequently supplied the following:]

We have not seen any great exodus of persons from this department; as a matter of fact, reports on those persons with full time employment in a permanent position indicate otherwise, as shown in the following gross figures:

Full time employees in permanent positions:

As of December 31, 1972, 108,394.

As of April 30, 1973, 112,679.

TYPES OF SERVICES FOR THE AGED, BLIND, AND DISABLED PROVIDED
BY NEW REGULATIONS

Have we covered the question of the services to the aged yet? Let me pose it anyway: You do have a responsibility of providing the types of services that States can provide for blind and disabled, and you give that responsibility to these people to try to help them attain if they can capabilities for themselves toward self-care; isn't that correct?

Secretary WEINBERGER. Yes.

Senator HARTKE. Look at the staff material which is given to us, it gives a comparison of the major provisions of the social service regulations, former regulations, proposed regulations, and new regulations.

It states the types of mandatory services for the aged, blind, and disabled. I think there were some 14 different items which were mandatorily to be provided by the States.

Under your new regulations, the services must make available to the appropriate applicants at least one of the services. Is the intent then to cut down on the number of services?

Secretary WEINBERGER. The intent is to give much greater flexibility to the State and local governments. This is based on the theory that they know the problems of the aged, blind, and disabled in their areas more completely than we do. Rather than mandate 14 rather narrowly defined programs, we have said the States should provide one of the following, and that anything else they wish or find necessary can be done.

Senator HARTKE. You mean if they give transportation services, it would be sufficient to qualify for providing this type of service?

Secretary WEINBERGER. That particular program would qualify.

Senator HARTKE. It is correct to say then that they have complied with the entire intent and purpose of the law in your opinion?

Secretary WEINBERGER. No, sir, that would mean that that would be one of the required services that they were providing, but they would also be able to provide and secure matching funds for a wide variety of other services as seen necessary by them.

This is not a situation in which States are trying to limit their services only to transportation.

What we are saying is that there is \$2½ billion available. You should do one of the following, but in addition, you can do a whole raft of other things. We are not saying you have to do these 14 and no others, as we said before.

Senator HARTKE. You are still putting the emphasis on the money machine instead of the human machine. You are saying that there is no way for you to define whether or not a State is coming up with a satisfactory program to help the aged to attain self-support.

Secretary WEINBERGER. Senator, you are assuming we have the wisdom to define what is a satisfactory program. We think the States know more about it than we do. What we are trying to do is to provide sufficient funds and safeguards so that they will provide a generally well-defined program that focuses on the people the statute says we can so focus on.

Senator HARTKE. Is my time up?

The CHAIRMAN. Yes. Senator, we are working on the 5-minute rule during the first round of questioning so that everybody can get a question in.

Senator HARTKE. I think these agency people ought to get a 5-minute rule.

The CHAIRMAN. If you want to ask another question, go ahead.

Senator HARTKE. No.

The CHAIRMAN. Senator Byrd.

NUMBER OF PERSONS ON WELFARE ROLLS

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, under your immediate predecessor, Mr. Richardson, the welfare rolls exploded.

How many persons are now drawing public assistance?

Secretary WEINBERGER. I know the total amounts. I don't know that we have the figures.

You mean the whole thing?

Senator BYRD. How many individuals?

Secretary WEINBERGER. There are approximately 15,100,000 individuals who are drawing public assistance throughout the country.

Senator BYRD. Thank you.

1974 BUDGET FOR SOCIAL SERVICES

Now, fiscal 1974, how many is budgeted for the Federal share of the social services?

Secretary WEINBERGER. For social services, we have a ceiling of \$2.5 billion and the estimates that we have at the moment are that the States will probably spend about \$2.1 billion.

Senator BYRD. That is for fiscal 1973?

Secretary WEINBERGER. Yes, sir.

Senator BYRD. Now, the fiscal 1974 budget has been submitted?

Secretary WEINBERGER. The budget for that year is also \$2 billion in accordance with the ceiling set by Congress.

Senator BYRD. It is the same figure?

Secretary WEINBERGER. Yes, for social services programs.

ROLE OF REGIONAL HEW PERSONNEL

Senator BYRD. Mr. Secretary, according to some reports, the rapid growth of social services for purposes not envisioned by the Congress was in large measure the result of efforts on the part of regional HEW officials who saw their job as being primarily one of helping the States in their region of obtaining Federal funds.

Have you looked into these actions and made any changes in staffing as a result?

Secretary WEINBERGER. Some changes in regional staffing have been made, and some are contemplated. We believe, Senator, that the regulations of May 1, and the ceiling and the rules imposed by the Congress will eliminate that sort of problem.

I am really not in a position to say to what extent that has existed in the past. But I think that in the regional operations, as well as the

Washington operation, the purpose now is to comply with the law and the directives of the Congress and the President. This is to take the available funds, 2.5 billion dollars, and focus them on the people who are most in need in accordance with the terms of these regulations.

The old regulations lent themselves to a situation of considerable latitude. This is evidenced by these one or two instances I have mentioned where a State could move from 1 million to 244 million in 1 year simply by reclassifying a lot of things they were doing as social services and requiring 3 to 1 match. That latitude is pretty well eliminated by these regulations. We will now get the focus where the need is.

Senator BYRD. So you feel that the procedures you have instituted will tend to get this program under control?

Secretary WEINBERGER. Yes, I think without any question, the procedures will keep this program within the ceiling provided by the Congress and within the definition of eligible beneficiaries as directed by the Congress.

In this situation there isn't the slightest difference between the Congress and the administration. I think we are both on precisely the same track.

FISCAL 1971, 1972, 1973, AND 1974 SOCIAL SERVICES EXPENDITURES

Senator BYRD. Even what Congress has done, 2.5 billion dollars, that is up from the \$46 million in fiscal 1971?

Secretary WEINBERGER. That is correct. This is not a tight ceiling in any sense. The misunderstandings that have arisen since the ceiling was enacted have failed to take into account the fact that this ceiling allows for a continued expansion of the program.

We are estimating that in fiscal year 1972, the total, I believe, was 1.7 billion dollars. The ceiling adopted by Congress was 2.5. The language is such that if the States come in with qualified programs totaling 2.5 billion dollars, they will all have to be funded and will be funded.

Our estimate which in turn is based on State estimates is that the cost will be approximately \$2 billion in the current fiscal year, a little over, and perhaps about the same next fiscal year.

Gentlemen, as I mentioned, earlier, I think before you came in, the situation is very much like the interest on the national debt. Whatever the requirement is, we will pay.

Senator BYRD. Thank you, Senator.

The CHAIRMAN. Senator Nelson?

Senator NELSON. I pass for the moment.

The CHAIRMAN. Senator Packwood.

PROBABLE COST OF SOCIAL SERVICES PROGRAMS WITHOUT THE \$2.5 BILLION CEILING

Senator PACKWOOD. Let me follow up on Senator Byrd's question. Absent the \$2.5 billion limit for fiscal 1973, your estimates for this program would reach \$4.7 billion. Is that correct?

Secretary WEINBERGER. We base that on what the States were telling us, in June and July of 1972. They indicated expenditures would probably be in the neighborhood of \$4.7 billion for fiscal 1973, yes.

This is an indication of how rapidly this thing was burgeoning.

Senator PACKWOOD. You indicated that States have actually come in with requests for about \$2.1 billion for this fiscal year?

Secretary WEINBERGER. So far, yes.

Senator PACKWOOD. This was prior to any change of regulations?

Secretary WEINBERGER. No, sir, it was based on the changes adopted by the Congress in October and the first draft of the regulations in February.

Senator PACKWOOD. How much do you think the States would have come in with now had we not had any new regulations or changed the law?

Secretary WEINBERGER. \$6 or \$7 billion.

Senator PACKWOOD. Let me go very quickly, if I may, and I might say I appreciate your very lucid and extensive explanation of these new regulations.

FAMILY PLANNING SERVICES

Let me go to family planning on page 21.

Secretary WEINBERGER. Yes, sir.

Senator PACKWOOD. You have stated family planning services are going to be limited to public assistance recipients, applicants, former recipients, and potential.

Secretary WEINBERGER. Family planning services to AFDC recipients is the mandatory requirement, providing such services to other eligible persons would be at the States' option.

Senator PACKWOOD. Right, but potential will be limited on the 150-percent basis?

Secretary WEINBERGER. Yes, for potential recipients and applicants.

Senator PACKWOOD. You also say:

Medicaid funds may now be used on a more favorable matching basis in concert with State Social Service funds. Moreover, HEW project funds are available for those individuals who are not served by welfare programs but who come to a social service, public assistance, or Medicaid agency seeking help in securing family planning services. These persons would be referred to the clinics operated with family planning project grant funds.

Secretary WEINBERGER. Well, there is only one State that doesn't have Medicaid.

Senator PACKWOOD. Which is that?

Secretary WEINBERGER. Arizona.

Senator PACKWOOD. Then you make reference to title V and title X funds.

Secretary WEINBERGER. Yes, sir.

Senator PACKWOOD. As I understand it, both of those authorities terminate on July 1 and you have not requested extensions.

Secretary WEINBERGER. We have quite a variety of family planning services funds transferred from OEO, about \$43 million; for Medicaid; we are estimating about \$31 million; from social services and under maternal and child care \$16 million, and from the national center for family planning services, \$113 million.

Senator PACKWOOD. How much title V and title X funds?

Secretary WEINBERGER. I will have to ask for assistance.

Do you know, Mr. Rutledge?

The national center for family planning and maternal and child health is title V of the social security. That is \$14.2 million.

Senator **PACKWOOD**. It is my understanding that the administration budget eliminates these specific earmarked programs. In the original—

Secretary **WEINBERGER**. We are asking for \$113 million under the national center for family planning services and we are asking for \$16 million under maternal and child health, which is the same amount.

We are asking for it under section 314(e) of the Public Health Services legislation.

Senator **PACKWOOD**. How much under 314?

Secretary **WEINBERGER**. \$113 million for the national centers and under the maternal and child care program \$16 million, and we estimate there will be social services of \$31 million in 1974. which is \$10 million above the current year.

Medicaid is at \$73 million in 1974 as opposed to \$26 million in the current year.

OEO funds, \$6 million in 1974 over \$10 million in 1973.

A general increase all across the line except with level funding in maternal and child health.

Senator **PACKWOOD**. How many new people will be served under those programs?

Secretary **WEINBERGER**. We have an estimate here that we will serve 1.9 million in 1974 fiscal year, as opposed to 1.6 million in 1973, that social services will be 1.7 million as opposed to 1.1 million, maternal and child health approximately 900,000 which is about the same.

Senator **PACKWOOD**. How many new people will be served?

Secretary **WEINBERGER**. Well, I don't know the actual individuals, but in the national center for family planning services, 250,000 more people, 300,000 more under medicaid, 650,000 more under social services and the same number, 900,000, under the maternal and child health services.

Senator **PACKWOOD**. Those are encouraging figures if they are accurate numbers of new people to be served.

They seem incredible based upon my previous information and the budget.

Secretary **WEINBERGER**. They have been furnished to me by my staff in whom I have great reliance.

Senator **PACKWOOD**. Could I have documentation?

I have not been able to get those figures and what I have do not corroborate what you have said.*

Thank you.

Secretary **WEINBERGER**. Thank you.

The **CHAIRMAN**. Senator Nelson wanted to ask one question before he goes to another committee meeting.

ASSETS TEST

Senator **NELSON**. I have to go shortly to an executive session of another committee, so I will be brief.

*See p. 135.

Wisconsin public welfare officials say that as they read the regulations that a working poor family seeking subsidized day care would have to meet the same test as somebody applying for welfare.

Are they correct in their interpretation?

Mr. RUTLEDGE. Except for income they would need to do so.

Senator NELSON. I meant assets.

Secretary WEINBERGER. We did have that question before you came in. Mr. Rutledge can run through it again.

Mr. RUTLEDGE. The resources and assets test varies considerably by State. It was asked earlier if we would consider a State-by-State break out, and we will do that.*

Secretary WEINBERGER. The State is able to control this. I think that is important.

Senator NELSON. The problem as I understand it, is that in Wisconsin a family may not have assets in excess of \$500 and qualify for welfare.

Secretary WEINBERGER. It is up to the States, Senator.

Mr. RUTLEDGE. They may not have assets in excess of what they need to qualify for money payments, that is correct. That varies considerably by State.

Senator NELSON. As I read Wisconsin's regulations, parents of dependent children, may have a home of reasonable value, a car worth no more than \$750 and \$500 in liquid assets or loan value of life insurance.

Secretary WEINBERGER. Is this the Wisconsin rule?

Senator NELSON. Yes.

Secretary WEINBERGER. We have provided that the State rules on resources would govern and if the States wish to change their rules, that change would be accepted. It is what the States wish to do.

Senator NELSON. What concerns me would be a case in which under our regulations a poor, working family had a car worth \$1,000 and had to get rid of it before the children could get subsidized day care. State officials say that many, perhaps half of the families getting day care help in the State do not meet this test.

I am a little concerned about——

Secretary WEINBERGER. I think you are in a little different category now. You are speaking of automobiles.

Senator NELSON. In our State you can own an automobile of \$750 value.

Secretary WEINBERGER. If you have a specific case in mind, sir, we would be glad to try to run it down.

It varies, of course, so much from State to State, that I probably wouldn't be able to be too helpful this morning.

Senator NELSON. My only concern is that we not have a regulation to have somebody with slightly more assets qualifying for this and at the same time——

Secretary WEINBERGER. We understand your problem. We don't want to push anybody back on welfare because of the "notch" problem.

*See App. B, Questions of the Chairman.

The CHAIRMAN. Senator Mondale.

DISINCENTIVES SEEN IN NEW REGULATIONS

Senator MONDALE. Mr. Secretary, as I understand it, the position of the Department seems to be that the Congress intended that they be limited primarily to welfare recipients and not the general public?

Secretary WEINBERGER. That is not the position of the Department, Senator.

This is simply the way we read the law. Ninety percent of the beneficiaries have to be in that category.

Senator MONDALE. That is correct in part. But the law also exempted day care, mentally retarded, alcoholics, and foster care from that 90-10 requirement.

It seems to me the clear legislative intent underlying these social services was to seek to prevent people from going on welfare in the first place, or to create incentives and services which would permit them to get off welfare if they are on it.

For that reason, it seems to me, your regulations start from a faulty legal premise; namely, that the primary beneficiaries of social services were intended to be welfare recipients. The restrictions in these regulations such as the new asset test which has never before been applied to recipients of social services say, in effect, that you can do better in terms of free services if you are on welfare.

I think this committee and Congress wanted to create incentives for people to get off welfare. But these regulations seem to say to people: If you are on welfare and if you want to keep the full range of services by all means stay on welfare.

Would you expand to that?

Secretary WEINBERGER. I believe the intention of Congress and the intention of the Department as exemplified in these regulations, is to try to insure that the funds limited by the Congress go to the people who are most in need and that we do not have any incentives to stay on welfare or any disincentives to continue working or anything of that sort.

We believe that the final version of the regulations is fully in accordance with congressional intent.

The conference report said that the five exempt services could be provided to people formerly on welfare or likely to become dependent on welfare, as well as present recipients. But at least 90 percent of the expenditures would have to be provided for applicants for or recipients of public assistance in order to qualify for Federal matching at 75 percent.

We believe the regulations do just that. We think they should do that.

We acknowledge that our first draft had eligibility figures set too low. We changed the regulations because we did not want anyone to give up a job because they couldn't afford day care, for example.

Senator MONDALE. But the inevitable effect of these regulations and this philosophy is to change a program which we thought would keep potential welfare recipients off welfare, by providing services—day cares, drug abuse, family planning, other kinds of services—and limit these services, for the first time in their history, to an asset test, which is identical to the one applied to welfare recipients.

You say the States can change them but two points have to be made.

First of all, the States could change their assets test, but they would have to change their whole welfare approach if they do so.

Second, in your so-called new liberalized earnings test you have a built-in disincentive.

For example, under the former regulations persons were eligible if they were likely to become dependent during the next 5 years.

Under the former regulations, persons were eligible for social services if they were likely to become dependent on welfare during the next 5 years. Under the new regulations, potential recipients are ineligible for social services (other than partially subsidized child care) if their income is more than 50 percent above the assistance standard.

This means that for a person not on welfare to get a service to keep him off of welfare, he would have to have an income which is actually lower than that of some welfare recipients. For example, if the State payment standard is \$100 per month, family planning services could not be provided to a person not on welfare if she has income above \$150 a month. An AFDC recipient, however, because of the income disregard provisions, would remain eligible for some assistance and, therefore, for free family planning and other services until her income exceeded \$180 per month.

How can you consider it reasonable to define the term "potential recipient" in such a way that those potentially on welfare must be poorer than those actually on welfare?

Do you want the full range available only to those on welfare? It seems to me we are going the wrong way.

Secretary WEINBERGER. That certainly is not the intention nor is that the result.

Senator MONDALE. Are those figures inaccurate?

Secretary WEINBERGER. The basic approach that you have seems to be inaccurate.

Senator MONDALE. Are the figures inaccurate?

Secretary WEINBERGER. The figures that we are requiring?

Senator MONDALE. I mean the figures I am using?

Secretary WEINBERGER. I do not have that before me.

Senator MONDALE. Does a person do better on welfare or off welfare according to those figures?

Secretary WEINBERGER. You do better off welfare.

Senator MONDALE. Are the figures inaccurate, then?

Secretary WEINBERGER. If you will just let me finish the sentence or see the figures.

Senator MONDALE. Just answer the question.

Secretary WEINBERGER. Let me give you what the regulations provide and then we won't have to argue.

The regulations provide, first of all, that if an individual is on welfare or within 3 months of having been on, then he is eligible.

We are also saying an individual is eligible if his income is within 150 percent of the payment standard in any particular State. Finally, an individual can get services federally supported upon payment of a small fee if his income ranges between 150 and 233½ percent of the payment standard authorized by the particular State.

So I would say that given those figures I do not think an individual is better off to stay on welfare.

I think that one has an incentive to get off welfare. I also think that we have avoided a situation where a mother would have to give up her job and go on welfare because she couldn't afford the day care center.

Now, Mr. Rutledge or Carleson may want to elaborate on that further, but that certainly was the basic intent of the drafting.

Senator MONDALE. I don't think you succeeded.

The question I asked was not answered. The answer shows that it makes it beneficial to remain on welfare.

If I may, Mr. Secretary, I have tables here that show in certain income levels that people not on welfare will receive fewer services than if they were on welfare.

We don't have to argue about that. That is demonstrated. I ask unanimous consent that a copy of these tables be inserted at this point in the hearings.

[The tables referred to follow:]

TABLE 1.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF 2 UNDER HEW REGULATIONS ¹

State	AFDC payment standard (annual)	Annual net earnings level at which eligibility for AFDC ceases ²	Limit on family eligibility for—	
			Services other than day care	Day care
Alabama.....	\$744	\$1,476	\$1,116	\$1,736
Alaska.....	3,600	5,760	5,400	8,400
Arizona.....	2,160	3,600	3,240	5,040
Arkansas.....	1,788	3,042	2,682	4,172
California.....	2,520	4,140	3,780	5,880
Colorado.....	2,004	3,366	3,006	4,676
Connecticut.....	2,460	4,050	3,690	5,740
Delaware.....	2,172	3,618	3,258	5,068
District of Columbia.....	1,848	3,132	2,772	4,312
Florida.....	1,716	2,934	2,574	4,004
Georgia.....	1,932	3,258	2,898	4,508
Hawaii.....	3,024	4,896	4,536	7,056
Idaho.....	2,472	4,068	3,708	5,768
Illinois.....	2,604	4,266	3,906	6,076
Indiana.....	2,964	4,806	4,446	6,916
Iowa.....	2,232	3,708	3,348	5,208
Kansas.....	2,964	4,806	4,446	6,916
Kentucky.....	1,752	2,988	2,628	4,088
Louisiana.....	756	1,494	1,134	1,764
Maine.....	2,460	4,050	3,690	5,740

See footnotes at end of table, p. 27.

TABLE 1.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF 2 UNDER HEW REGULATIONS ¹—Continued

State	AFDC payment standard (annual)	Annual net earnings level at which eligibility for AFDC ceases ²	Limit on family eligibility for—	
			Services other than day care	Day care
Maryland.....	\$1,572	\$2,718	\$2,358	\$3,668
Massachusetts.....	2,832	4,608	4,248	6,608
Michigan.....	3,132	5,058	4,698	7,308
Minnesota.....	2,904	4,716	4,356	6,776
Mississippi.....	2,460	4,050	3,690	5,740
Missouri.....	2,556	4,194	3,834	5,964
Montana.....	1,584	2,736	2,376	3,696
Nebraska.....	2,604	4,266	3,906	6,076
Nevada.....	1,500	2,610	2,250	3,500
New Hampshire.....	2,652	4,338	3,978	6,188
New Jersey.....	2,568	4,212	3,852	5,992
New Mexico.....	1,620	2,790	2,430	3,780
New York.....	2,628	4,302	3,942	6,132
North Carolina.....	1,512	2,628	2,268	3,528
North Dakota.....	2,280	3,780	3,420	5,320
Ohio.....	1,680	2,880	2,520	3,920
Oklahoma.....	1,464	2,556	2,196	3,416
Oregon.....	1,980	3,330	2,970	4,620
Pennsylvania.....	2,616	4,284	3,924	6,104
Rhode Island.....	2,424	3,996	3,636	5,656
South Carolina.....	1,596	2,754	2,394	3,724
South Dakota.....	2,508	4,122	3,762	5,852
Tennessee.....	1,704	2,916	2,556	3,976
Texas.....	1,224	2,196	1,836	2,856
Utah.....	1,800	3,060	2,700	4,200
Vermont.....	2,940	4,770	4,410	6,860
Virginia.....	2,232	3,708	3,348	5,208
Washington.....	2,568	4,212	3,852	5,992
West Virginia.....	1,164	2,106	1,746	2,716
Wisconsin.....	2,940	4,770	4,410	6,860
Wyoming.....	1,860	3,150	2,790	4,340
Puerto Rico.....	936	1,764	1,404	2,184
Virgin Islands.....	1,104	2,016	1,656	2,576

¹ Based on July 1972 data, except for West Virginia (July 1971). Individuals must also have resources (assets) which are within the limits specified by the State for cash assistance recipients.

² Work expenses may be deducted from total earnings in calculating net earnings.

Source: Based on information supplied by Department of Health, Education, and Welfare.

TABLE 2.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF 4 UNDER HEW REGULATIONS ¹

State	AFDC payment standard (annual)	Annual net earnings level at which eligibility for AFDC ceases ²	Limit on family eligibility for—	
			Services other than day care	Day care
Alabama.....	\$1,164	\$2,106	\$1,746	\$2,716
Alaska.....	4,800	7,560	7,200	11,200
Arizona.....	3,384	5,430	5,070	7,896
Arkansas.....	2,748	4,482	4,122	6,412
California.....	3,768	6,042	5,682	8,792
Colorado.....	2,904	4,716	4,356	6,776
Connecticut.....	4,056	6,444	6,084	9,464
Delaware.....	3,444	5,527	5,167	8,039
District of Columbia.....	2,868	4,742	4,382	6,692
Florida.....	2,676	4,374	4,014	6,244
Georgia.....	2,724	4,446	4,086	6,356
Hawaii.....	4,008	6,372	6,012	9,352
Idaho.....	3,384	5,436	5,076	7,896
Illinois.....	3,264	5,256	4,896	7,616
Indiana.....	4,356	6,894	6,534	10,164
Iowa.....	3,600	5,760	5,400	8,400
Kansas.....	3,864	6,156	5,796	9,016
Kentucky.....	2,808	4,572	4,212	6,552
Louisiana.....	1,296	2,304	1,944	3,024
Maine.....	4,188	6,642	6,282	9,772
Maryland.....	2,400	3,960	3,600	5,600
Massachusetts.....	4,188	6,622	6,262	9,772
Michigan.....	4,332	6,858	6,498	10,108
Minnesota.....	4,068	6,462	6,102	9,492
Mississippi.....	3,324	5,346	4,986	7,756
Missouri.....	3,636	5,814	5,454	8,484
Montana.....	2,472	4,068	3,708	5,768
Nebraska.....	3,684	5,886	5,526	8,596
Nevada.....	2,112	3,528	3,168	4,928
New Hampshire.....	3,528	5,652	5,292	8,232
New Jersey.....	3,888	6,192	5,832	9,072
New Mexico.....	2,436	4,014	3,654	5,684
New York.....	4,032	6,408	6,048	9,408
North Carolina.....	1,906	3,219	2,859	4,447
North Dakota.....	3,600	5,760	5,400	8,400

See footnotes at end of table, p. 29.

TABLE 2.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF 4 UNDER HEW REGULATIONS ¹—Continued

State	AFDC payment standard (annual)	Annual net earnings level at which eligibility for AFDC ceases ²	Limit on family eligibility for—	
			Services other than day care	Day care
Ohio.....	\$2,400	\$3,960	\$3,600	\$5,600
Oklahoma.....	2,268	3,762	3,402	5,292
Oregon.....	3,204	5,166	4,806	7,476
Pennsylvania.....	3,756	5,994	5,634	8,764
Rhode Island.....	3,156	5,094	4,734	7,364
South Carolina.....	2,496	4,104	3,744	5,824
South Dakota.....	3,420	5,490	5,130	7,980
Tennessee.....	2,604	4,266	3,906	6,076
Texas.....	1,776	3,024	2,664	4,144
Utah.....	2,820	4,590	4,230	6,580
Vermont.....	4,020	6,390	6,030	9,380
Virginia.....	3,132	5,058	4,698	7,308
Washington.....	3,528	5,652	5,292	8,232
West Virginia.....	1,656	2,844	2,484	5,796
Wisconsin.....	3,624	5,796	5,436	8,456
Wyoming.....	3,120	5,040	4,680	7,279
Puerto Rico.....	1,584	2,736	2,376	3,696
Virgin Islands.....	1,992	3,348	2,988	4,648

¹ Based on July 1972 data, except for West Virginia (July 1971). Individuals must also have resources (assets) which are within the limits specified by the State for cash assistance benefits.

² Work expenses may be deducted from total earnings in calculating net earnings.

Source: Based on information supplied by Department of Health, Education, and Welfare.

POSSIBLE ABUSES IN DEFINITION OF "WORK EXPENSES"

Mr. CARLESON. Senator, there are several problems you have put your finger on:

One of them concerns the income disregard statutes of the law, particularly in the work related expense area. In some States, there is a possibility of abuse in this area.

We faced a real dilemma in trying to conform the social services regulations to what we felt Congress expected.

We also had to consider the potential effect on the work expenses. I think if we consider both of these problems together in one context, we can assure you it will not be more beneficial to be on welfare than off welfare.

Senator MONDALE. Isn't that figure wrong?

Secretary WEINBERGER. The figure that you mentioned presents a situation of unlimited work related expenses and could be correct, but we think the abuses are in unlimited expense deductions.

Senator MONDALE. Thank you very much.

The CHAIRMAN. Senator Roth.

Senator ROTH. I would like to welcome you, Mr. Secretary. I have great respect for your abilities, and am sure you have given a great deal of thought to these proposals.

GREATER FLEXIBILITY FOR STATES IN USE OF SOCIAL SERVICE FUNDS

I had a meeting with State officials last week and during our discussions it occurred to me that with these new, rather extensive regulations, we might not be moving back in the direction of a more categorical grant.

Don't you think it would be better to give greater flexibility to the States to administer a sum of money distributed to them on a formula basis?

Secretary WEINBERGER. Senator, I think that it depends on whether one wants an eligibility test for people who receive social services. If we were dealing with a straight revenue sharing program, \$2½ billion would go to the States, and they would use those funds for whatever they call social services or anybody's benefit.

If the Congress wanted to move in that direction, it obviously would make life better for us. We would need few regulations. The money would go out.

On the other hand, it wouldn't be targeted or focused money. It would result in the same program as the one we have now where a great deal of money goes to the people who are not in need or close to need.

It depends on what is desired. I don't think we will end up with a narrow program.

These will be social services targeted for the neediest. The social services program is designed to help the needy get off welfare. That is the intent of Congress and that is what we believe the regulations do.

But if the statutory design was to give the States \$2.5 billion, a different pattern will have to be followed.

The only way we can assure Congress that its intent will be followed is to adopt regulations that define the types of services and the eligible persons to participate in them.

DAY CARE FOR WORKING POOR

Senator ROTH. As I understand the regulations, the working poor, must either be a recipient of welfare or an applicant, in order to receive free day care and other services, up to a certain standard of 150 percent and beyond.

Is a person not applying for or receiving welfare eligible for day care under this particular program?

Secretary WEINBERGER. Yes, I think they very definitely are.

Mr. Carleson has details on that.

Mr. CARLESON. Yes, the working poor would be eligible under two categories. Actually, one category is composed of recipients who are working. These people may be working, but would be eligible for services regardless.

The other category would be the one the Secretary mentioned. It includes those people who have an income below 150 percent of the payment standard within the State. They receive free day care services. Subsidized services are available for those with incomes up to 233 $\frac{1}{3}$ percent of the payment standard.

Senator ROTH. But for free services you either have to fall within the 3-month period or you have to be found that you will go back on welfare within 6 months; isn't that correct?

Secretary WEINBERGER. Yes, Senator; that is correct.

If the employment income is the reason they are off welfare and if the child care is necessary to remain off at each 6-month interval there will be a redetermination of eligibility. They are entitled to services as long as their gross income does not exceed 150 percent level for free services and 233 $\frac{1}{3}$ percent level in the case of subsidized services.

Senator ROTH. People in Delaware have been concerned about this recertification. How will you determine potential eligibility? It seems to me, at best, it will be an administrative burden.

Secretary WEINBERGER. Yes, Senator.

Particularly where child care is involved, it should be relatively easy.

The test is simple; is the child care necessary for the person to be employed?

The next question is, if they were not employed, would they be on welfare?

Then, would they be on welfare but for the type of service, and so forth?

This would be determined at each 6-month period.

As a matter of fact, it is a lot easier than the present system which used 5 years. Five years made almost everybody eligible.

Senator ROTH. Thank you.

The CHAIRMAN. Senator Gravel.

Senator GRAVEL. You should come up fighting.

LEGAL SERVICES

Mr. Secretary, there is one particular service that I am fond of because it permits poor people to act in an adversary capacity toward the government or anyone else who impinges upon their rights.

I notice that you leave nothing in legal services. We read in the press how the legal services have been gutted and how they threaten the establishment.

All the poor have left are legal services to retain employment. I can think of discriminatory practices that might exist. The poor then have the right to a free government attorney to get a job or keep a job if they are discriminated against.

What we have are a lot of agencies that work in civil rights legislation.

Can you tell me why there is nothing left to legal services?

Secretary WEINBERGER. I think the problem is misapprehension. These are the legal services that are qualified under social services.

These are not the only legal services provided by the Government. The administration is submitting later this week the administration bill providing for a corporation for the administration of the full legal services program formerly under OEO. That will authorize legal services of much broader scope than are involved here.

This one simply says that a legal services program will qualify under social service but because we are interested in employment, the service must be related to attainment of employment.

As I said, a broad legal services program would be requested under the administration's proposal for a legal services corporation.

Senator GRAVEL. I can appreciate that. But why do you make a distinction of regulation between employment and property when we pay greater attention outside of welfare to property?

Let's take, for example, a person who has a home built by some unscrupulous person, and that individual has to go out and fight for that home or annuity which might keep that person off welfare.

The person needs an attorney to do that.

Secretary WEINBERGER. He can still do that. It is a matter of which particular legal service program is funded.

Legal services financed by social services funds, the \$2½ billion, are related to employment, the problems of the individual you mentioned perfectly justify legal services and those services are presently funded under the OEO.

FAIR HEARING PROCEDURE

Senator GRAVEL. Is something not lost in the crack between the two programs?

Secretary WEINBERGER. No, we believe not.

Senator GRAVEL. But couple that with the fact that you have eliminated a hearing process, you have left the welfare person nothing but a vassel, or prostrate before an agency of government.

How does a person stand up and say are we getting a hearing or not getting a hearing?

Secretary WEINBERGER. There is still provision for a hearing. We have eliminated some things.

There was a provision that prohibited making an investigation as to whether a person was eligible unless a person agreed.

We have removed that kind of particular protection or whatever you might want to call it. There is still a process for grievances if the person is dissatisfied with agency actions.

The hearings regulations involve the areas of quality control and actual welfare payment. There is a grievance system provided for in section 221.2 of our service regulations.

Senator GRAVEL. If a person disagrees with the determination, there is a hearing and he stands there without an attorney, unless he wants—

Secretary WEINBERGER. He can get an attorney under the legal services corporation.

What we are talking about are the services available under the legal services corporation proposal to be submitted. The appropriate legal services are funded and are provided by the Government.

Legal services under the program that has a ceiling are, we think, properly limited to attempts to attain employment.

Senator GRAVEL. You are telling me, he goes to another program to get an attorney to come back and fight for his rights in this program?

Secretary WEINBERGER. The grievance procedure, I am told, can also be paid for by funds under this program.

Senator GRAVEL. Your regulations don't say that.

Secretary WEINBERGER. I think you will see that the grievance system comes within the scope of section 221.2 of the regulations.

I also submit it is irrelevant for the individual concerned which Government funds provide the assistance. He will have the legal services; that is the important thing.

Senator GRAVEL. The way we read them at this end of the table, Mr. Secretary, you have wiped out everything except a minor grievance type of stroke down.

Secretary WEINBERGER. They can have all the legal services required under the provisions for legal services to attain or retain employment.

Again, I don't think the individual is much concerned where he gets the help.

Senator GRAVEL. I would hope, Mr. Secretary, we are not taking poor people and running them around the Federal building—

Secretary WEINBERGER. We are not; we are telling them that their attorneys have two funds out of which they can be paid. They should be able to locate those funds and on the basis of past experience, they haven't had trouble locating them.

Senator GRAVEL. I would hope that you might locate all of these legal services in one area so that the people who need them can get them.

Secretary WEINBERGER. The people who need these services can get them from the Legal Services Corporation.

Senator GRAVEL. Why do we put this here in the Legal Services Corporation?

Secretary WEINBERGER. Legal services as defined in the regulations here are also available for funding by the social services program.

But this is a limited program. We could have said no legal services here; all must come from the other one.

We did think it was proper to provide limited legal services in this program.

The CHAIRMAN. Senator Bentsen?

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

INCOME TEST FOR SERVICES MEANS GROSS INCOME

Mr. Secretary, I would like to get a further definition and clarification of the term "payment standard."

When we speak of a person with an income 150 percent above that standard and still being able to obtain services, are we talking about net income or gross income?

Are we talking about an income before the income disregards or not?

Secretary WEINBERGER. Let me get you a complete answer by asking Mr. Rutledge.

Mr. RUTLEDGE. We are referring to gross income, Senator, and the payment standard we are referring to is the dollar amount against which income is deducted by the State in arriving at the money payment.

Senator BENTSEN. You are referring to gross income when you go to the 150 percent?

Mr. RUTLEDGE. Yes.

Senator BENTSEN. One of your associates, perhaps you, Mr. Weinberger, was saying you thought the States were very generous; is that correct?

Secretary WEINBERGER. In some cases.

With respect to the table that we have calculated, and to some of the questions asked by Senator Mondale and Senator Roth, the 150 percent of the payment standards generally is about the amount that most States would come to with respect to disregards and work related expenses. Some States, because they vary a lot, allow considerably more for work related expenses.

Senator BENTSEN. As you know, we have in Texas a constitutional limit, a statutory limit on welfare payments. We run into the problem of Texas paying only 75 percent of the AFDC need.

Now, is the 150 percent computed on the basis of the actual need or the 75 percent of that need, which the State pays.

Secretary WEINBERGER. The payment standard is the dollar amount from which income is deducted in arriving at the amount of the money payment.

As an example, in the three States there, Alaska——

Senator BENTSEN. I understand that; you are talking about the gross income, but I want to know if you use in Texas the 75 percent of the need as the standard or do you take the need itself as the standard?

Secretary WEINBERGER. The State makes the decision about the level of the payment standard.

Just to cite an example, any of the States represented by the three Senators sitting next to each other could change the standard—for Alaska, the point would start at \$7,200 for free day care up to \$11,200 for subsidized care.

Senator BENTSEN. I must not be making my question clear.

Secretary WEINBERGER. The point I want to make is that if a State would choose to change the level at which it wanted to set the payment standard, an individual would be eligible for services with a higher or lower income.

In Texas an individual gets services on the basis of the payment standard in Texas.

Senator BENTSEN. My question again, Mr. Secretary, I want to know if the standard utilized is the 75 percent, for example, in Texas from a State basis 75 percent of the need or do we take the need to start figuring the 150 percent?

Secretary WEINBERGER. You use the payment standard.

Senator BENTSEN. You are talking about 150 percent of the 75 percent payment?

Secretary WEINBERGER. Yes, \$2,664.

Senator BENTSEN. On that basis it seems to me nobody would be receiving anything in Texas unless they are already on welfare.

Secretary WEINBERGER. Eligibility goes from \$2,664, then up to \$4,144 gross income, less whatever work related expenses are allowed in Texas.

FOOD FOR CHILDREN IN DAY CARE EXCLUDED

Senator BENTSEN. Let me ask you another one:

The regulations as I understand, do not pay for maintenance.

Does that mean food for children in day care is not eligible?

Secretary Weinberger. No, when it is part of the day care program, the item is eligible for Federal reimbursement.

Senator BENTSEN. Thank you.

I have been concerned that the day care centers expand the cost.

REALIGNMENT OF PERSONS RECEIVING CHILD CARE

In Texas, families earning up to \$6,000 a year can receive day care assistance. These are low income families that need this kind of assistance to keep off welfare. Yet with your regulations with a family of four which has an income exceeding \$4,144 a year would not receive day care assistance.

Secretary WEINBERGER. Not receive free day care services. These are national figures.

But we do stand on the figures that we will have a major increase for children and it will move from 317,000 to 532,000 in 1974.

Senator BENTSEN. It seems to me we are getting a limitation in Texas and a decrease in Texas.

Secretary WEINBERGER. You are not getting a decrease in Texas, Senator. I would suggest a realignment.

Senator BENTSEN. We are on the wrong end of the line.

Secretary WEINBERGER. There will be more people in Texas as to get this service, and they will be lower income people than the case at present.

There will be more day care services provided for more children, but they will be a different group of children because you do have now a situation in which higher income people are eligible for it. That is the case under present regulations.

Mr. RUTLEDGE. Each State sets a level at which it thinks it provides a payment adequate to enable this family on public assistance to meet its needs.

Some States set relatively high standards and others relatively low. We have based our guidelines on the State established standards. It happens that Texas has a relatively low payment standard.

Senator BENTSEN. We discussed this before on the question of 133 percent. You have gone to 150.

Mr. RUTLEDGE. It will be up to the State of Texas to raise its standard of need.

Senator BENTSEN. This is constitutional.

Secretary WEINBERGER. We do have to scale the program on a national basis. There are some States, such as Indiana, Alaska, and Michigan, where a \$9,000, \$10,000, and \$11,000 income is the eligibility level. People with that income are still eligible for day care services. We do have to go across the board on it.

If we provided that eligibility existed, for example, to a level of \$6,000 in Texas, the level would probably be about \$25,000 or \$27,000 in other States. This would defeat the purpose which we understand Congress had in mind when it adopted the recent legislation targeted to needy families.

Senator BENTSEN. Thank you, Mr. Chairman.

I have finished.

The CHAIRMAN. Mr. Secretary, may I say to the members of the committee that I would suggest that we allow each Senator 10 minutes on this next round. That will give everybody a chance to ask some additional questions during this morning's session.

SECRETARY'S WILLINGNESS TO CHANGE NEW REGULATIONS

Mr. Secretary, if we find something in these regulations that in your judgment would justify modification, I trust that you would be willing to consider modifying them?

Secretary WEINBERGER. Oh, yes. Our initial feeling was, that we had to get a first draft out quickly because States were coming in with all kinds of applications and because there was uncertainty.

States felt it would all end on March 30. We assigned the regulations a very high priority in order to get out a final draft on May 1.

There is no question that we will make changes if certain things indicate the need for change.* We will be very pleased to work with the committee. If there are certain anomalies, as Senator Bentsen points out, we will make changes. However, I do not think this is an anomaly. The problem is Texas.

It is hard to make a standard in one State that will not distort the levels in other States. If there are real anomalies, we would like to change them.

ASSETS TEST FOR SERVICES

The CHAIRMAN. Let me point out an area that I believe deserves scrutiny and this can be highlighted by pointing to some specific examples.

Here, for example, looking at the Rhode Island assets test for their AFDC program, they would not permit a person to be on the AFDC program if their resources included any stocks, cash or bonds.

The most practical situation would be where a person had a small amount of money, and in Rhode Island the person would not be eligible for the services.

Now, insofar as we look upon social services as a device to keep people from going onto the welfare rolls, I would think that a situation, such as in Rhode Island, where a person is not permitted to have any cash and still be on the AFDC program, would justify reconsideration of your regulation.

Secretary WEINBERGER. Mr. Rutledge has indicated we may consider alternative plans for more uniform application in situations where there are State problems.

I think there are some problems we would want to do something about.

ELIMINATION OF SERVICES RELATING TO COLLECTION OF SUPPORT PAYMENTS

The CHAIRMAN. In addition to that, I am concerned about the need of establishing paternity and obtaining of help from the fathers of children. This committee and the Senate made it clear they want to make fathers for all children on welfare at least partly responsible for their children.

You have eliminated Federal matching for services relating to the statutory requirements that welfare agencies have a program or obtaining support from absent parents.

Similarly, the new regulations provide that legal services are federally matchable only in connection with obtaining or attaining employment.

*See also p. 135.

How would you expect a welfare recipient to obtain support from a deserting parent without some type of legal assistance?

Mr. RUTLEDGE. This is a problem of eligibility determination for the overall public assistance program. The problem has been recognized within the Department and within the Social and Rehabilitative Service.

It is our plan to fund these activities under the public assistance programs.

We are aware of the problem that the Chair refers to, and we are working on it.

The CHAIRMAN. I am going to submit legislation that will include much of what we tried to do in the Senate version of H.R. 1, which didn't become law, as pertains to child support. But up to now we have been led to believe that the administration was very sympathetic to our view that everything that reasonably could be done should be done, particularly when we are looking at middle income fathers who are escaping their responsibilities to help their children.

Secretary WEINBERGER. There is no question about the agreement of the administration with that kind of viewpoint.

The CHAIRMAN. I am not only interested in finding these examples that Mrs. Griffiths is going to expose pretty soon where we have cases where the father in the upper income is escaping his duties of supporting his child with the net result of those children having to be supported by public welfare.

I am more interested in the cases where a father is in the middle or lower income brackets and is well able to make a contribution. These are the areas where we ought to expect more help for these children.

Of course, I also feel and the Senate felt last year that we ought to permit the mother to be somewhat better off for having obtained some support from the father than she would be if she were not getting any help from him at all. We want to provide a cash incentive for a mother so that she will get some benefit from the support payment.

Mr. CARLESON. Mr. Chairman, I think, much as the Secretary has indicated, we have almost the identical concerns that you have.

The absent father is probably one of the most significant problems. We found, I know, in California, most of these people are working and can provide some kind of support.

One of the problems is whether or not securing support will be performed as a social service or as a law enforcement service. This has been the problem in those States which are having the most difficulty.

There are advantages in treating it more as a law enforcement problem and also in treating it as an eligibility problem.

There has been some application in the past as you pointed out, on the social service side.

I think one of our problems is conforming with the statute too. The efforts of the Department is toward developing regulations, if possible. If regulations are not possible, the kind of regulation that will insure that the absent fathers who are capable are required to contribute, legislation will be necessary.

The CHAIRMAN. I am going to submit some legislation along that line and in large measure it will include provisions which the Senate has previously approved and which I am not aware that your Depart-

ment has found any serious objections to, but for the most part they have supported them.

It just seems to me that there is justifiably a considerable cause for complaint that one man working making \$500 a month takes his paycheck home and helps support his children and he has a man working beside him with the same amount of money who is completely escaping any responsibility to support his children.

It causes resentment for a man feeling he is paying taxes while that man can live and do a lot of things that other fellows can't do.

Secretary WEINBERGER. I will be glad to work with you, and I think we can get a bill we can agree upon.

The CHAIRMAN. Fine.

I believe Senator Packwood is next in order.

DAY CARE

Senator PACKWOOD. In response to a question of Senator Bentsen on day care, he put his finger on something.

You said there will be a realignment, and a number of people will be cut off because they are above a certain income level. It has been spread out to more children currently than are eligible for welfare assistance. But you project a 50-percent increase in the number of children to be served.

That must assume, I guess, that there are people now on welfare who are eligible for child care and who will still be under the new regulations but don't know about it?

Secretary WEINBERGER. I think it is the latter. There are people eligible for day care who are not receiving these services. A large portion of the funds are going to support social services for people above this level and in some cases well above it.

Senator PACKWOOD. Up until this year, it has been open ended on eligibility?

Secretary WEINBERGER. Yes, indeed.

Senator PACKWOOD. They were limited only by availability of matching funds?

Secretary WEINBERGER. It depended on what the States wanted to do.

If the States wanted to report to us a program that was untargeted, HEW had no choice but to match it.

Under the bill passed by Congress and these regulations the States will not be able to report that kind of program and qualify it for matching funds.

They can do what they want. They would be required to shift so that the funds would go to people more in need, and that is why I refer to it as a realignment.

Senator PACKWOOD. You are presuming that the States in their applications were including middle income people.

Secretary WEINBERGER. They may not have been aiming it that way, but certainly there were inadequate limitations on income.

Senator PACKWOOD. I understand that.

Why were they overlooking those on welfare?

Secretary WEINBERGER. I don't know. Maybe Mr. Carleson has some theories.

He ran a program comparable to this in California.

Mr. CARLESON. Senator, some of the States are actually not providing child care as a service, but as a work related expense included in the assistance check.

Senator PACKWOOD. Why are the States suddenly going to find a great number of people who are not now receiving these services?

Secretary WEINBERGER. Actually, they may have been receiving the services not as services, but as a work-related expense.

Under these regulations, under the new law, which has the 90-percent requirement in it, States are going to be targeting more of these services on the actual welfare working recipients. This is where one finds the greatest redirection.

Another point I would add, Senator, is that middle income groups are somewhat more vocal, somewhat more able to have their wishes responded to. I think the Congress correctly expressed the intention and desire that the bulk of these expenses be targeted to lower income people, and that is what we are trying to do. By requiring the States to make the changes, we will secure what the Congress wanted, what the administration wants, and that is a redirection and realignment so that the focus is much more on the need than in the past.

Senator PACKWOOD. In the assumption that the States will come forth with the necessary program?

Secretary WEINBERGER. If they do not concur, they do not qualify for the Federal matching funds, and that seems to be a rather powerful magnet.

DONATED FUNDS

Senator PACKWOOD. Let me shift to the donated matching funds, the private organization matching funds.

Let's take planned parenthood. If planned parenthood donates funds to the State of Oregon, which is going to use them for planned parenthood—Eugene, are they State funds?

Secretary WEINBERGER. Not particularly to that agency.

Senator PACKWOOD. Say that again?

Secretary WEINBERGER. The regulation prohibits reversion to the donor, and it also eliminates the reversion of the funds to an agency that carries out the same type of program.

Senator PACKWOOD. What do you mean by "reverting"?

Secretary WEINBERGER. Going back to that agency to administer the program.

Senator PACKWOOD. You don't mean the legal sense of going back to—

Secretary WEINBERGER. Pass through.

Senator PACKWOOD. Pass through.

Mr. RUTLEDGE. This is very acceptable to most United Fund agencies, fundraising agencies that do not administer any type of program, but rather finance other programs. A donation from that United Fund raising agency would be appropriate, but not one from the agency that would normally administer that program.

Senator PACKWOOD. What you are saying is this: Planned parenthood makes an agreement to give the United Fund \$25,000 for use in Eugene.

Secretary WEINBERGER. If there were an agreement, it would be within the spirit of the regulations, if the funds do not come from planned parenthood. But if United Way makes an agreement with

the State or local agency and donates funds for family planning services in Eugene, the family planning donation is something that will qualify for Federal matching funds, even though purchased from a member agency of United Way.

But if family planning says here is some money—we want it back plus 3 Federal dollars so we can do with it as we please—that is not permitted by the regulations.

The reason is that we are prevented from providing any effective accountability. We are prevented from accounting to you as to what happened to those public funds.

So we want to make sure that we don't have sort of self-generated Federal matching used in a way that does not allow for accountability.

Senator PACKWOOD. I fail to see why you still can't account for it even if planned parenthood is giving it to State welfare and then directly to Eugene.

You match it 3-to-1 on Federal dollars. What is the harm; what is the evil, why can't it be accounted for?

Secretary WEINBERGER. The evil is that which this committee referred to in the past and actually directed us to prohibit. This is the situation where private organizations would get together and contribute \$1; then they required Federal matching. They then used it in ways to more easily avoid accountability.

We had no way of telling whether or not these organizations were using it in accordance with the then existing regulations.

The new regulations have eligibility standards designed to achieve that focus.

We have tried to authorize the use of donated funds, but under such protections so as to make sure we can tell the taxpayers that the funds are being used in accordance with the standards.

Then it seems to me there is still the opportunity for a family planning agency; but not if it donates the money and provides the service.

There can be no binding agreements. In the normal course the United Way might agree they want services and that private money would be eligible for a match because our auditing would not stop with the United Way.

Mr. RUTLEDGE. In this way, it is also possible to assure that the services being delivered are consistent with what the single State agency has determined the needs to be and not simply a service provided because a particular agency happened to be sufficiently affluent to donate moneys.

The service has to be part of the State plan and a recognized need.

Senator PACKWOOD. It also seems to me we are militating against the private sector, cooperation between private agencies and public programs.

Secretary WEINBERGER. The total prohibition would have done that. That is why we have struggled so hard to get around a flat prohibition against the use of donated funds. We do agree privately raised funds have to be a major part of the entire social services effort in the country.

We believe we have attained an ability to use donated funds and indeed encourage it, and still avoid conflicts of interest and auditing problems. These were the abuses that led the Committee in the first place to prohibit the use of donated funds completely.

Senator PACKWOOD. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Mondale.

ALCOHOLIC AND DRUG TREATMENT PROGRAMS

Senator MONDALE. Mr. Secretary, as I understand it these regulations terminate or severely limit programs which treat alcoholics and drug addicts or which provide money for education and training.

What is the justification for that?

Secretary WEINBERGER. I don't think they terminate these programs. I think they give the States greater flexibility on how they will be carried on.

If they are carried on by States under discretionary provisions, and if eligibility requirements are maintained, they can still be federally matched.

But in those situations where they actually cannot be, where the eligibility cannot be identified, I think you have to recognize that the social services programs were never really intended to have medicaid or related treatment as a reimbursable cost.

Senator MONDALE. As I understand it, under the social services program there are many alcoholic and drug treatment programs in this country.

As a matter of fact, there are some we think are excellent.

Under these regulations you would no longer provide support for the treatment activities in these programs. Is that correct or isn't it?

Secretary WEINBERGER. I think the problem is the use of purchase agreements of the kinds we have described to acquire federal social services funds for health programs and medical programs formerly carried out to benefit drug addicts and alcoholics.

The new regulations provide that you should not use social services funds for that purpose.

You should use programs designed for medical problems, rather than social services funds.

Senator MONDALE. If an alcoholic who is a potential welfare recipient is not eligible for Medicaid or Medicare, wouldn't it be wise to provide care for him?

Secretary WEINBERGER. Yes, under other programs. We have \$171 million just in our Department alone for alcoholism programs of all kinds.

Senator MONDALE. There is also a great deal of employment counseling for alcoholics under other programs, that you continue to permit this under social services.

What is the distinction?

Secretary WEINBERGER. I think the distinction is that this committee pointed out that a great many programs that States funded themselves were being transformed into social service programs in order to thereby qualify for the 3 to 1 match. We believe what the Congress and the committee desired was that social programs purchased by the State be truly social services programs and not masquerade under that title when you had funds available for alcoholism and narcotics under other programs.

Senator MONDALE. Is it your position that the committee allowed or urged you to terminate drug and alcoholic treatment under social services?

Secretary WEINBERGER. No; they wanted substantial tightening of the State practice of substituting a great many things they were already doing as social services.

We understand that a State should not be able to label anything it wants as a social service program, and thereby get qualified for the social service-match. This kind of program is not really what the Government and Congress wants.

The simple fact was that States were expanding very greatly the social service program and they were doing it by calling a great many things social services, and thereby qualifying.

Senator MONDALE. In 1972, we exempted alcoholic and drug programs from the 90-10 requirement. I think Congress time and time again has asked for a new emphasis on alcoholic and drug programs.

I never recall Congress giving instructions like that. I can't think of anything that helps prevent and eliminate welfare more than providing assistance to those suffering from the curse of alcoholism or drug addiction.

It seems you are drawing standards that don't hold up.

Secretary WEINBERGER. We are funding these at higher levels in 1974 than in 1973. In the case of drug abuse we are increasing from \$224 million to \$460 million. In the case of alcoholism, \$108 to \$171 million. It simply is a question of where these programs are funded and whether you want to continue to see a practice designated a substitute by a lot of the people who testified before the committees in connection with the changes of the social services program.

Senator MONDALE. Can you cite one witness who complained about alcoholism programs under title IV-A?

Secretary WEINBERGER. I don't have the whole list of testimony, but I do know that there was a lot of testimony to the effect that States were funding a great many programs by purchasing the service and thereby qualifying for social services programs. That was one of the things ballooning the costs, particularly when they were available under other programs.

Mr. RUTLEDGE. Senator, may I point out that medical and subsistence services were never really authorized under title IV-A to alcoholics and drug addicts.

Many States provided services for a short time under the rubric that the medical costs and subsistence were inseparable from the social services.

Essentially what we are saying in this set of regulations is that it is possible to factor out those differences. Those things that were not essentially authorized are no longer eligible.

Those major user States, I think, will show they were approved only with the understanding they were inseparable and indistinguishable from the comprehensive social services ordinarily authorized under title IV-A.

PROHIBITION ON EDUCATION AND TRAINING UNDER NEW REGULATIONS

Senator MONDALE. In Minnesota we have a project called HELP. It is one of the most successful social services programs that I know of.

It serves welfare mothers or others and, encourages and supports them as students in higher education.

I think it is in the 6th or 7th year of the program now, and any number of these welfare mothers have now graduated and gotten professional pay level jobs. They have gotten off welfare. They have the pride that comes with that accomplishment. Indeed the grade level standings of the welfare mothers is higher than the school average.

They are doing very well. The children in the family are so terribly proud of their mothers because they are not welfare recipients but are accomplishing so much.

It is one of the most successful programs that I know of, and it is exceedingly well received in Minnesota.

I suspect there are others like this.

But your regulations terminate the tuition help to this program and may result in the end of it.

But why wouldn't programs of that sort make sense?

Secretary WEINBERGER. I will have to ask Mr. Rutledge or Mr. Carleson.

I am not aware of what provisions—

Senator MONDALE. The new regulations bar any education or retraining.

Mr. RUTLEDGE. Yes, the idea is, Senator, that those are not social services in and of themselves. If they are employment and training services, there is an opportunity under the WIN program. Employment programs or educational services ought to be paid for by the educational institutions. With these funds, we are providing a well-defined set of services that are different from education and employment.

Senator MONDALE. Education is one of the best antiwelfare programs in the country.

The CHAIRMAN. Mr. Secretary, I believe we can conclude this hearing before 1 o'clock if it is all right with you to stay here until then.

I have one additional question, but I will just submit it and ask you to answer it for the record.

[Text of question follows: *]

FORMAT OF NEW REGULATIONS

In your new regulations you combine three separate chapters covering some 30 pages into a single new chapter with only a few pages. Some of the matters covered in the old regulations are simply omitted from the new regulations. I think it would be helpful if we could have for the record an outline of the repealed regulations explaining how each section would be affected by the new regulations.

The CHAIRMAN. Senator Curtis is unable to be here this morning. He has written me a short letter requesting that certain questions be asked of the Secretary. We will put the letter in the record at this point and ask that the Secretary answer the questions for the record.

[The letter referred to follows: *]

*See page 135.

U.S. SENATE,
Washington, D.C., May 7, 1978.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Washington, D.C.

MY DEAR CHAIRMAN: The Committee on Agriculture and Forestry is marking up a bill so I cannot be present for Secretary Weinberger's appearance before the Committee on Finance.

I am strongly convinced that the social services for the mentally retarded should be provided to all mentally retarded without an income or needs test of any kind. Mental retardation strikes in families of middle income as well as the more well to do. The mentally retarded and their families need these services. The families pay taxes to help support these social services for the mentally retarded.

I would appreciate it if you would urge this point of view upon Secretary Weinberger and I would like to have the following questions propounded to him:

1. Do you have the necessary legal authority to issue regulations which would provide that the social services to the mentally retarded be provided without an income or needs test of any kind?
2. If the answer to the foregoing question is Yes, then ask, "Why isn't this done?"
3. If the answer to Question No. 1 is No, then please ask, "Will you prepare for the committee the necessary language for a change in the statute that would permit this?"

I thank you very much.

Respectfully yours,

CARL T. CURTIS,
U.S. Senate.

The CHAIRMAN. After we have heard from Senator Roth, I would like to ask Senator Mondale, who asked for this hearing, to take over. Senator Roth.

RECERTIFICATION OF ELIGIBILITY FOR SERVICES

Mr. ROTH. I have some questions I will submit later for written answers,* but I do have a couple I will ask now, as well.

One is merely a question about recertification which is causing considerable difficulty in Delaware.

Question: You have a woman who meets the financial criteria, earning under 150 percent, and has two children in a day care center.

What else must the States do to certify that this woman would be eligible for continued benefits after 6 months?

Mr. CARLESON. Of course, the child care is limited to employment related child care—as a potential welfare recipient she is getting the child care for the purposes of continuing employment. If it were demonstrated that without child care she would not be able to remain employed, she would be eligible.

This would be done every 6 months to make sure the conditions were the same.

Senator ROTH. How would you demonstrate that?

What more would you need to know?

Mr. CARLESON. Senator, I would say there would be very little else you would need to know.

It would be up to the State to decide whether she meets their eligibility requirements if she lost the job.

However, there would be little else needed for someone who came under the 150-percent payment standard.

Senator MONDALE. I think the concern is that something more than this is going to be required and that it will be expensive and administratively difficult.

*See p. 135.

Secretary WEINBERGER. We had discussions with administrators. It was decided to leave the determination of eligibility to these broad guidelines and have spot checks from time to time to make sure there was compliance with the broad eligibility regulations.

We had rather elaborate provisions in the initial regulations, but many were changed when we got to the May 1 version.

Mr. RUTLEDGE. Of course, Senator, one of the purposes of the recertification and redetermination is to again be sure the services are provided to eligibles and are also within the 90 to 10 mix that the Congress mandated, except for those exempted services.

It is going to require some periodic redetermination in order to be sure we are within those limits.

Now, does the cost of doing this outweigh the benefit? It is a relatively simple matter for those already on money payments. It is a question of checking out that activity.

Many States find this easy to do with computerized cross checks.

On potential, this may require more digging, but providing services to only those eligible greatly outweighs administrative costs.

Senator ROTH. I will be very candid with you: I really don't know how you demonstrate his potential financial reach when he has small children, you certainly can't look into his mind.

Mr. CARLSON. In child care all they will be looking at is whether her income is below 150 or below the 233 $\frac{1}{2}$ percent, or if she had a big change in assets.

In the case you have just described probably that is all they would have to find out.

Senator ROTH. I would emphasize that I think we should strive to keep these regulations and their administrations as simple as possible, within the guidelines of good management.

CHILD CARE STANDARDS

One further question: Some day care administrators in Delaware have complained that their day care facilities are covered by 1968 guidelines for supervisory personnel space, and so forth. They seem to feel that these guidelines are too strict, particularly with regard to the child/supervisor ratios.

Secretary WEINBERGER. We are revising those, and Mr. Rutledge probably has the timetable.

We are looking at that because the regulation did provide reasonably expensive requirements that did put the cost of day care centers beyond the reach of many people.

Senator ROTH. That is very encouraging.

HOMEMAKER SERVICES

The regulations indicate that homemaker services will be available only to persons 64 $\frac{1}{2}$ years of age, or older.

Some of the State's experts are concerned that current recipients, under this new age limit, often need homemaker services in order to keep them from needing further institutionalized care, at greater cost. They feel that inadequate diets and living conditions have made some recipients age more quickly.

I wonder if you could comment on this?

Mr. RUTLEDGE. The services were provided formerly to persons 60 years of age and older under the definition that used 5 years as the time standard for definition of a potential recipient. Thus, at age 60 one automatically became eligible.

We have limited eligibility to 64½ because throughout the program there was no real evidence providing services according to the 5-year criteria helped to change anything.

In some instances there may be some problem with respect to persons moving along in age, but the great bulk of the services really are provided for persons over 65. It is a relatively small percentage provided during this period.

It gives a much better opportunity to estimate the needs of the individual in terms of deterioration of his situation in a 6-month period, rather than 5 years.

Secretary WEINBERGER. The Older Americans Act complements this program. That starts at age 60 and quadruples the amount of money provided for the elderly.

Senator ROTH. I guess my question is directed to the need for more flexibility in this program.

I will submit my other questions to you for your answers.*

Secretary WEINBERGER. All right, sir.

We will try to get answers for you.

SOCIAL SERVICES AVAILABLE ONLY TO AGED WHO ARE RECIPIENTS

Senator MONDALE. Mr. Secretary, in the adult categories your regulations would permit only those services designed to help the aged become self-sufficient and self-supporting.

One of the most encouraging things around the country has been the ability of these programs to help old people in their homes, and apartments, providing hot meals and assistance to the disabled and the rest.

That has been a very good program. It saves the government money because otherwise many of them would have to go into public housing or nursing homes.

Your new regulations prohibit this kind of assistance designed to avoid institutionalization which was permitted under the earlier regulations.

I wonder if that regulation makes sense?

Secretary WEINBERGER. The definitions of and the differences between potential recipients under the new and old regulations are involved.

Where the finding is that a person is eligible, as a potential beneficiary, services will be provided.

Under the adult services program, section 221.5, all of these things are specifically authorized: homemaker services, home delivered meals. All of these things are authorized and I think what we are talking about is who is eligible. People are eligible if they are potential welfare beneficiaries or actual recipients.

Senator MONDALE. As I understand it, existing regulations allow assistance designed to help aged persons avoid institutionalization and that your new regulations drop that category of assistance?

*See p. 135.

Secretary WEINBERGER. I think, Senator, again all the services you mentioned, the family services, the health services, the chore services, the day care services for adults, educational services, foster care, health related services, homemaker services, home management and other functional educational services, housing improvement, legal services, protective services, special services for the blind—all of those are authorized for eligible people.

Senator MONDALE. Eligible meaning—

Secretary WEINBERGER. The determination has to be made every 6 months and that does not seem to me to be restrictive.

Senator MONDALE. Well, then, does that mean that you will provide this kind of assistance for persons on welfare?

Can these services be provided for that person?

Secretary WEINBERGER. Yes.

Senator MONDALE. For the purposes of keeping him out of an institution?

Secretary WEINBERGER. Yes, and we also have a whole raft of other services for older Americans. That legislation was signed last Friday and does quadruple the amount of aid for the elderly.

Senator MONDALE. I will submit to you in writing a series of questions.*

Secretary WEINBERGER. We will get answers to you as soon as we can.

PEOPLE ENCOURAGED TO STAY ON WELFARE

Senator MONDALE. I have placed in the record a table I had prepared which demonstrates, I think, Mr. Secretary, that at certain income levels in every State in the Union persons on welfare will receive more free services than those who are not on welfare, even though persons not on welfare are earning less than the person receiving a combination of earnings and welfare.

I would like for you to look at that. I think we are creating another notch which may encourage welfare.

Secretary WEINBERGER. If I might comment, we do not want to create a notch. We would also be very glad and anxious to look at a table of that kind. If there are some anomalies in the regulations, we would want to do something about them.

Senator MONDALE. I don't think it is just an anomaly. The purpose is to keep people off welfare where it is possible, but the new regulations have a notch and a new asset test which we have never had before. These will have the effect of encouraging people to stay on welfare.

Every State in the Union will have this.

For example, in Minnesota, a family of four qualifies for a maximum government support of \$4,332 under the welfare payment standard. Then if a family member gets a job they can get free services up to \$6,642—that is combined cash assistance and outside employment. But if you are off welfare and you are working, the maximum per service eligibility ceiling is \$6,102.

In short, someone can have an income of \$360 per year on welfare more than he can if you are depending solely on your own earnings—and still receive free services.

*See p. 135.

This is true according to my figures here in every State in the Union.

Secretary WEINBERGER. You have to look at the work related expenses that are allowed. That factor takes the income eligibility up, Senator.

Senator MONDALE. Work related expenses does exactly the opposite of what you are suggesting.

It even widens the gap.

Secretary WEINBERGER. That is not our understanding.

Mr. Carleson—

Mr. CARLESON. If you permit virtually unrestricted work related expenses, an abuse which this committee has pointed out several times in the past, then it is conceivable that the work related expenses and the \$30 and one-third income disregard together result in the situation you are talking about.

The real problem is meeting the former abuse. We must insure that work-related expenses are at a proper level and that income disregards are not excessive.

Senator MONDALE. My table does not include the work related expenses that States can add and it gives you that deviation I have talked about.

If you add the State's work related expenses the differences between the benefits you receive on welfare and off welfare get much worse—and the answer is not to reduce work related expenses.

I think this plan is saying to people: You are better off if you are on welfare.

Mrs. HUTCHINSON. I think this income disregard was put into law as a requirement as a means of assisting recipients who are moving into the labor market to make that adjustment easier. It was not designed to extend for long period of time.

And that is the reason for our requirement of redetermination every 6 months.

Senator MONDALE. Part of what you say is correct, and my figures are also correct.

We have a situation where people who are depending only on their own income are denied free services when they are earning less than a person on welfare.

This is another notch that creates additional disincentive to employment.

Mrs. HUTCHINSON. This is a transitional stage between receiving assistance dependency and self-support.

The total effect is to help the individual become self-supporting.

Senator MONDALE. Which is why the 4-A program makes so much sense.

But you have reduced the ceiling so low that you are almost forcing people to be on welfare if they want these services.

Secretary WEINBERGER. No, Senator. We don't believe that they will have that result. The services are designed not to be used or enjoyed permanently, but while moving from a welfare status to an employment status.

Senator MONDALE. I have submitted this table for the record.*

Senator ROTH. I have one further question.

*Table appears on pp. 26-29.

In connection with your new procedure in which you attempt merely to avoid refinancing old programs, this has raised some questions with the State people and how you will implement this procedure.

Will you do it program by program?

Secretary WEINBERGER. Mr. Rutledge can indicate to you the outlines of this part of the regulations.

Mr. RUTLEDGE. The maintenance-of-effort provision does not apply to a specific item, but to the overall expenditure level within the public provider agency.

Senator ROTH. What happens if you phase out one program completely or in part and introduce a new program?

Where the State is paying less overall would you try to offset one against the other?

Mr. RUTLEDGE. Well, you could. You are suggesting the situation where an agency stops providing a homemaker service and instead provides child care or something of the sort. As long as the same expenditure level would hold, the maintenance of effort in that year would be satisfied.

Now, it should also be pointed out that starting the following year there will be the opportunity for the State to spend 25 percent less and still claim Federal match.

So it may be that an agency might want to eliminate a program that it no longer needs. If the reduction is no more than 25 percent of the budget of the agency, Federal matching would continue.

Senator ROTH. If I understand you, it is overall maintenance?

Mr. RUTLEDGE. It is overall maintenance. It is not a question of specific programs.

Senator ROTH. Thank you.

Senator MONDALE. Thank you very much.

We stand adjourned.

[Whereupon at 12:45 p.m., the committee was adjourned until the call of the Chair.]

Appendix A

**Committee on Finance Staff Data and Materials on Social Services
Regulations**

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SOCIAL SERVICES REGULATIONS

Legislative Background

Legislation before 1972.—Before 1962, services provided to welfare recipients were subject to the same 50% Federal matching as was available for administrative expenses. In order to encourage States to provide social services designed to prevent and reduce dependency on welfare, the Congress in 1962 enacted legislation increasing the Federal matching for social services to 75% while leaving Federal matching for administrative costs at 50%. No definition of social services was included either in the 1962 bill or in the committee reports on the legislation; defining the scope of services was left to the Secretary of Health, Education, and Welfare and the States. The Social Security Amendments of 1967 broadened the services provisions of the Act, authorized matching for services purchased from non-public organizations, and temporarily (through fiscal year 1969) increased the rate of matching for AFDC services to 85 percent.

Regulations of the Department of Health, Education, and Welfare prior to May 1, 1973 required States to provide child care and other services to enable persons to achieve employment and self-sufficiency, foster care services, services to prevent and reduce births out of wedlock, family planning services, protective services for neglected or abused children, services to help families meet their health needs, and specified services to meet particular needs of families and children. In addition, these regulations permitted 75% Federal matching for any services considered by the State as assisting members of a family "to attain or retain capability for maximum self-support and personal independence."

In 1971 the Congress enacted legislation increasing to 90% the Federal share of services needed in order for an AFDC recipient to participate in the Work Incentive Program.

Rapid rise in Federal funds for social services.—Like Federal matching for welfare payments, Federal matching for social services prior to fiscal year 1973 was mandatory and open-ended. Every dollar a State spent for social services was matched by three Federal dollars. The Secretary, by law, was given specific authority to limit the contracting authority for social services and to limit the extent of services to potential (as opposed to actual) welfare recipients. In both cases, however, he had failed to establish effective limitations. In 1971 and 1972 particularly, States made use of the lack of limits on social services under the Social Security Act and the Act's open-ended 75 percent matching to pay for many programs previously funded entirely by the States or funded under other Federal grant programs at lower than 75 percent matching. (For more information on social service expenditures in 1972, see Appendix C, pages 59 ff.)

The Federal share of social services was about three-quarters of a billion dollars in fiscal year 1971, about \$1.7 billion in 1972, and was projected to reach an estimated \$4.7 billion for fiscal year 1973. Faced with this projection, the Congress enacted a limitation on Federal funding as a provision of the State and Local Fiscal Assistance Act of 1972.

Federal funds for social services limited in 1972.—Under the provision in last year's legislation, Federal matching for social services to the aged, blind and disabled, and those provided under Aid to Families with Dependent Children are subject to a State-by-State dollar limitation, effective beginning fiscal year 1973. Each State is limited to its share of \$2,500,000,000 based on its proportion of population in the United States. Child care services, services provided to a mentally retarded individual, services related to the treatment of drug addicts and alcoholics, and services provided a child in foster care can be provided to persons formerly on welfare or likely to become dependent on welfare as well as present recipients of welfare. At least 90 percent of expenditures for all other social services, however, have to be provided to individuals receiving aid to the aged, blind, or disabled (or, after 1973, supplemental security income) or Aid to Families with Dependent Children. Until a State reaches the limitation on Federal matching, 75 percent Federal matching continues to be applicable for social services as under prior law. Family planning services provided under the medicaid program are not subject to the Federal matching limitation. A special savings clause was included in the Social Security Amendments of 1972 (H.R. 1, Public Law 92-603) to provide about \$20 million in additional Federal funds in seven States (Alaska, Delaware, District of Columbia, Georgia, Illinois, South Carolina, and Washington) whose expenditures during the first quarter of fiscal year 1973 were higher than their first-quarter share of the \$2.5 billion limit.

Services necessary to enable AFDC recipients to participate in the Work Incentive Program are not subject to the limitation described above; they continue as under prior law, with 90 percent Federal matching and with funding of these services limited to the amounts appropriated. Federal matching for emergency social services is at a 50 percent rate.

Under the conference report on the State and Local Fiscal Assistance Act, the Secretary of HEW was directed "to issue regulations prescribing the conditions under which State welfare agencies may purchase services they do not themselves provide."

The Finance Committee report on H.R. 1 directed the Secretary "to issue regulations prescribing the conditions under which State welfare agencies may purchase services they do not themselves provide, and regulations which clearly state that the State matching requirement cannot be met by funds donated by private sources." (p. 484 of report).

Proposed Regulations of the Department of Health, Education, and Welfare

On February 16, 1973, the Department of Health, Education, and Welfare published in the Federal Register a notice of proposed rulemaking with respect to social services for which Federal matching funds are available under the Social Security Act. Some of the major features of the proposed regulations are outlined below.

Eligibility for services.—Social services under the Social Security Act could be provided to cash assistance recipients and to former and potential recipients. The proposed regulations would have defined former and potential much more narrowly than prior regulations. The proposed regulations would have required that all recipients of services have their eligibility determined on an individual basis; prior regulations permitted services to be provided in some circumstances to persons who were eligible on a group basis, for example as residents of a low-income neighborhood. The proposed regulations would also have increased the emphasis on providing services only in accord with an individualized service plan.

Scope of services.—The proposed regulations would have limited Federal matching to a list of 17 defined services, and would have reduced the number of services which States were required to make available.

Purchase of services.—The proposed regulations would have required written agreements subject to HEW approval when services were purchased from sources other than the welfare agency. In addition the proposed regulations would have denied Federal funding for purchased services to the extent that they were previously being funded without Federal participation.

Donated funds.—The proposed regulations would have prohibited any use of donated private funds to meet State matching requirements. Such funds were matchable under prior regulations if they were donated without restriction (except as to the type of service and the community in which they were spent) and if they did not revert to the use of the donating agency.

Final Regulations of the Department of Health, Education, and Welfare

In the Federal Register for May 1, 1973, the Department of Health, Education and Welfare published its final regulations concerning social services under the Social Security Act. (The text of the new regulations is reprinted in this pamphlet as Appendix B.)

Eligibility for services.—Under the new regulations, social services may be provided to cash assistance recipients and to former and potential recipients; however, the definition of former and potential recipients is considerably narrower than under the prior regulations. Services provided to

former recipients must be provided within three months after assistance is terminated (compared with two years under the former regulations). Persons may qualify for services as potential recipients only if they are likely to become recipients within six months and only if they have incomes no larger than 150 percent of the State's cash assistance payment standard. In the case of child care services, potential recipients with incomes above that limit but not more than 233 $\frac{1}{3}$ percent of the cash assistance payment standard may qualify for partially subsidized child care. The regulations do not specify whether these income limits are to be applied to gross income or to net income after deducting work expenses. To be eligible for services, including child care, individuals must also have resources (assets) which are within the limits specified for cash assistance recipients. Under the former regulations services could be made available to individuals likely to become recipients within five years and without any specific income tests. The former regulations also permitted eligibility to be established for some services on a group basis (for example, services could be provided to all residents of a low-income neighborhood). The new regulations do not permit group eligibility but require an individualized eligibility determination for each recipient of services.

Scope of services.—The new regulations limit the type of services which may be provided to 18 specifically defined services and limit to just a few services those which the States are required to provide. By contrast, the former regulations had a fairly extensive list of mandatory services, specifically mentioned a number of optional services, and allowed States to receive Federal matching for other types of services not spelled out in the regulations. Services for mentally retarded persons and for drug addicts and alcoholics are not specifically included in the list of services allowable under the new regulations. However, the regulations do provide that day care services can be made available where appropriate for eligible mentally retarded children and that until December 31, 1973, other types of eligible services may be provided to mentally retarded individuals without regard to the restrictions on the definition of "potential recipient." Medical services (including such services when provided in connection with the rehabilitation of drug addicts and alcoholics) are not eligible for matching under the new regulations except when related to family planning or to medical examinations which are required for admission to child care facilities or for persons caring for children under welfare agency auspices.

Procedural provisions.—The new regulations change a number of the administrative requirements imposed upon the States in connection with services; for example, the requirement of an AFDC advisory committee is dropped and the requirement of recipient participation in the Advisory Committee on Day Care Services is eliminated. Similarly, a fair hearing procedure (as applicable to services) is no longer mandated. New regulations require more frequent review (every 6 months rather than each year) of the effectiveness of services being provided and require that agreements for purchase of services from sources other than the welfare agency be reduced to writing and be subject to HEW approval.

Refinancing of services.—The new regulations would deny Federal matching for services purchased from a public agency other than the welfare agency under an agreement entered into after February 15, 1973 to the extent that the services in question were being provided without Federal matching as of fiscal year 1972. This limitation on refinancing of previously non-Federal services programs will be relaxed under the new regulations over a period of time and will cease to apply starting July 1, 1976.

Donated private funds.—The new regulations leave unchanged the requirements under the former regulations concerning the use of donated private funds as the State's matching share of service costs. In general, these requirements permit the donor to specify the type of service and the community in which it will be provided but not the agency. The new and former regulations both also provide that donated private funds are not matchable if they revert to the donating agency. However, this restriction apparently does not prohibit matching when funds donated by a united fund revert to the use of one of its participating agencies.

Comparison of Major Provisions of Social Services Regulations: Former Regulations, Proposed Regulations (February 1973), and New Regulations (May 1973)

Former regulations	Proposed regulations (February 1973)	New regulations (May 1973)
<p>1. Eligibility for services 1. Recipients of an applicants for cash assistance. Services may be provided to former recipients if they have received aid within the past 2 years; counseling and casework services may be provided to former recipients without regard to the time since they last received aid.</p> <p>Individuals and families may be considered potential recipients if they meet any of these criteria: eligibility for medical assistance as medically needy; likely to become recipients within 5 years; or (in the case of services for families with children) eligibility for cash assistance could be established if the earnings exemption used to determine the amount of AFDC payments were also used to establish initial eligibility for AFDC payments.</p>	<p>1. Same</p> <p>Services may be provided to former recipients only if they received aid within the last 3 months and only to complete the provision of services initiated while they were still recipients (or applicants).</p> <p>Individuals and families may be considered potential recipients only if they are likely to need assistance within 6 months as shown by their meeting all of these criteria: income not more than 33¼ percent above cash assistance payment level in the State; resources (assets) not in excess of requirement imposed on cash assistance recipients; have a specific problem which will result in dependence on cash assistance if not corrected by the provision of the service.</p>	<p>1. Same.</p> <p>Same as proposed regulations.</p> <p>Individuals and families may be considered potential recipients only if they are likely to need assistance within 6 months as shown by their meeting all of these criteria: income not more than 50 percent above cash assistance payment standard in the State; resources (assets) not in excess of requirement imposed on cash assistance recipients; have a specific problem which will result in dependence on cash assistance if not corrected by the provision of the service. (Families with incomes up to 233¼ percent of the AFDC assistance standard could be eligible for partially subsidized child care services.)</p>

Persons living in low-income neighborhoods or other groups which might otherwise include more cash assistance cases may be considered eligible for services provided on a group basis, and information and referral services may be provided to anyone.

No provisions for establishing eligibility on a group basis or for providing information and referral services without regard to eligibility.

No provisions for establishing eligibility on a group basis; information and referral services without regard to eligibility may be provided with respect to employment or training.

2. Determination and re-termination of eligibility

2. No specific provision.....

2. Before services are provided, each family and individual must be determined to be eligible: in the case of current applicants or recipients of financial assistance, by verification with the assistance unit with redeterminations to be made quarterly and within 30 days after the individual ceases to be a current applicant for or recipient of assistance; in the case of potential applicants or recipients, by an examination of evidence showing that the conditions of eligibility are met and the identification of specific problems which require services to prevent dependency on assistance with redeterminations of eligibility to be made every 6 months.

2. Before services are provided, each family and individual must be determined to be eligible: in the case of current applicants or recipients of financial assistance, by verification with the assistance unit with redeterminations to be made every 6 months and within 30 days after the individual ceases to be a current applicant for or recipient of assistance; in the case of potential applicants or recipients, by an examination of evidence showing that the conditions of eligibility are met and the identification of specific problems which require services to prevent dependency on assistance with redeterminations of eligibility to be made every 6 months.

**Comparison of Major Provisions of Social Services Regulations: Former Regulations, Proposed Regulations
(February 1973), and New Regulations (May 1973)—Continued**

Former regulations	Proposed regulations (February 1973)	New regulations (May 1973)
3. Individual service plan....	3. Must be developed and maintained for each family and child who requires services to maintain and strengthen family life, foster child development and achieve permanent and adequately compensated employment. Similar requirements apply to the aged, blind, and disabled. Review of each service plan at least annually is required.	3. Similarly requires an individual service plan for each family and individual needing services and would require a review of such plan at least every 6 months with the review including an evaluation of the need for and effectiveness of the services being provided; also, requires that no services (other than emergency services) be provided unless they are incorporated in the individual plan and related to the goals of self-support or self-sufficiency.
4. Mandatory and optional services for families.	4. Services which States make available to AFDC recipients required to include services to assist all appropriate persons to achieve employment and self-sufficiency, child care services for persons required to accept work or training, foster care services, family planning services, protective services, services related to health needs, and services to meet particular needs of families and children. The particular needs are further identified: obtaining education, overcoming homemaking and housing problems, reuniting families, money management and consumer education,	4. Require States to provide family planning services, foster care services, and protective services. (Note: Child care and other employment services for participants in the work incentive (WIN) program are required by statute and under other sections of HEW regulations not amended by the proposed regulations.)
		3. An individual service plan, as such, is not required, but States are required to have "procedures" and "documentation" to assure that services are provided only to eligible persons and only in connection with the goals of self-support or self-sufficiency. Services provided must be evaluated for effectiveness at least once every 6 months.
		4. Require States to provide family planning services, foster care services, and protective services. (Note: Child care and other employment services for participants in the work incentive (WIN) program are required by statute and under other sections of HEW regulations not amended by the new regulations.)

child rearing, education for family living, and, in appropriate cases, protective and vendor payments and related services.

Under optional provisions, States may provide either the full range of family services or selected services. The full range of family services is defined as services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence. Listed as types of selected services are child care services in addition to those required under the mandatory provisions, emergency assistance services, educational and training services (where the work incentive program has not been initiated or is inadequate to meet the needs of recipients), and legal services.

Listed as optional services are day-care services, educational services (defined as assistance in obtaining education and training which is available at no cost to the agency), employment services other than those in connection with the WIN program (defined as diagnostic assessments and assistance in obtaining training available at no cost to the agency; effective Jan. 1, 1974, such services may not be provided to persons eligible to participate in the work incentive program and living in an area served by that program), health-related services, homemaker services, home management and other functional educational services, housing improvement services, and transportation services. Each of these services is defined.

Listed as optional services are day-care services, educational services (defined as assistance in obtaining education and training which is available at no cost to the agency), employment services other than those in connection with the WIN program (defined as diagnostic assessments and assistance in obtaining training available at no cost to the agency; effective Jan. 1, 1974, such services may not be provided to persons eligible to participate in the work incentive program and living in an area served by that program), health-related services, homemaker services, home management and other functional educational services, housing improvement services, legal services in connection with obtaining or retaining employment and transportation services. Each of these services is defined.

**Comparison of Major Provisions of Social Services Regulations: Former Regulations, Proposed Regulations
(February 1973), and New Regulations (May 1973)—Continued**

Former regulations	Proposed regulations (February 1973)	New regulations (May 1973)
<p>5. Child care provisions.....</p> <p>5. Child care services must be provided to recipients who need such services because they have been enrolled in the work incentive (WIN) program or have otherwise been required to accept employment or training. Child care services may be provided for other purposes. (220.51(c) (1)).</p> <p>Child care provided must be suitable for the individual child, and the caretaker relative must be involved in the selection of the child care source to be used.</p> <p>Progress is required in developing varied child care sources so as to give parents a choice in the care of their children.</p>	<p>5. Child care services are an optional service. (However, they continue to be required for WIN participants under another section of the regulations—220.35.) Child care services may only be provided in the absence of another family member who can provide adequate care, and only for the purpose of enabling caretaker relatives (e.g., the mother) to accept employment or training or to receive needed services.</p> <p>No comparable provisions...</p> <p>No comparable provisions...</p>	<p>5. Child care services are an optional service. (However, they continue to be required for WIN participants under another section of the regulations—220.35.) Child care services may only be provided in the absence of another family member who can provide adequate care, and only for the purpose of enabling caretaker relatives (e.g., the mother) to accept employment or training or because of the death, absence from the home, or incapacity of the mother. Child care may also be provided for eligible children who are mentally retarded.</p> <p>No comparable provisions.</p> <p>No comparable provisions.</p>

In-home child care in the form of homemaker service under agency auspices must meet State agency standards, which must be reasonably in accord with the recommended standards of such organizations as the Child Welfare League of America and the National Council for Homemaker Services. In-home child care provided by friends or relatives must meet State agency standards which include requirements with respect to such factors as the responsible person's age, health, and capacity to provide adequate care, the number of hours of such care per day, the maximum number of children, and the feeding and health care of the children.

Child care services provided in out-of-home day care facilities must meet State licensing standards, conform to the Federal Inter-agency day care requirements, and follow the requirements which are applicable to day care services provided under the child welfare services program.

In-home child care must meet State agency standards which include requirements with respect to certain factors such as the responsible person's age, health, and capacity to provide adequate care, the number of hours of such care per day, the maximum number of children, and the proper feeding and health care of the children.

Day care facilities must meet State licensing requirements.

In-home care must meet State agency standards which include requirements with respect to certain factors such as the responsible person's capacity to provide adequate care, the number of hours of such care per day, the maximum number of children, and the proper feeding and health care of the children.

Day care facilities must meet State licensing requirements and such facilities (and the services provided therein) must comply with standards prescribed by HEW.

**Comparison of Major Provisions of Social Services Regulations: Former Regulations, Proposed Regulations
(February 1973), and New Regulations (May 1973)—Continued**

Former regulations	Proposed regulations (February 1973)	New regulations (May 1973)
<p>6. Types of services for the aged, blind, and disabled.</p>	<p>6. Defined services (State service programs must make available to appropriate applicants at least one of the listed services):</p>	<p>6. Defined services (State service programs must make available to appropriate applicants at least one of the listed services):</p>
<p>Information and referral services.</p>	<p>Protective services (similarly defined).</p>	<p>Protective services (for those who are impaired to the extent of being unable to protect themselves).</p>
<p>Protective services (for those who are impaired to the extent of being unable to protect themselves).</p>		
<p>Services to enable persons to remain in or return to their homes or communities (includes assistance in finding living arrangements and in carrying out necessary health plans).</p>		
<p>Services to meet health needs (includes assistance in obtaining medical care, in arranging transportation to obtain such care, in arranging for care of dependents).</p>	<p>Health-related services (includes assistance in identifying health needs and in securing medical services to meet those needs).</p>	<p>Health-related services (includes assistance in identifying health needs and in securing medical services to meet those needs).</p>
	<p>Transportation services (to enable individuals to get to and from community facilities as a part of their service plan).</p>	<p>Transportation services (to enable individuals to get to and from community facilities for receipt of other services.)</p>
<p>Self-support services for the handicapped.</p>		
<p>Homemaker services (mandatory as of Apr. 1, 1974, and required to meet standards recommended</p>	<p>Homemaker services (provided by a trained and supervised homemaker).</p>	<p>Homemaker services (provided by a trained and supervised homemaker).</p>

by such organizations as the National Council for Homemaker Service).

Special services for the blind (mandatory as of Apr. 1, 1974; includes such services as assistance in obtaining mobility training, arrangements for talking book machines, referring parents of blind children to special counselling, etc.).

Optional services:

Services to improve living arrangements and enhance activities of daily living (including housing improvement and assistance services, services to adults in foster care, day care, chore services, home-delivered meals, companionship services, consumer protection and money management services, and homemaker services).

Services to individuals and groups to improve opportunities for social and community participation (includes assistance in obtaining recreational/educational services, opportunities to serve with various agencies, social group services in such settings as multipurpose senior centers).

Special services for the blind (similarly defined).

Chore services.....
Day care services.....
Foster care services.....
Home delivered or congregate meals.
Home management and other functional educational services.
Housing improvement services.
Family planning services....
Employment services (for the blind and disabled, including help in obtaining vocational training available at no cost to the agency).
Educational services (assistance in obtaining educational training which is available at no cost to the agency).

Special services for the blind (similarly defined).

Chore services.....
Day care services.....
Foster care services.....
Home delivered or congregate meals.
Home management and other functional educational services.
Housing improvement services.
Family planning services....
Employment services (for the blind and disabled, including help in obtaining vocational training available at no cost to the agency).
Educational services (assistance in obtaining educational training which is available at no cost to the agency).

**Comparison of Major Provisions of Social Services Regulations: Former Regulations, Proposed Regulations
(February 1973), and New Regulations (May 1973)—Continued**

Former regulations	Proposed regulations (February 1973)	New regulations (May 1973)
<p>6. Types of services for the aged, blind, and disabled (cont.).</p>	<p>Services to individuals to meet special needs (includes legal services, family planning, services for alcoholics, drug addicts, and mentally retarded, special services for the blind, deaf, and otherwise disabled). Consultant services (assistance of experts in developing individual service plans and agency service programs). Other services (authorizes States to submit other services for approval by the Department of Health, Education, and Welfare).</p>	<p>Legal services in connection with obtaining or retaining employment.</p>
<p>7. Federal financial participation.</p>	<p>7. Permit matching of the costs of subsistence which are essential components of a comprehensive service program of a facility. Permit Federal funding of vocational rehabilitation services under certain conditions.</p>	<p>7. Do not allow matching for "subsistence and other maintenance assistance items, even when such items are components of a comprehensive program of a service facility." No provision.</p>
	<p>Deny Federal funding for construction and major renovation, licensing and the enforcement of license standards, education services normally provided by</p>	<p>Deny Federal funding for construction and major renovation, licensing and the enforcement of license standards, education services except as noted in</p>

8. Purchase of services from other agencies.

8. State plan governing the assistance programs must include a description of the scope and types of services to be obtained by purchase from other agencies (or individuals), and the welfare agency must retain the basic elements of responsibility in connection with purchased services, including the determination of eligibility of individuals for services. Also, the sources from which services are purchased must be licensed or otherwise meet appropriate standards, and the rates of payment determined for the services purchased can not exceed the amounts reasonable and necessary to assure quality of service.

State must develop arrangements for purchased services from a number and variety of sources so as to provide recipients with a choice among different sources.

the regular school system, housing and relocation costs; authorize the Social and Rehabilitation Service of the Department of Health, Education, and Welfare to determine whether matching will be provided for items not specifically mentioned in the regulations as allowable or not allowable.

8. Same.....

No provision.....

items 4 and 6 above, housing and relocation costs; authorize the Social and Rehabilitation Service of the Department of Health, Education, and Welfare to determine whether matching will be provided for items not specifically mentioned in the regulations as allowable or not allowable.

8. Same.

No provision.

**Comparison of Major Provisions of Social Services Regulations: Former Regulations, Proposed Regulations
(February 1973), and New Regulations (May 1973)—Continued**

	Former regulations	Proposed regulations (February 1973)	New regulations (May 1973)
<p>8. Purchase of services from other agencies (cont.).</p>	<p>No provision.....</p>	<p>Welfare agencies have to negotiate written agreements for the purchase of services from other agencies, under requirements to be prescribed by the Social and Rehabilitation Service. The Social and Rehabilitation Service would be authorized to require prior review and approval of these agreements by the SRS regional office. Services which are available without cost may not be obtained by purchase. In addition, if an agency was providing services in the past without benefit of Federal social services funding, it will not be able to receive such funding even if the services it has been providing would have qualified for Federal funding. However, Federal funding can be provided to the extent the agency increases the level of its expenditures for those services.</p>	<p>Welfare agencies have to negotiate written agreements for the purchase of services from other agencies, under requirements to be prescribed by the Social and Rehabilitation Service. The Social and Rehabilitation Service would be authorized to require prior review and approval of these agreements by the SRS regional office. Services which are available without cost may not be obtained by purchase. In addition, if an agency was providing services in the past without benefit of Federal social services funding, it will not be able to receive such funding even if the services it has been providing would have qualified for Federal funding. However, Federal funding can be provided to the extent the agency increases the level of its expenditures for those services. This limitation on refinancing of services previously provided with wholly non-Federal funding is phased out over</p>

9. Federal matching of donated funds.

9. Use of private donated funds as the State's share of the matching requirements is permitted only where the funds are placed under the control of the welfare agency on an unrestricted basis, except that the donor can specify that the funds are to be used for a particular type of service in a particular community (provided that the donor is not the sponsor or operator of the activity being funded). Donated funds may not be considered to meet the State matching requirements if they revert to the donor's facility or use, or if they are earmarked for a particular individual or for members of a particular organization.

9. Provide that donated private funds or in-kind contributions may not be considered as the State share for matching purposes; specifies the requirements for considering public funds as meeting the matching requirements. Includes a restriction against the use, for matching purposes, of Federal funds (unless such use is specifically authorized by Federal law) or of funds which are used to match other Federal funds.

a period of years. After July 1, 1976, the limitation ceases to apply.
9. Essentially the same as former regulations.

TABLE 1.—FEDERAL SHARE OF SOCIAL SERVICES EXPENDITURES

(In thousands of dollars)

State	Fiscal year 1971	Fiscal year 1972	State share of \$2.5 billion	February 1973 estimate for fiscal year 1973
Total¹	746,381	1,684,624	2,500,000	1,996,210
Alabama.....	6,802	11,698	42,140	20,975
Alaska.....	1,865	4,208	3,902	¹ 5,678
Arizona.....	2,830	2,748	23,351	3,126
Arkansas.....	2,003	3,273	23,747	10,500
California.....	210,823	198,627	245,733	245,733
Colorado.....	11,741	18,908	28,298	24,097
Connecticut.....	7,590	9,400	37,002	36,975
Delaware.....	2,844	12,457	6,783	¹ 7,557
District of Columbia.....	7,042	10,479	8,980	8,021
Florida.....	13,128	42,709	87,150	87,127
Georgia.....	12,083	32,415	56,667	¹ 57,524
Hawaii.....	519	848	9,713	6,719
Idaho.....	1,218	1,544	9,076	6,000
Illinois.....	28,276	188,381	135,077	¹ 136,831
Indiana.....	2,516	6,533	63,522	14,775

TABLE 1.—FEDERAL SHARE OF SOCIAL SERVICES EXPENDITURES—Continued

(In thousands of dollars)

State	Fiscal year 1971	Fiscal year 1972	State share of \$2.5 billion	February 1973 estimate for fiscal year 1973
Iowa.....	6,810	9,536	34,613	13,500
Kansas.....	5,879	6,211	27,109	6,946
Kentucky.....	6,394	12,709	39,607	30,024
Louisiana.....	9,296	29,506	44,661	26,109
Maine.....	3,563	6,537	12,354	8,512
Maryland.....	15,096	20,947	48,695	46,512
Massachusetts.....	8,375	23,036	69,477	69,477
Michigan.....	17,621	28,040	109,036	108,500
Minnesota.....	15,402	26,588	46,774	46,774
Mississippi.....	1,098	1,834	27,169	27,100
Missouri.....	11,948	12,839	57,063	16,920
Montana.....	2,115	2,959	8,632	3,270
Nebraska.....	5,809	7,352	18,309	9,537
Nevada.....	1,004	1,616	6,327	1,980
New Hampshire.....	2,050	2,824	9,257	6,504
New Jersey.....	29,958	36,930	88,446	31,968
New Mexico.....	3,826	3,680	12,786	9,060
New York.....	88,627	588,929	220,497	220,497
North Carolina.....	12,819	19,470	62,598	27,236
North Dakota.....	2,465	3,325	7,588	3,957

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Ohio.....	11,079	19,517	129,458	92,050
Oklahoma.....	7,520	14,060	31,623	31,623
Oregon.....	24,271	25,298	26,197	26,196
Pennsylvania.....	36,337	51,294	143,180	92,891
Rhode Island.....	4,388	6,623	11,622	11,622
South Carolina.....	3,592	6,031	31,995	¹ 37,308
South Dakota.....	2,049	2,377	8,152	2,929
Tennessee.....	9,949	13,835	48,395	48,000
Texas.....	12,963	53,501	139,855	103,489
Utah.....	3,123	4,084	13,519	5,250
Vermont.....	1,646	2,434	5,547	5,500
Virginia.....	10,186	16,263	57,195	32,344
Washington.....	31,178	34,309	41,336	¹ 49,937
West Virginia.....	7,911	7,374	21,382	16,035
Wisconsin.....	18,026	37,937	54,266	54,266
Wyoming.....	728	591	4,142	749

¹ The following additional amounts were allowed under sec. 403 of the Social Security Amendments of 1972 on the basis of 1st quarter expenditures: Alaska, \$1,777 thousand; Delaware, \$774 thousand; Georgia, \$857 thousand; Illinois, \$1,754 thousand; South Carolina, \$5,313 thousand; and Washington, \$8,601 thousand.

² For prior fiscal years, the comparable totals were: 1963, \$30,341 thousand; 1964, \$73,249 thousand; 1965, \$113,845 thousand; 1966, \$154,555 thousand; 1967, \$235,528 thousand; 1968, \$287,717 thousand; 1969, \$386,776 thousand; and 1970, \$671,835 thousand.

Source: Department of Health, Education, and Welfare.

TABLE 2.—FEDERAL MATCHING OF DONATED FUNDS FOR SOCIAL SERVICES

[In millions of dollars]

State	Fiscal year 1971	Fiscal year 1972	Fiscal year 1973
Total.....	15.7	73.0	119.4
Alabama.....	0.12	0.18	0.3
Alaska.....			
Arizona.....	.6	1.2	1.2
Arkansas.....	.09	.6	1.2
California.....	1.2	3.0	3.6
Colorado.....		.6	
Connecticut.....			.06
Delaware.....		.002	(1)
District of Columbia.....	.15	.3	(1)
Florida.....	.21	2.1	3.0
Georgia.....	.6	10.2	7.8
Hawaii.....			
Idaho.....			
Illinois.....	.3	19.5	20.7
Indiana.....		.12	.3
Iowa.....	.3	.6	1.2
Kansas.....	.03	.08	.9
Kentucky.....	.09	.24	.6
Louisiana.....		.3	3.3
Maine.....	.9	3.0	2.4
Maryland.....		.075	1.2
Massachusetts.....		.15	3.6
Michigan.....	.21	5.7	22.8
Minnesota.....	1.5	1.5	1.5
Mississippi.....	.06	.21	.9

TABLE 2.—FEDERAL MATCHING OF DONATED FUNDS FOR
SOCIAL SERVICES—Continued

[In millions of dollars]

State	Fiscal year 1971	Fiscal year 1972	Fiscal year 1973
Missouri.....	.09	.3	1.5
Montana.....	.15	.27	.3
Nebraska.....	.03	.6	.9
Nevada.....			.012
New Hampshire.....		.18	1.8
New Jersey.....		1.2	3.9
New Mexico.....		.45	.6
New York.....			4.8
North Carolina.....	.03	.08	.12
North Dakota.....	.002	.018	.9
Ohio.....		1.5	3.6
Oklahoma.....	.12	1.2	.12
Oregon.....	.9	1.8	2.1
Pennsylvania.....	3.6	6.0	6.9
Rhode Island.....	.021	.003	.06
South Carolina.....	.06	.12	.3
South Dakota.....	.002	.003	.06
Tennessee.....	.6	2.4	7.8
Texas.....	1.8	3.3	3.9
Utah.....			
Vermont.....	.09	.3	.3
Virginia.....			.18
Washington.....	.3	.9	1.5
West Virginia.....	(¹)	(¹)	(¹)
Wisconsin.....	1.5	2.7	2.1
Wyoming.....			

¹ No report.

Source: Department of Health, Education, and Welfare.

TABLE 3.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF TWO UNDER HEW REGULATIONS ¹

State	AFDC payment standard (annual)	Limit on family eligibility for—	
		Services other than day care	Day care
Alabama	\$744	\$1,116	\$1,736
Alaska	3,600	5,400	8,400
Arizona	2,160	3,240	5,040
Arkansas	1,788	2,682	4,172
California	2,520	3,780	5,880
Colorado	2,004	3,006	4,676
Connecticut	2,460	3,690	5,740
Delaware	2,172	3,258	5,068
District of Columbia	1,848	2,772	4,312
Florida	1,716	2,574	4,004
Georgia	1,932	2,898	4,508
Hawaii	3,024	4,536	7,056
Idaho	2,472	3,708	5,768
Illinois	2,604	3,906	6,076
Indiana	2,964	4,446	6,916
Iowa	2,232	3,348	5,208
Kansas	2,964	4,446	6,916
Kentucky	1,752	2,628	4,088
Louisiana	756	1,134	1,764
Maine	2,460	3,690	5,740
Maryland	1,572	2,358	3,668
Massachusetts	2,832	4,248	6,608
Michigan	3,132	4,698	7,308
Minnesota	2,904	4,356	6,776
Mississippi	2,460	3,690	5,740
Missouri	2,556	3,834	5,964
Montana	1,584	2,376	3,696
Nebraska	2,604	3,906	6,076
Nevada	1,500	2,250	3,500
New Hampshire	2,652	3,978	6,188

See footnotes at end of table.

TABLE 3.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF TWO UNDER HEW REGULATIONS ¹—Continued

State	AFDC payment standard (annual)	Limit on family eligibility for—	
		Services other than day care	Day care
New Jersey.....	2,568	3,852	5,992
New Mexico.....	1,620	2,430	3,780
New York.....	2,628	3,942	6,132
North Carolina.....	1,512	2,268	3,528
North Dakota.....	2,280	3,420	5,320
Ohio.....	1,680	2,520	3,920
Oklahoma.....	1,464	2,196	3,416
Oregon.....	1,980	2,970	4,620
Pennsylvania.....	2,616	3,924	6,104
Rhode Island.....	2,424	3,636	5,656
South Carolina.....	1,596	2,394	3,724
South Dakota.....	2,508	3,762	5,852
Tennessee.....	1,704	2,556	3,976
Texas.....	1,224	1,836	2,856
Utah.....	1,800	2,700	4,200
Vermont.....	2,940	4,410	6,860
Virginia.....	2,232	3,348	5,208
Washington.....	2,568	3,852	5,992
West Virginia.....	1,164	1,746	2,716
Wisconsin.....	2,940	4,410	6,860
Wyoming.....	1,860	2,790	4,340
Puerto Rico.....	936	1,404	2,184
Virgin Islands.....	1,104	1,656	2,576

¹ Based on July 1972 data, except for West Virginia (July 1971). Individuals must also have resources (assets) which are within the limits specified by the State for cost assistance recipients.

Source: Department of Health, Education, and Welfare.

TABLE 4.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF FOUR UNDER HEW REGULATIONS¹

State	AFDC payment standard (annual)	Limit on family eligibility for—	
		Services other than day care	Day care
Alabama.....	\$1,164	\$1,746	\$2,716
Alaska.....	4,800	7,200	11,200
Arizona.....	3,384	5,070	7,896
Arkansas.....	2,748	4,122	6,412
California.....	3,768	5,682	8,792
Colorado.....	2,904	4,356	6,776
Connecticut.....	4,056	6,084	9,464
Delaware.....	3,444	5,167	8,039
District of Columbia.....	2,868	4,382	6,692
Florida.....	2,676	4,014	6,244
Georgia.....	2,724	4,086	6,356
Hawaii.....	4,008	6,012	9,352
Idaho.....	3,384	5,076	7,896
Illinois.....	3,264	4,896	7,616
Indiana.....	4,356	6,534	10,164
Iowa.....	3,600	5,400	8,400
Kansas.....	3,864	5,796	9,016
Kentucky.....	2,808	4,212	6,552
Louisiana.....	1,296	1,944	3,024
Maine.....	4,188	6,282	9,772
Maryland.....	2,400	3,600	5,600
Massachusetts.....	4,188	6,262	9,772
Michigan.....	4,332	6,498	10,108
Minnesota.....	4,068	6,102	9,492
Mississippi.....	3,324	4,986	7,756
Missouri.....	3,636	5,454	8,484
Montana.....	2,472	3,708	5,768
Nebraska.....	3,684	5,526	8,596
Nevada.....	2,112	3,168	4,928
New Hampshire.....	3,528	5,292	8,232
New Jersey.....	3,888	5,832	9,072
New Mexico.....	2,436	3,654	5,684
New York.....	4,032	6,048	9,408
North Carolina.....	1,906	2,859	4,447
North Dakota.....	3,600	5,400	8,400

See footnotes at end of table.

TABLE 4.—ELIGIBILITY FOR SOCIAL SERVICES FOR A FAMILY OF FOUR UNDER HEW REGULATIONS¹—Continued

State	AFDC payment standard (annual)	Limit on family eligibility for—	
		Services other than day care	Day care
Ohio.....	2,400	3,600	5,600
Oklahoma.....	2,268	3,402	5,292
Oregon.....	3,204	4,806	7,476
Pennsylvania.....	3,756	5,634	8,764
Rhode Island.....	3,156	4,734	7,364
South Carolina.....	2,496	3,744	5,824
South Dakota.....	3,420	5,130	7,980
Tennessee.....	2,604	3,906	6,076
Texas.....	1,776	2,664	4,144
Utah.....	2,820	4,230	6,580
Vermont.....	4,020	6,030	9,380
Virginia.....	3,132	4,698	7,308
Washington.....	3,528	5,292	8,232
West Virginia.....	1,656	2,484	5,796
Wisconsin.....	3,624	5,436	8,456
Wyoming.....	3,120	4,680	7,279
Puerto Rico.....	1,584	2,376	3,696
Virgin Islands.....	1,992	2,988	4,648

¹ Based on July 1972 data, except for West Virginia (July 1971). Individuals must also have resources (assets) which are within the limits specified by the State for cash assistance recipients.

Source: Department of Health, Education, and Welfare.

APPENDIX A

Excerpt from the Social Security Act Limiting Federal Funds for Social Services

EXCERPT FROM THE SOCIAL SECURITY ACT

* * * * *

LIMITATION ON FUNDS FOR CERTAIN SOCIAL SERVICES

SEC. 1130. (a) Notwithstanding the provisions of section 3(a) (4) and (5), 403(a)(3), 1003(a) (3) and (4), 1403(a) (3) and (4), or 1603(a) (4) and (5), amounts payable for any fiscal year (commencing with the fiscal year beginning July 1, 1972) under such section (as determined without regard to this section) to any State with respect to expenditures made after June 30, 1972, for services referred to in such section (other than the services provided pursuant to section 402(a)(19)(G)), shall be reduced by such amounts as may be necessary to assure that—

(1) the total amount paid to such State (under all of such sections) for such fiscal year for such services does not exceed the allotment of such State (as determined under subsection (b)); and

(2) of the amounts paid (under all of such sections) to such State for such fiscal year with respect to such expenditures, other than expenditures for—

(A) services provided to meet the needs of a child for personal care, protection and supervision but only in the case of a child where the provision of such services is needed (i) in order to enable a member of such child's family to accept or continue in employment or to participate in training to prepare such member for employment or (ii) because of the death, continued absence from the home, or incapacity of the child's mother and the inability of any member of such child's family to provide adequate care and supervision for such child;

(B) family planning services;

(C) services provided to a mentally retarded individual (whether a child or an adult), but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual by reason of his condition of being mentally retarded;

(D) services provided to an individual who is a drug addict or an alcoholic, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual as part of a program of active treatment of his condition as a drug addict or an alcoholic; and

(E) services provided to a child who is under foster care in a foster family home (as defined in section 408) or in a child-care institution (as defined in such section), or while awaiting placement in such a home or institution, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such child because he is under foster care, not more than 10 per centum thereof are paid with respect to expenditures incurred in providing services to individuals who are not recipients of aid or assistance (under State plans approved under titles I, X, XIV, XVI, or part A of title IV), or applicants (as defined under regulations of the Secretary) for such aid or assistance.

(b)(1) For each fiscal year (commencing with the fiscal year beginning July 1, 1972) the Secretary shall allot to each State an amount which bears the same ratio to \$2,500,000,000 as the population of such State bears to the population of all the States.

(2) The allotment for each State shall be promulgated for each fiscal year by the Secretary between July 1 and August 31 of the calendar year immediately preceding such fiscal year on the basis of the population of each State and of all of the States as determined from the most recent satisfactory data available from the Department of Commerce at such time; except that the allotment for each State for the fiscal year beginning July 1, 1972, and the following fiscal year shall be promulgated at the earliest practicable date after the enactment of this section but not later than January 1, 1973.

(c) For purposes of this section, the term "State" means any one of the fifty States or the District of Columbia.

* * * * *

APPENDIX B

HEW Regulations on Social Services
(Printed in the Federal Register of May 1, 1973)

INDEX OF SOCIAL SERVICES REGULATIONS*

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Part 221—Service Programs for Families and Children and for Aged, Blind, or Disabled Individuals: Titles I, IV (Parts A and B), X, XIV, and XVI of the Social Security Act *

Subpart A—Requirements for Service Programs

Sec.

- 221. 0 Scope of programs.
- 221. 1 General.
- 221. 2 Organization and administration.
- 221. 3 Relationship to and use of other agencies.
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- 221. 5 Statutory requirements for services.
- 221. 6 Services to additional families and individuals.
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Subpart B—Federal Financial Participation

Titles I, IV-A, X, XIV, and XVI

- 221. 51 General.
- 221. 52 Expenditures for which Federal financial participation is available.
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- 221. 55 Limitations on total amount of Federal funds payable to States for services.
- 221. 56 Rates and amounts of Federal financial participation for Puerto Rico, the Virgin Islands, and Guam.

Titles I, IV-A, IV-B, X, XIV, and XVI

- 221. 61 Public sources of State's share.
- 221. 62 Private sources of State's share.

AUTHORITY: Section 1102, 49 Stat. 647 (42 U.S.C. 1302).

*Footnotes are not part of the printed regulations.

§ 221.0 *Scope of programs*

- 1 (a) Federal financial participation is available for expenditures under the State plan approved under titles I, IV-A, IV-B, X, XIV, or XVI of the Act with respect to the administration of service programs under the State plan. The service programs under these titles are hereinafter referred to as: Family Services (title IV-A), WIN Support Services (title IV-A), Child Welfare Services (title IV-B), and Adult Services (titles I, X, XIV, and XVI). Expenditures subject to Federal financial participation are those made for services provided to families, children, and individuals who have been determined to be eligible, and for related expenditures, which are found by the Secretary to be necessary for the proper and efficient administration of the State plan.
- 2 (b) The basic rate of Federal financial participation for Family Services and Adult Services under this part is 75 percent provided that the State plan meets all the applicable requirements of this part and is approved by the Social and Rehabilitation Service. Under title IV-A, effective July 1, 1972, the rates are 50 percent for emergency assistance in the form of services, and 90 percent for WIN Support Services, and effective January 1, 1973, the rate is 90 percent for the offering, arranging, and furnishing, directly or on a contract basis, of family planning services and supplies.
- 3 (c) Total Federal financial participation for Family Services and Adult Services provided by the 50 States and the District of Columbia may not exceed \$2,500 million for any fiscal year, allotted to the States on the basis of their population. No more than 10 percent of the Federal funds payable to a State under its allotment may be paid with respect to its service expenditures for individuals who are not current applicants for or recipients of financial assistance under the State's approved plans, except for services in certain exempt classifications.
- 4 (d) Rates and amounts of Federal financial participation for Puerto Rico, Guam, and the Virgin Islands are subject to different rules.

Subpart A—Requirements for Service Programs

§ 221.1 *General.*

- 5 The State plan with respect to programs of Family Services, WIN Support Services, Child Welfare Services, and Adult Services must contain provisions committing the State to meet the requirements of this subpart.

§ 221.2 *Organization and administration.*

(a) *Single organizational unit.*

(1) There must be a single organizational unit, within the single State agency, at the State level and also at the local level, which is responsible for the furnishing of services by agency staff under title IV, parts A and B. Responsibility for furnishing specific services also furnished to recipients under other public assistance plans (e.g., homemaker service) may be located elsewhere within the agency, *Provided*, that this does not tend to create differences in the quality of services for AFDC and CWS cases. (This requirement does not apply to States where the title IV-A and title IV-B programs were administered by separate agencies on January 2, 1968.) 6

(2) Such unit must be under the direction of its chief officer who, at the State level, is not the head of the State agency. 7

(b) *Advisory committee on day-care services.* An advisory committee on day-care services for children must be established at the State level to advise the State agency on the general policy involved in the provision of day-care services under the title IV-A and title IV-B programs. The committee shall include among its members representatives of other State agencies concerned with day care or services related thereto and persons representative of professional or civic or other public or nonprofit private agencies, organizations or groups concerned with the provision of day care.¹ 8

(c) *Grievance system.* There must be a system through which recipients may present grievances about the operation of the service program.² 9

(d) *Program implementation.* The State plan must provide for State level service staff to carry responsibility for: 10

(1) Planning the content of the service programs, and establishing and interpreting service policies; 11

(2) Program supervision of local agencies to assure that they are meeting plan requirements and State policies, and that funds are being appropriately and effectively used; and 12

¹ Former regulations required (sec. 220.4) advisory committees on overall AFDC program in addition to committees on child care aspects of AFDC. Both committees were required to include recipients or their representatives as members. AFDC advisory committees were also required at the local level in States with local administration of the program.

² In addition to the grievance system, former regulations required (secs. 220.11, 222.9) a fair hearing procedure through which agency decisions with respect to services could be appealed.

- 13 (3) Monitoring and evaluation of the services programs.
- 14 (c) *Provision of service.* The State plan must specify how the services will be provided and, in the case of provision by other public agencies, identify the agency and the service to be provided.
- § 221.3 *Relationship to and use of other agencies.*
- 15 There must be maximum utilization of and coordination with other public and voluntary agencies providing similar or related services which are available without additional cost.
- § 221.4 *Freedom to accept services.*
- 16 Families and individuals must be free to accept or reject services. Acceptance of a service shall not be a prerequisite for the receipt of any other services or aid under the plan, except for the conditions related to the Work Incentive Program or other work program under an approved State plan.
- § 221.5 *Statutory requirements for services.*³
- 17 (a) In order to carry out the statutory requirements under the Act with respect to Family Services and Adult Services programs, and in order to be eligible for 75 percent Federal financial participation in the costs of providing services, including the determination of eligibility for services, the State must, under the Family Services program, provide to appropriate members of the AFDC assistance unit the mandatory services and those optional services the State elects to include in the State plan, and must under the Adult Services program, provide to appropriate applicants for or recipients of financial assistance under the State plan at least one of the defined services which the State elects to include in the State plan.
- 18 (b)(1) For the Family Services program, the mandatory services are family planning services, foster-care services for children, and protective services for children. The optional services are day-care services for children, educational services, employment services (non-WIN), health-related services, homemaker services, home management and other functional educational services, housing improvement services, legal services and transportation services.
- 19 (2) For the Adult Services program, the defined services are chore services, day-care services for adults, educational serv-

³ Former regulations required (secs. 222.40-222.50) a number of services as a condition of providing 75 percent Federal matching (rather than 50 percent) for any services to the aged, blind, and disabled and authorized (secs. 222.56-222.61) several other services. See item 6 in the tabular comparison on pp. 12 ff. Under AFDC, the former regulations required (secs. 220.15-220.24) a number of other mandatory services, and authorized as optional (sec. 220.51) "the full range of family services." See item 4 in the tabular comparison on pp. 8 and 9.

ices, employment services, family planning services, foster-care services for adults, health-related services, home delivered or congregate meals, homemaker services, home management and other functional educational services, housing improvement services, legal services, protective services for adults, special services for the blind, and transportation services.

§ 221.6 *Services to additional families and individuals.*⁴

(a) If a State elects to provide services for additional groups of families or individuals, the State plan must identify such groups and specify the services to be made available to each group. 20

(b) If a service is not included for recipients of financial assistance under the State plan, it may not be included for any other group. 21

(c) The State may elect to provide services to all or to reasonably classified subgroups of the following: 22

(1) Families and children who are current applicants for financial assistance under title IV-A. 23

(2) Families and individuals who have been applicants for or recipients of financial assistance under the State plan within the previous 3 months, but only to the extent necessary to complete provision of services initiated before withdrawal or denial of the application or termination of financial assistance. 24

(3) Families and individuals who are likely to become applicants for or recipients of financial assistance under the State plan within 6 months, i.e., those who: 25

(i)(A) With respect to title IV-A, (1) do not have income exceeding 150 percent of the State's financial assistance payment standard; or (2) with respect to eligibility for day-care services for children, do not have income exceeding the maximum allowable under the State's schedule of fees to be paid for such services by otherwise eligible families, as contained in the State's approved plan; or 26

⁴ Former regulations (secs. 220.61(b), 222.86) permitted matching of casework or counselling services for any former recipients and of other services for those who had been recipients within the past two years.

Former regulations (secs. 220.52(a)(3), 222.55(a)(2)) also permitted matching for services to persons likely to become assistance recipients within five years or meeting certain other criteria such as residence in a low-income neighborhood. No provision was made for an income or resources limitation, as such, nor for partial subsidization of child care services.

- 27 (B) With respect to title I, X, XIV, or XVI, do not have income exceeding 150 percent of the combined total of the Supplementary Security Income benefit level provided for under title XVI of the Act (as amended by P.L. 92-603) and the State supplementary benefit level (if any); and
- 28 (ii) Do not have resources that exceed permissible levels for such financial assistance under the State plan or under the amended title XVI, if applicable; and
- 29 (iii)(A) In the case of eligibility, under title IV-A, have a specific problem or problems which are susceptible to correction or amelioration through provision of services and which will lead to dependence on financial assistance under title IV-A within 6 months if not corrected or ameliorated; or
- 30 (B) In the case of eligibility under title I, X, XIV, or XVI, have a specific problem or problems which are susceptible to correction or amelioration through provisions of services and which will lead to dependence on financial assistance under such title, or medical assistance, within 6 months if not corrected or ameliorated; and who are
- 31 (J) At least 64 $\frac{1}{4}$ years of age for linkage to title I, or title XVI with respect to the aged;
- 32 (2) Experiencing serious, progressive deterioration of sight that, as substantiated by medical opinion, is likely to reach the level of the State agency's definition of blindness within 6 months, for linkage to title X, or title XVI with respect to the blind; or
- 33 (3) According to licensed physician's opinion as approved by the State agency, experiencing a physical or mental condition which is likely to result within 6 months in permanent and total disability, for linkage to title XIV, or title XVI with respect to the disabled.
- 34 (iv) Notwithstanding the provisions of this subparagraph (3) or § 221.7 (b)(1), an eligible mentally retarded individual may for the period July 1, 1973, through December 31, 1973, be considered by the State as eligible for services for so much of such period as the mentally retarded individual continues to meet the eligibility requirements of § 222.55(a)(2) of this chapter, as previously in effect. "Mentally retarded individual" means an individual, not psychotic, who, according to a licensed physician's opinion, is so mentally retarded from infancy or before reaching 18 years of age that he is incapable of managing himself and his affairs independently, with ordinary prudence, or of being taught to do so, and who requires supervision, control, and care, for his own welfare, or for the welfare of others, or for the welfare of the community.

(v) Notwithstanding the provisions of this subparagraph (3), or § 221.7(b)(1), children of migrant workers may be considered by the State to be eligible for day-care services through December 31, 1973, on the basis of the provisions of part 220 as previously in effect. 35

(4) Aged, blind, or disabled persons who are likely to become applicants for or recipients of financial assistance under the State plan within 6 months as evidenced by the fact that they are currently eligible for medical assistance as medically needy individuals under the State's title XIX plan. 36

§ 221.7 Determination and redetermination of eligibility for services.⁵

(a) The State agency must make a determination that each family and individual is eligible for Family Services or Adult Services prior to the provision of services under the State plan. 37

(1) In the case of current applicants for or recipients of financial assistance under the State plan, this determination must take the form of verification by the organizational unit responsible for the furnishing of services with the organizational unit responsible for determination of eligibility for financial assistance that the family or individual has submitted an application for assistance which has not been withdrawn or denied or that the family or individual is currently receiving financial assistance. This verification must identify each individual whose needs are taken into account in the application or the determination of the amount of financial assistance. 38

(2) In the case of families or individuals who are found eligible for services on the basis that they are likely to become applicants for or recipients of financial assistance under the State plan, this determination must be based on evidence that the conditions of eligibility have been met, and must identify the specific problems which, if not corrected or ameliorated, will lead to dependence on such financial assistance. 39

(b) The State agency must make a redetermination of eligibility of each family and individual receiving services as follows: 40

(1) Within 3 months of the effective date of this regulation for all families and individuals receiving services initiated prior to that date. 41

⁵The former regulations did not specify procedures or time periods for determining and redetermining the eligibility of individuals for assistance.

42 (2) Every 6 months for families and individuals whose eligibility is based on their status as current applicants for or recipients of financial assistance. (This redetermination may be accomplished by comparison of financial assistance rolls or eligibility listings with service eligibility listings.)

43 (3) Within 30 days of the date that the status of the family or individual as a current applicant for or recipient of financial assistance is terminated, in order to determine the need for continuation of services initiated prior to such change in status.

44 (4) Within 6 months of the date of the original determination of eligibility and of any subsequent redetermination of eligibility for families and individuals whose eligibility is based on the determination that they are likely to become applicants for or recipients of financial assistance.

§ 221.8 *Program control and coordination.*⁶

45 The State agency must establish procedures and maintain documentation (including the aggregation and assimilation of data) to substantiate that Federal financial participation under the State's Family Services or Adult Services program is claimed only for services which:

46 (a) Support attainment of the following goals:

47 (1) *Self-support goal:* To achieve and maintain the feasible level of employment and economic self-sufficiency. (Not applicable to the aged under the Adult Services program.)

48 (2) *Self-sufficiency goal:* In the case of applicants for or recipients of assistance under the blind, aged, disabled and family programs, to achieve and maintain personal independence and self-determination.

49 (b) Are provided to recipients who have been determined and redetermined to be eligible in accordance with the applicable provisions.

50 (c) Are evaluated at least once every 6 months to assure their effectiveness in helping a family or individual to achieve the goal toward which services are directed.

51 (d) Are not available without cost to the State agency.

⁶ Former regulations (secs. 220.16, 222.22) required the development of individual service plans with a review of such plans to be made at least once a year. The former regulations did not include the requirement that services must serve either a self-support or a self-sufficiency goal.

§ 221.9 *Definitions of services.*

(a) This section contains definitions of all mandatory and optional services under the Family Services program and the defined services under the Adult Services program (see § 221.5 and § 221.6). 52

(b)(1) *Chore services.* This means the performance of household tasks, essential shopping, simple household repairs, and other light work necessary to enable an individual to remain in his own home when he is unable to perform such tasks himself and they do not require the services of a trained homemaker or other specialist. 53

(2) *Day care services for adults.* This means personal care during the day in a protective setting approved by the State or local agency. 54

(3) *Day care services for children.* This means care of a child for a portion of the day, but less than 24 hours, in his own home by a responsible person, or outside his home in a day care facility. Such care must be for the purpose of enabling the caretaker relatives to participate in employment or training, or because of the death, continued absence from the home, or incapacity of the child's mother and the inability of any member of such child's family to provide adequate and necessary care and supervision for such child. Day care may also be provided, when appropriate, for eligible children who are mentally retarded.⁷ 55

In-home care must meet State agency standards that, as a minimum, include requirements with respect to: the responsible person's capacity and available time to properly care for children; minimum and maximum hours to be allowed per 24-hour day for such care; maximum number of children that may be cared for in the home at any one time; and proper feeding and health care of the children. Day care facilities used for the care of children must be licensed by the State or approved as meeting the standards for such licensing and day care facilities and services must comply with such standards as may be prescribed by the Secretary.⁸ 56

(4) *Educational services.* This means helping individuals to secure educational training most appropriate to their capac-

⁷ The former regulations did not similarly limit the purposes for which child care could be provided.

⁸ The former regulations (220.18(c)) required that in-home care in the form of homemaker services generally meet the recommended standards of such organizations as the Child Welfare League and that care in day care facilities comply with the Federal Interagency Day Care Requirements.

ities, from available community resources at no cost to the agency.⁹

57 (5) *Employment services (non-WIN under title IV-A and for the blind or disabled)*. This means enabling appropriate individuals to secure paid employment or training leading to such employment, through vocational, educational, social, and psychological diagnostic assessments to determine potential for job training or employment; and through helping them to obtain vocational education or training at no cost to the agency.

58 (6) *Family planning services*. (i) For Family Services this means social, educational, and medical services to enable appropriate individuals (including minors who can be considered to be sexually active) to limit voluntarily the family size or space the children, and to prevent or reduce the incidence of births out of wedlock. Such services include printed materials, group discussions and individual interviews which provide information about and discussion of family planning; medical contraceptive services and supplies; and help in utilizing medical and educational resources available in the community. Such services must be offered and be provided promptly (directly or under arrangements with others) to all eligible individuals voluntarily requesting them.

59 (ii) For Adult Services this means social and educational services, and help in securing medical services, to enable individuals to limit voluntarily the family size or space the children, and to prevent or reduce the incidence of births out of wedlock. Such services include printed materials, group discussions, individual interviews which provide information about and discussion of family planning, and help in utilizing medical and educational resources available in the community.

60 (7) *Foster care services for adults*. This means placement of an individual in a substitute home which is suitable to his needs, supervision of such home, and periodic review of the placement, at least annually, to determine its continued appropriateness. Foster care services do not include activities of the home in providing care or supervision of the individual during the period of his placement in the home.

⁹ The former regulations (sec. 220.22(a)) required services to "assist children to obtain education in accordance with their capacities."

(8) *Foster care services for children.* This means placement of a child in a foster family home, or appropriate group care facility (i) as a result of a judicial determination to the effect that continuation of care in the child's own home would be contrary to the welfare of such child, and (ii) at the option of the State, at the request of the legal guardian; services needed by such child while awaiting placement; supervision of the care of such child in foster care and of the foster care home or facility, to assure appropriate care; counseling with the parent or other responsible relative to improve home conditions and enable such child to return to his own home or the home of another relative, as soon as feasible; and periodic review of the placement, at least annually, to determine its continuing appropriateness. Foster care services do not include activities of the foster care home or facility in providing care or supervision of the child during the period of placement of the child in the home or facility. A foster care home or facility used for care of children must be licensed by the State in which it is situated or have been approved, by the agency of such State responsible for licensing home or facilities of this type, as meeting the standards established for such licensing. 61

(9) *Health-related services.* This means helping individuals and families to identify health needs and to secure needed health services available under Medicaid, Medicare, maternal and child health programs, handicapped children's programs or other agency health services programs and from other public or private agencies or providers of health services; planning, as appropriate, with the individual and health providers to help assure continuity of treatment and carrying out of health recommendations; and helping such individual to secure admission to medical institutions and other health related facilities. 62

(10) *Home delivered or congregate meals.* This means the preparation and delivery of hot meals to an individual in his home or in a central dining facility as necessary to prevent institutionalization or malnutrition. 63

(11) *Homemaker services.* (i) For Family Services this means care of individuals in their own homes, and helping individual caretaker relatives to achieve adequate household and family management, through the services of a trained and supervised homemaker. 64

- 65 (ii) For Adult Services this means care of individuals in
 their own homes, and helping individuals in maintaining,
 strengthening, and safeguarding their functioning in the home
 through the services of a trained and supervised homemaker.
- 66 (12) *Home management and other functional educational services.*
 This means formal or informal instruction and training in
 management of household budgets, maintenance and care of
 the home, preparation of food, nutrition, consumer education,
 child rearing, and health maintenance.
- 67 (13) *Housing improvement services.* This means helping families
 and individuals to obtain or retain adequate housing. Housing
 and relocation costs, including construction, renovation or
 repair, moving of families or individuals, rent, deposits, and
 home purchase, may not be claimed as service costs.
- 68 (14) *Legal services.* This means the services of a lawyer in
 solving legal problems of eligible individuals to the extent
 necessary to obtain or retain employment. This excludes all
 other legal services, including fee generating cases, criminal
 cases, class actions, community organization, lobbying, and
 political action.¹⁰
- 69 (15) *Protective services for adults.* This means identifying and
 helping to correct hazardous living conditions or situations of
 an individual who is unable to protect or care for himself.
- 70 (16) *Protective services for children.* This means responding to
 instances, and substantiating the evidence, of neglect, abuse,
 or exploitation of a child; helping parents recognize the causes
 thereof and strengthening (through arrangement of one or
 more of the services included in the State plan) parental
 ability to provide acceptable care; or, if that is not possible,
 bringing the situation to the attention of appropriate courts or
 law enforcement agencies, and furnishing relevant data.
- 71 (17) *Special services for the blind.* This means helping to allevi-
 ate the handicapping effects of blindness through: training in
 mobility, personal care, home management, and communica-
 tion skills; special aids and appliances; special counseling for
 caretakers of blind children and adults; and help in securing
 talking-book machines.
- 72 (18) *Transportation services.* This means transportation neces-
 sary to travel to and from community facilities or resources for
 receipt of mandatory or optional services.

¹⁰ Under the former regulations (secs. 220.51(c)(4)) legal services were authorized "for families desiring the help of lawyers with their legal problems."

§ 221.30 *Purchase of services.*¹¹

(a) A State plan under title I, IV-A, X, XIV, or XVI of the Act, which authorizes the provision of services by purchase from other State or local public agencies, from nonprofit or proprietary private agencies or organizations, or from individuals, must with respect to services which are purchased: 73

(1) Include a description of the scope and types of services which may be purchased under the State plan; 74

(2) Provide that the State or local agency will negotiate a written purchase of services agreement with each public or private agency or organization in accordance with requirements prescribed by SRS. Effective upon issuance of this regulation, all new agreements for purchased services must meet the requirements of this paragraph; existing agreements must meet the requirements by 7-1-73. A written agreement or written instructions which meet the requirements of this paragraph must also be executed or issued by the single State or local agency where services are provided under the plan directly by the State or local agency in respect to activities added by reorganization of administrative structure, redesignation of the State or local agency, or otherwise, occurring after February 15, 1973, or are provided by any public agency as to which a waiver of the single State agency requirement pursuant to section 204 of the Intergovernmental Cooperation Act is granted after February 15, 1973. These written purchase of service agreements and other written agreements or instructions are subject to prior review and approval by the SRS Regional Office to the extent prescribed in, and in accordance with, instructions issued by SRS; 75

(3) Provide that services will be purchased only if such services are not available without cost; 76

(4) Provide that purchase of services from individuals will be documented as to type, cost, and quantity. If an individual acts as an agent for other providers, he must enter into a formal purchase of services agreement with the State or local agency in accordance with paragraph (a)(2) of this section; 77

¹¹ The former regulations (secs. 226.1-226.2) did not require purchase agreements to be in written form; the former regulations also included a requirement not in the new regulations that States develop purchase arrangements "with a number and variety of agencies" to enable recipients to have a "choice with regard to the source of purchased services."

- 78 (5) Provide that overall planning for purchase of services, and monitoring and evaluation of purchased services, must be done directly by staff of the State or local agency;
- 79 (6) Provide that the State or local agency will determine the eligibility of individuals for services and will authorize the types of services to be provided to each individual and specify the duration of the provision of such services to each individual;
- 80 (7) Assure that the sources from which services are purchased are licensed or otherwise meet State and Federal standards;
- 81 (8)(i) Provide for the establishment of rates of payment for such services which do not exceed the amounts reasonable and necessary to assure quality of service, and in the case of services purchased from other public agencies, are in accordance with the cost reasonably assignable to such services;
- 82 (ii) Describe the methods used in establishing and maintaining such rates; and
- 83 (iii) Indicate that information to support such rates of payment will be maintained in accessible form; and
- 84 (9) Provide that, where payment for services is made to the recipient for payment to the vendor, the State or local agency will specify to the recipient the type, cost, quantity, and the vendor of the service, and the agency will establish procedures to insure proper delivery of the service to, and payment by, the recipient.
- 85 (b) In the case of services provided, by purchase, as emergency assistance to needy families with children under title IV-A, the State plan may provide for an exception from the requirements in paragraph (a) (2), (4), (7), and (8) of this section, but only to the extent and for the period necessary to deal with the emergency situation.
- 86 (c) All other requirements governing the State plan are applicable to the purchase of services, including;
- 87 (1) General provisions such as those relating to single State agency, grievances, safeguarding of information, civil rights, and financial control and reporting requirements; and
- 88 (2) Specific provisions as to the programs of services such as those on required services, maximum utilization of other agencies providing services, and relating services to defined goals.

Subpart B—Federal Financial Participation
Titles I, IV-A, X, XIV, and XVI

§ 221.51 General.

Federal financial participation is available for expenditures under the State plan which are: 89

(a) Found by the Secretary to be necessary for the proper and efficient administration of the State plan; 90

(b)(1) For services under the State plan provided, under the procedures for program control and coordination specified in this part, to families and individuals included under the State plan who have been determined (and redetermined) to be eligible pursuant to the provisions of this part; 91

(2) For other activities which are essential to the management and support of such services; 92

(3) For emergency assistance in the form of services to needy families with children (see § 233.120 of this chapter); and 93

(c) Identified and allocated in accordance with SRS instructions and OMB Circular A-87. 94

§ 221.52 Expenditures for which Federal financial participation is available.

Federal financial participation is available in expenditures for: 95

(a) Salary, fringe benefits, and travel costs of staff engaged in carrying out service work or service-related work; 96

(b) Costs of related expenses, such as equipment, furniture, supplies, communications, and office space; 97

(c) Costs of services purchased in accordance with this part; 98

(d) Costs of State advisory committees on day-care services for children, including expenses of members in attending meetings, supportive staff, and other technical assistance; 99

(e) Costs of agency staff attendance at meetings pertinent to the development or implementation of Federal and State service policies and programs; 100

(f) Cost to the agency for the use of volunteers; 101

(g) Costs of operation of agency facilities used solely for the provision of services, except that appropriate distribution of costs is necessary when other agencies also use such facilities in carrying out their functions, as might be the case in comprehensive neighborhood service centers; 102

- 103 (h) Costs of administrative support activities furnished by other public agencies or other units within the single State agency which are allocated to the service programs in accordance with an approved cost allocation plan or an approved indirect cost rate as provided in OMB Circular A-87;
- 104 (i) With prior approval by SRS, costs of technical assistance, surveys, and studies, performed by other public agencies, private organizations, or individuals to assist the agency in developing, planning, monitoring, and evaluating the services program when such assistance is not available without cost;
- 105 (j) Costs of emergency assistance in the form of services under title IV-A;
- 106 (k) Costs incurred on behalf of an individual under title I, X, XIV, or XVI for securing guardianship or commitment;
- 107 (l) Costs of public liability and other insurance protection;
- 108 (m) Costs of provision of information about and referral to appropriate community resources for purposes of assisting an individual in securing employment or training or information about employment or training, without regard to eligibility for assistance or other service;¹³ and
- 109 (n) Other costs, upon approval by SRS.
- § 221.53 *Expenditures for which Federal financial participation is not available.*¹³
- 110 Federal financial participation is not available under this part in expenditures for:
- 111 (a) Carrying out any assistance payments functions, including the assistance payments share of costs of planning and implementing the separation of services from assistance payments;
- 112 (b) Activities which are not related to services provided by agency staff or volunteers, by arrangements with other agencies, organizations, or individuals, at no cost to the service program, or by purchase;
- 113 (c) Purchased services which are not secured in accordance with this part;
- 114 (d) Construction and major renovations;
- 115 (e) Vendor payments for foster care (they are assistance payments);

¹³ The former regulations (secs. 220.61(b)(2), 222.86(b)) permitted Federal matching for any type of information and referral services.

¹³ The former regulations did not include a comparable listing of expenditures for which Federal funding would not be available. Some of the prohibited items were apparently matchable under the former regulations such as certain educational programs and some medical services to drug addicts and alcoholics.

(f) Issuance of licenses or the enforcement of licensing standards;	116
(g) Education programs and educational services except those defined in § 221.9 (b)(4) and (5);	117
(h) Housing and relocation costs, including construction, renovation or repair, moving of families or individuals, rent, deposits, and home purchase;	118
(i) Medical, mental health, or remedial care or services, except when they are:	119
(1) Part of the family planning services under title IV-A, including medical services or supplies for family planning purposes; or	120
(2) Medical examinations which are required for admission to child-care facilities or for persons caring for children under agency auspices, and then, only to the extent that the examination is not available under Medicaid or not otherwise available without cost.	121
(j) Subsistence and other maintenance assistance items.	122
(k) Costs of day care services for children of families having incomes in excess of 233½ percent of the State's financial assistance payment standard;	123
(l) Transportation which is provided under the State's Title XIX plan;	124
(m) Effective January 1, 1974, costs of employment services (non-WIN) under title IV-A provided to persons who are eligible to participate in WIN under Title IV-C of the Act, unless the WIN program has not been initiated in the local jurisdiction; and	125
(n) Other costs not approved by SRS.	126
§ 221.54 <i>Rates and amounts of Federal financial participation.</i>	
(a) Federal financial participation is available at the 75 percent rate for service costs identified in § 221.52: <i>Provided</i> , The State plan is approved as meeting the requirements of subpart A of this part under this provision:	127
(1) Federal financial participation at the 75 percent rate includes:	128
(i) Salary, fringe benefits and travel costs of service workers and their supervisors giving full time to services and for staff entirely engaged (either at the State or local level) in developing, planning, and evaluating services;	129
(ii) Salary costs of service-related staff, such as supervisors, clerks, secretaries, and stenographers, which represent that portion of the time spent in supporting full-time service staff; and	130

- 131 (iii) All indirect costs which have been allocated in accordance with an approved cost allocation plan and with the requirements of OMB Circular A-87.
- 132 (2) Federal financial participation at the 50 percent rate is available for:
- 133 (i) Salary, fringe benefits, and travel cost of workers carrying responsibility for both services and assistance payments functions and supervisory costs related to such workers;
- 134 (ii) Salary costs of related staff such as administrators, supervisors, clerks, secretaries, and stenographers, which represent that portion of the time spent in supporting staff carrying responsibility for both services and assistance payments functions; and
- 135 (iii) All indirect costs which have been allocated in accordance with an approved cost allocation plan and with the requirements of OMB Circular A-87.
- 136 (b) Federal financial participation for purchased services:
- 137 (1) Federal financial participation is available at the 75-percent rate in expenditures for purchase of service under the State plan to the extent that payment for purchased services is in accordance with rates of payment established by the State which do not exceed the amounts reasonable and necessary to assure quality of service and, in the case of services purchased from other public agencies, the cost reasonably assignable to such services, provided the services are purchased in accordance with the requirements of this part.
- 138 (2) Services which may be purchased with Federal financial participation are those for which Federal financial participation is otherwise available under Title I, IV-A, X, XIV, or XVI of the Act and which are included under the approved State plan, except as limited by the provisions of paragraph (b)(3) of this section.
- 139 (3)(i) Effective March 1, 1973 through June 30, 1973, Federal financial participation is available for a new purchase of services from another public agency only for services beyond those represented by fiscal year 1972 expenditures of the provider agency (or its predecessors) for the type of service and the type of persons covered by the agreement. A new purchase of service from another public agency is any purchase of services other than a purchase for the type of service and the type of persons covered by an agreement that was validly subject to Federal financial participation under title I, IV-A, X, XIV, or XVI prior to February 16, 1973.¹⁴

¹⁴ The former regulations included no comparable limitations on the extent to which Federal matching could be provided for purchased services previously furnished with no Federal funding.

(ii) Effective July 1, 1973, subject to the conditions in subdivision (i) of this subparagraph (3), Federal financial participation is available for a new purchase of service as follows: 140

(A) July 1, 1973-June 30, 1974—only for services beyond those represented by 75 percent of fiscal year 1973 expenditures. 141

(B) July 1, 1974-June 30, 1975—only for services beyond those represented by 50 percent of fiscal year 1973 expenditures. 142

(C) July 1, 1975-June 30, 1976—only for services beyond those represented by 25 percent of fiscal year 1973 expenditures. 143

(4) The provisions of paragraph (b)(3) of this section also apply to services provided, directly or through purchase, by: 144

(i) Any public agency as to which a waiver of the single State agency requirement pursuant to section 204 of the Intergovernmental Cooperation Act is granted after February 15, 1973, or 145

(ii) The State or local agency, as to activities added by reorganization of administrative structure, redesignation of the State or local agency, or otherwise, occurring after February 15, 1973. 146

§ 221.55 *Limitations on total amount of Federal funds payable to States for services.*¹⁵

(a) The amount of Federal funds payable to the 50 States and the District of Columbia under titles I, IV-A, X, XIV, and XVI for any fiscal year (commencing with the fiscal year beginning July 1, 1972) with respect to expenditures made after June 30, 1972 (see paragraph (b) of this section), for services (other than WIN Support Services, and emergency assistance in the form of services, under title IV-A) is subject to the following limitations: 147

(1) The total amount of Federal funds paid to the State under all of the titles for any fiscal year with respect to expenditures made for such services shall not exceed the State's allotment, as determined under paragraph (c) of this section; and 148

(2) The amounts of Federal funds paid to the State under all of the titles for any fiscal year with respect to expenditures made for such services shall not exceed the limits pertaining to the types of individuals served, as specified under paragraph (d) of this section. 149

¹⁵ This section implements the limitation on Federal funding of social services which was enacted in 1972 as a part of P.L. 92-512 (The State and Local Fiscal Assistance Act; see pp. 31-32 of this pamphlet).

150 Notwithstanding the provisions of paragraphs (c)(1) and (d)
of this section, a State's allotment for the fiscal year com-
mencing July 1, 1972, shall consist of the sum of:

151 (i) An amount not to exceed \$50 million payable to the
State with respect to the total expenditures incurred, for the
calendar quarter beginning July 1, 1972, for matchable
costs of services of the type to which the allotment provisions
apply, and

152 (ii) An amount equal to three-fourths of the State's allot-
ment as determined in accordance with paragraphs (c) (1)
and (d) of this section.

However, no State's allotment for such fiscal year shall be
less than it would otherwise be under the provisions of para-
graphs (c) (1) and (d) of this section.

153 (b) For purposes of this section, expenditures for services
are ordinarily considered to be incurred on the date on which
the cash transactions occur or the date to which allocated in
accordance with OMB Circular A-87 and cost allocation
procedures prescribed by SRS. In the case of local administra-
tion, the date of expenditure by the local agency governs.
In the case of purchase of services from another public agency,
the date of expenditure by such other public agency governs.
Different rules may be applied with respect to a State, either
generally or for particular classes of expenditures, only upon
justification by the State to the Administrator and approval
by him. In reviewing State requests for approval, the Ad-
ministrator will consider generally applicable State law,
consistency of State practice, particularly in relation to periods
prior to July 1, 1972, and other factors relevant to the purposes
of this section.

154 (c)(1) For each fiscal year (commencing with the fiscal year
beginning on July 1, 1972) each State shall be allotted an
amount which bears the same ratio to \$2,500 million as the
population of such State bears to the population of all the
States.

155 (2) The allotment for each State will be promulgated for
each fiscal year by the Secretary between July 1 and August 31
of the calendar year immediately preceding such fiscal year on
the basis of the population of each State and of all of the States
as determined from the most recent satisfactory data available
from the Department of Commerce at such time.

156 (d) Not more than 10 percent of the Federal funds shall be
paid with respect to expenditures in providing services to indi-

viduals (eligible for services) who are not recipients of aid or assistance under State plans approved under such titles, or applicants for such aid or assistance, except that this limitation does not apply to the following services provided to eligible persons:

(1) Services provided to meet the needs of a child for personal care, protection, and supervision (as defined under day care services for children) but only in the case of a child where the provision of such services is necessary in order to enable a member of such child's family to accept or continue in employment or to participate in training to prepare such member for employment, or because of the death, continued absence from the home, or incapacity of the child's mother and the inability of any member of such child's family to provide adequate and necessary care and supervision for such child; 157

(2) Family planning services; 158

(3) Any services included in the approved State plan that are provided to an individual diagnosed as mentally retarded by a State mental retardation clinic or other agency or organization recognized by the State agency as competent to make such diagnoses, or by a licensed physician, but only if such services are needed for such individual by reason of his condition of being mentally retarded; 159

(4) Any services included in the approved State plan provided to an individual who has been certified as a drug addict by the director of a drug abuse treatment program licensed by the State, or to an individual who has been diagnosed by a licensed physician as an alcoholic or drug addict, but only if such services are needed by such individual as part of a program of active treatment of his condition as a drug addict or an alcoholic; and 160

(5) Foster care services for children when needed by a child because he is placed in foster care, or awaiting placement. 161

§ 221.56 Rates and amounts of Federal financial participation for Puerto Rico, the Virgin Islands, and Guam.

(a) For Puerto Rico, the Virgin Islands, and Guam, the basic rate for Federal financial participation for Family Services and WIN Support Services under title IV-A is 60 percent. However, effective July 1, 1972, the rate is 50 percent for emergency assistance in the form of services. 162

(b) For family planning services and for WIN Support Services, the total amount of Federal funds that may be paid for any fiscal year shall not exceed \$2 million for Puerto Rico, \$65,000 for the Virgin Islands, and \$90,000 for Guam. Other services are subject to the overall payment limitations 163

for financial assistance and services under titles I, IV-A, X, XIV, and XVI, as specified in section 1108(a) of the Social Security Act.

- 164 (c) The rates and amounts of Federal financial participation set forth in § 221.54 (a) and (b) apply to Puerto Rico, the Virgin Islands, and Guam, except that the 60 percent rate of Federal financial participation is substituted as may be appropriate. The limitation in Federal payments in § 221.55 does not apply.

Titles I, IV-A, IV-B, X, XIV, and XVI

§ 221.61 *Public sources of State's share.*¹⁶

- 165 (a) Public Funds, other than those derived from private resources, used by the State or local agency for its services programs may be considered as the State's share in claiming Federal reimbursement where such funds are:
- 166 (1) Appropriated directly to the State or local agency; or
- 167 (2) Funds of another public agency which are:
- 168 (i) Transferred to the State or local agency and are under its administrative control; or
- 169 (ii) Certified by the contributing public agency as representing current expenditures for services to persons eligible under the State agency's services programs, subject to all other limitations of this part.
- 170 Funds from another public agency may be used to purchase services from the contributing public agency, in accordance with the regulations in this part on purchase of services.
- 171 (b) Public funds used by the State or local agency for its services programs may not be considered as the State's share in claiming Federal reimbursement where such funds are:
- 172 (1) Federal funds, unless authorized by Federal law to be used to match other Federal funds;
- 173 (2) Used to match other Federal funds; or
- 174 (3) Used to purchase services which are available without cost. In respect to purchase of services from another public agency, see also § 221.54(b) with respect to rates and amounts of Federal financial participation.

¹⁶ There is no comparable section in the former regulations.

§ 221.62 *Private sources of State's share.*¹⁷

- | | |
|--|-----|
| (a) Donated private funds for services may be considered as State funds in claiming Federal reimbursement where such funds are: | 175 |
| (1) Transferred to the State or local agency and under its administrative control; and | 176 |
| (2) Donated on an unrestricted basis (except that funds donated to support a particular kind of activity, e.g., day care services, homemaker services, or to support a particular kind of activity in a named community, are acceptable provided the donating organization is not a sponsor or operator of the type of activity being funded). | 177 |
| (b) Donated private funds for services may not be considered as State funds in claiming Federal reimbursement where such funds are: | 178 |
| (1) Contributed funds which revert to the donor's facility or use. | 179 |
| (2) Donated funds which are earmarked for a particular individual or to a particular organization or members thereof. | 180 |
- Effective date.*—The regulation in this part shall be effective on July 1, 1973.

* * * * *

¹⁷ This section is essentially the same as the former regulations except that the new regulations prohibit matching of funds donated by any sponsor or operator of the type of activity being funded while in the former regulations the prohibition was against matching funds donated by the sponsor or operator of the activity being funded. Both new and old regulations forbid the reversion of donated funds to the use of the donating agency.

Selected Provisions of Former Regulations Deleted as of May 1, 1973

NOTE: No comparable provisions appear in the new regulations for the following sections of the former regulations which were deleted. Some of these provisions may be duplicated in other parts of HEW regulations.

Sections 220.1 and 222.20 required a commitment on the part of the States to "progress in the extension and improvement of services."

Sections 220.3, 220.5, 220.6, 220.7, 220.9, and 220.10 established requirements with respect to the staffing of State welfare agency social services programs under AFDC including requirements with respect to the use of professionals, subprofessionals, and volunteers. (Similar sections were also eliminated from the regulations with respect to services programs for the aged, blind and disabled.)

Sections 220.45 and 222.50 required welfare agency participation in community affairs in order to develop community resources to provide services.

Section 220.48 implemented the statutory requirement that welfare agencies have a program for establishing paternity and securing parental support for children on welfare.

Section 220.63 authorized expenditures jointly benefiting the AFDC Services Program and the Child Welfare Services Program to be funded under AFDC if at least 85 percent of the children served are AFDC children.

Sections 222.5, 222.6, 222.26, and 222.28 established requirements under the service programs for the aged, blind, and disabled with respect to the availability of services and public information about them including a requirement for foreign language materials and staff in appropriate areas.

APPENDIX C

**Excerpts From Study "Cost Analysis of Social Services, Fiscal Year
1972," Prepared for the Department of Health, Education,
and Welfare by Touche Ross and Co.**

SUMMARY

During recent years the size of the nation's public social service programs has grown at an ever faster rate. In FY 1972 the growth in expenditures reached alarming proportions, causing Congress in October 1972 to enact limitations on Federal funding for these programs.

Prior to Congressional action, the Community Services Administration (CSA) of the Social and Rehabilitation Service (SRS) had recognized that detailed expenditure information for FY 1972 was needed for improved program and financial management to assure that future social service dollars spent would accomplish program goals efficiently and effectively.

Project purpose and scope

Accordingly, CSA engaged Touche Ross & Co. to perform a cost analysis of social services for FY 1972 which would update a similar project completed for FY 1971. The primary purpose of the project was to analyze and explain the nature and extent of changes in social services expenditures between FY 1971 and FY 1972.

While the FY 1971 study was conducted through on-site visits of 30 large local welfare agencies (representing 38% of national social service expenditures) over a period of several months, the update project involved only brief visits during a six week period to the offices of the ten state welfare agencies which had experienced the largest dollar increase in FY 1972. The ten states were New York, Illinois, Texas, California, Florida, Wisconsin, Pennsylvania, Georgia, Michigan, and Washington. Together they accounted for 84% of the increase in expenditures and 74% of the total expenditures incurred in FY 1972. During the visits overall expenditure information and detailed purchased service expenditure data was obtained in these states. This information was augmented by data obtained through a telephone and mail survey of ten additional states which represented 14% of total FY 1972 social services expenditures. Other necessary data needed to complete the total FY 1972 picture was obtained from SRS expenditure reports and data that had been gathered during the FY 1971 cost analysis.

The social service programs covered by this update project included:

- Services to families and children receiving Aid to Families with Dependent Children (AFDC) under Title IVA of the Social Security Act, including WIN supportive services and child care;

- Services to recipients of Old Age Assistance (OAA), Aid to the Blind (AB), and Aid to the Permanently and Totally Disabled (APTD) under Titles I, X, XIV, and XVI, referred to as the "adult" titles in this report;
- Child welfare services under Title IVB.

For the public assistance titles (Title IVA and the Adult titles), expenditures included in the analysis were those that had been claimed by the States on quarterly reports OA 41.7 and CSA-9 (WIN child care) and recognized by SRS for Federal matching purposes for the fiscal year ending June 30, 1972. Pending retroactive claims were not included.

Overall Results

During FY 1972 social services expenditures under the Social Security Act experienced the largest single increase ever to occur. Federal, state, and local expenditures under the Adult titles and Title IVA more than doubled from the prior year to over \$2.2 billion, an increase of 127% over FY 1971 levels. This amount was over 20 times the \$100 million reported as social services in 1964, the first full year of the program.

Federal funding as the principal source of these expenditures increased 135% from \$692 million in FY 1971 to \$1,624 million in FY 1972, a jump of \$932 million. Title IVB child welfare services, over 90% of which are funded by state and local sources, declined by \$65 million.

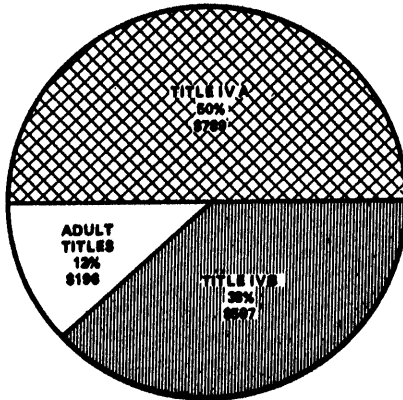
Figure 1 graphically illustrates both the increase and distribution by program category of expenditures funded from all sources, Federal, State and local. Title IVA expenditures of \$789 million made up 50% of all public social services costs in FY 1971. In FY 1972 Title IVA expenditures increased 123% to \$1,762 millions, becoming 64% of total service expenditures. Social service expenditures under the adult titles increased 143% from \$196 million in FY 1971 to \$477 million in FY 1972, rising from 12% to 17% of total public social service expenditures.

Expenditures by social service

The FY 1972 study identified these social services expenditures to 25 service classifications. Figure 2 shows that expenditures in six classifications accounted for 65% of all Title IVA expenditures. Five classifications accounted for 74% of the total amount under the Adult titles. This marked clustering of expenditures into a relatively small number of classifications repeated a similar finding in the FY 1971 study.

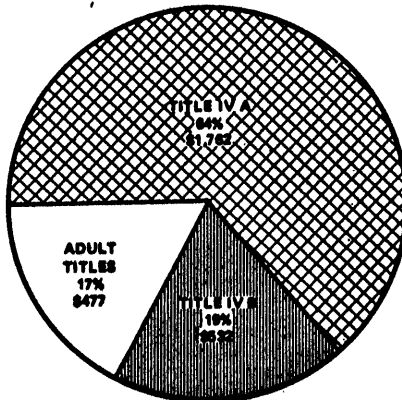
FIGURE 1
NATIONAL PUBLIC SOCIAL SERVICES EXPENDITURES
PUBLIC ASSISTANCE AND CHILD WELFARE TITLES
(Dollars in Millions)

FY 1971



Total Expenditures: \$1,582
Title IVA and adult titles combined: \$ 985

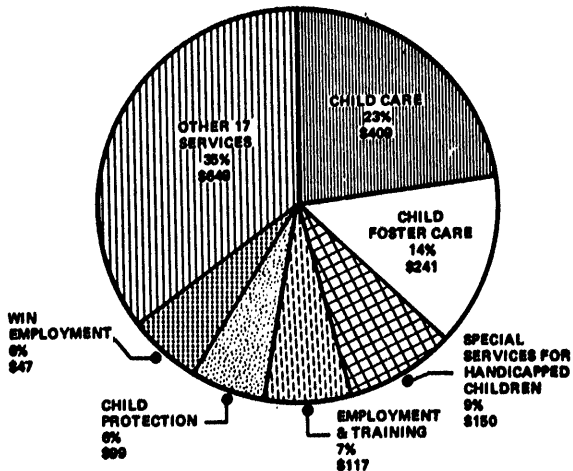
FY 1972



Total Expenditures: \$2,771
Title IVA and adult titles combined: \$2,239

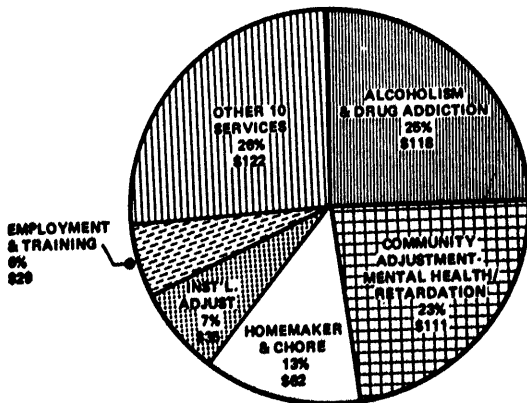
FIGURE 2
NATIONAL PUBLIC ASSISTANCE SOCIAL SERVICES EXPENDITURES
BY MAJOR SERVICE CLASSIFICATION
FY 1972
(Dollars in Millions)

Title IVA



Total Expenditures: \$1,762

Adult Titles



Total Expenditures: \$477

As Figure 2 indicates, the service with the largest amount of expenditures in FY 1972 was Title IVA child care (day care). During the year, \$409 million was spent for this service which was 23% of all Title IVA expenditures. Child care was also the service classification with the largest amount of expenditures in FY 1971 at \$233 million. In FY 1971, child care expenditures consisted primarily of public welfare agency staff time to arrange for care plus the vendor payments (including WIN child care) made to providers. While these types of activities and payments increased substantially in FY 1972, a significant portion of the overall increase also resulted from the initiation of purchased day care from local school districts in two states and a state education department in one other.

Figure 2 also shows that child foster care expenditures of \$241 million was the second largest service under Title IVA. Expenditures for this service more than doubled from the FY 1971 amount of \$110 million. In FY 1971, this amount was almost solely the costs of foster care workers and related overhead. The two factors that caused the \$241 million increase were that a few states began considering a portion of foster care payments as social services, and child welfare worker costs continued to be shifted to Title IVA in order to claim the favorable 75% Federal matching.

The third largest service, special services for handicapped children, did not exist in FY 1971. During FY 1972 certain state public welfare agencies began purchasing this service from state education departments. This situation primarily occurred in two states and totalled \$150 million.

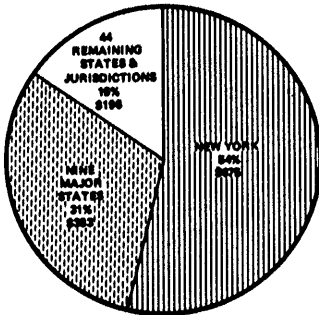
Two classifications accounted for 48% of total services expenditures under the Adult titles. Alcoholism and drug addiction treatment and prevention services expenditures of \$118 million made up 25% of the total. This amount was ten times the FY 1971 level. The \$111 million expended for community adjustment - mental health/retardation services represented 23% of the total. This amount was 25 times the sum expended for this service in the prior year. In both cases the significant jump was primarily due to the increase in the public welfare agency purchase of these services from other units of state government.

Geographic concentration of expenditure increases

One of the most important findings of this study is that the expenditure increase was highly concentrated in just a few states. One state (New York) accounted for 54% of the national increase with the next nine states making up another 31%. The remaining 44 states and jurisdictions accounted for the last 15% (See Figure 3).

FIGURE 3
ADULT TITLES AND TITLE IVA COMBINED
EXPENDITURE CHANGES FY 1971-72
(Dollars in Millions)

INCREASED EXPENDITURES BY STATE



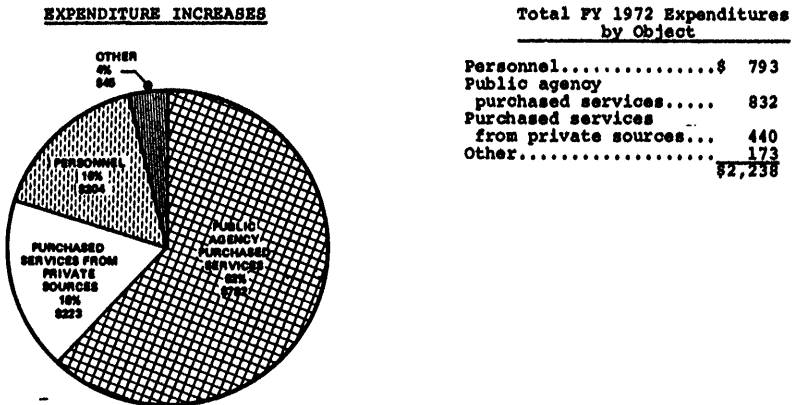
Total Increased Expenditures: \$1,254

These increases resulted in a greater concentration of social service expenditures than existed in FY 1971. At that time the 10 major states including New York accounted for only 60% of public assistance social service expenditures. In FY 1972 these same states accounted for 74% of the total even though they only contained about one-half of the nation's population and approximately 55% of its public assistance recipients. Within the 10 states the concentration was further emphasized with New York, California, and Illinois accounting for 55% of the expenditures while having only 32% of the nation's welfare recipients and one-fourth of the population. Therefore, it would be misleading to interpret overall results as representing a uniform, nationwide increase in public assistance programs.

Analysis by object of expenditure

When expenditures were examined by object of expenditure (1), we found that 80% of the increase was caused by an almost four-fold rise in purchased services. Over three-quarters of this increase was due to the jump in services purchased from other state and local government units. Specifically, Figure 4 shows that \$782 million of the total increase of \$1,254 millions was spent for public agency services, purchased primarily from state education departments, state departments of mental health and retardation, state corrections agencies, and state departments for narcotic and alcoholism control. Total public agency purchased services increased approximately 17 times over FY 1971 levels to \$832 million in FY 1972.

FIGURE 4
ADULT TITLES AND TITLE IVA COMBINED
INCREASED EXPENDITURES BY OBJECT OF EXPENDITURE, FY 1971-72
(Dollars in Millions)



Total Increased Expenditures: \$1,254

(1) "Object" refers to expenditures for personnel, purchased services, and other items. Personnel costs consisted of salary and fringe benefit costs of social service and administrative personnel. Purchased services consisted of direct payments for child care, homemaker services, employment and training services, etc. to private sources or to other public agencies. Other expenditures consisted of agency office occupancy costs, travel, telephone, data processing, office supplies, etc.

Figure 4 also shows that the second largest increase occurred in expenditures for services purchased from private sources. This made up 18% of the total increase. Purchased services from private sources generally consisted of services provided by local voluntary or community organizations or by individuals providing services such as child care. These expenditures doubled to \$440 million in FY 1972, an increase of \$223 million over FY 1971.

The remainder of the increases shown on Figure 4 were for personnel and "other" costs. During the year personnel costs rose by \$204 million and accounted for 16% of the total increase. The remaining 4% of the total increase was due to the \$45 million rise in "other" costs. Taken together both personnel and other costs increased 35% over FY 1971 levels.

Public Agency Purchased Services

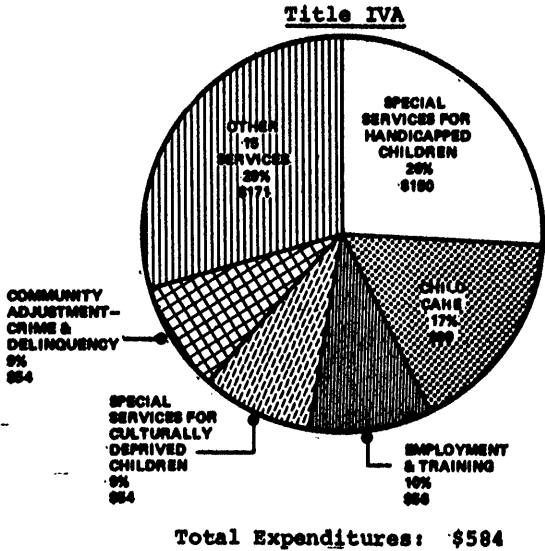
Because public agency purchased services made up the overwhelming portion of the total rise in expenditures, we obtained detailed data from the 10 states visited to determine the types of services purchased and the agencies providing the services.

Figure 5 shows that under Title IVA, the \$150 million spent for special services for handicapped children was the largest area of expenditures for services purchased from other public agencies. Child care was second at \$99 million. Under the Adult titles, all but 15% of the expenditures went for two services: alcoholism and drug addiction services at \$106 million, and community adjustment-mental health/retardation services, \$104 million.

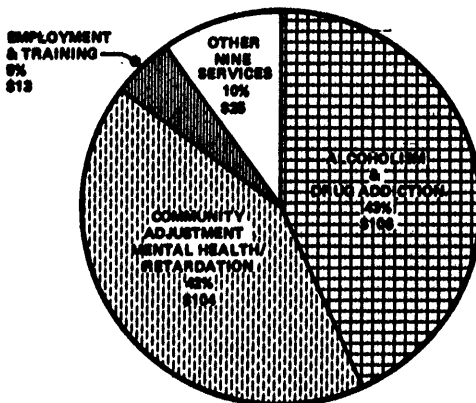
During our visits we also obtained data about the type of public agency providing the above services. Since these 10 states accounted for more than 95% of national public agency purchased services, our findings are equivalent to national results. In these 10 states, Figure 6 shows that 48% of public agency purchased services under Title IVA were obtained from state education departments, 13% from state corrections departments, and 9% from state mental health/retardation agencies. For public agency purchased services under the adult titles, 52% originated with state mental health/retardation agencies and 35% with state agencies for narcotic and alcoholism control.

While reviewing the purchased services programs during our state visits, it became apparent that most of these services had been provided as state funded and operated programs prior to their "purchase" by the public welfare agency. We found little evidence to conclude that the purchased services represented increased services or new service programs. For example:

FIGURE 5
NATIONAL PUBLIC AGENCY PURCHASED SERVICES EXPENDITURES
BY MAJOR SOCIAL SERVICE
FY 1972
(Dollars in Millions)



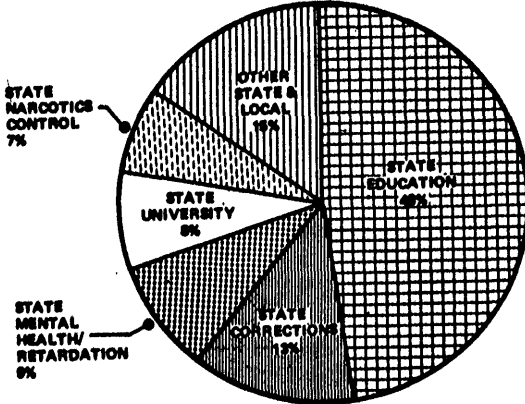
Adult Titles



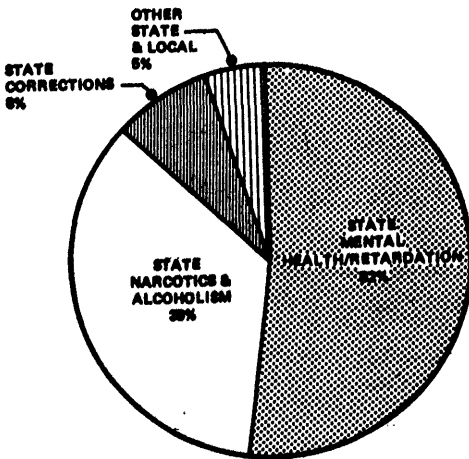
Total Expenditures: \$248

**FIGURE 6
PUBLIC AGENCY PURCHASED SERVICES
EXPENDITURES BY TYPE OF PUBLIC AGENCY-10 MAJOR STATES ONLY
FY 1972**

Title IVA



Adult Titles



- Several of the states visited did not have on-going systems of accumulating expenditures for eligible recipients at the time authorized services were provided. Most of the expenditures included in this report were identified for Federal matching after the actual service expenditure had taken place.
- Federal financing through purchased services was apparently considered by the states as another form of Federal aid. The general operating budget of one major state referred to anticipated Federal funding yet mentioned nothing about increased programs made possible by the funds.

In all fairness, state public welfare officials by and large did not attempt to portray the public agency purchased services arrangements as new or expanded programs. They argued, however, that without the influx of Federal social services funds, many of these programs would not have been able to continue or expand in future years. Since FY 1972 was the first year of social services funding, the starting point had to be current state/local programs. In future years program expansion could be demonstrated.

Another important finding is that when the effect of these public purchased expenditures is eliminated, the composition of services associated with the remaining expenditures did not materially change from FY 1971 despite the tremendous increases that occurred.

In accumulating the expenditures for the 20 applicable service classifications by the three natural groupings designated as child-related services⁽¹⁾, employment and child care services⁽²⁾, and general family and adult services⁽³⁾, we found a slight increase in expenditure emphasis for child-related services which rose from 27% in FY 1971 to 31% of total expenditures excluding public agency purchases. Employment and child care remained essentially the same at 34% in FY 1972 as compared with 35% in FY 1971. General family and adult services went from 38% to 35%.

Purchased Services from Private Sources

The substantial rise in public agency purchased services overshadowed the near doubling of expenditures for purchased services from private sources which made up 18% of the total increase. Under Title IVA, private purchased services increased from \$199 million in FY 1971 to \$386 million in FY 1972, an increase of \$187 million. Nearly half of this increase was for child care which went from \$148 million in FY 1971 to \$238 million in FY 1972. This was 62% of the \$386 million spent in FY 1972. Two new services under Title IVA

-
- (1) Child foster care, child protection, adoption services, services to unmarried mothers, and child rearing and delinquency prevention.
 - (2) Child care, WIN employment and training, Non-WIN employment and training.
 - (3) All other service classifications (See glossary).

became significant in FY 1972; purchased child foster care services, and community adjustment-mental health/retardation. The purchased child foster care represented the service components of foster payments to private agencies and institutions, while the community adjustment service represented the purchases of community based programs of day treatment (not child care) for mentally retarded children. Both were found in only a few states.

Under the adult titles, there were no new purchased services from private sources of any dollar significance although expenditures rose from \$18 million in FY 1971 to \$54 million in FY 1972. Purchased homemaker and chore services doubled to \$33 million in FY 1972 which accounted for half of the increase.

Personnel and other costs

The 35% increase in personnel and "other" costs (See Figure 4) mentioned previously was due more to reporting and Federal claiming inconsistencies between FY 1971 and 1972 than to actual increases in the numbers of social services staff. We were able to determine that 50-75% of the increase under Title IV was probably due to funding shifts associated with claiming, for the first time, former state and locally funded child welfare staffs and previously un-separated social services personnel at the 75% matching rate. This finding was confirmed during the field visits associated with both the FY 1971 and FY 1972 studies where we found only modest actual increases in staff.

In the adult titles, actual social services staff has apparently stayed the same or declined from FY 1971 levels.

Child Welfare Services

In contrast to the public assistance titles, expenditures for child welfare services under Title IVB decreased 11% (\$65 million) in FY 1972 to \$532 million (See Figure 1). This reduction had no effect on Federal funding as the amount was fixed at \$46 million annually; the remainder was funded by state and local sources. Our analysis of state accounting and claiming practices indicates that this decrease in expenditures did not appear to represent a decline in the level of services; in fact, there was a probable increase.

Because of the unfavorable Federal matching under Title IVB as compared to similar 75% matched programs under Title IVA, states over the last few years have transferred the costs of child welfare staff and programs to Title IVA in order to receive more Federal funds. In FY 1972, this trend continued. We estimate that between \$65 to \$80 million of FY 1971 Title IVB staff and other costs were

claimed under Title IVA in FY 1972, along with \$35 to \$50 million of purchased services. The reason that the total decline in expenditures for child welfare services was only \$65 million is because some states with Title IVB programs increased their expenditures to partially offset the \$100 to \$130 million in shifts to Title IVA. This means that there was an increase in child welfare services provided.

GLOSSARYSocial Service Definitions (In alphabetical order)

1. Adoption - Activities directed toward placement and supervision of a child with an adoptive family, including selection of adoptive homes (home finding).
2. Adult and Family Functioning - Services primarily to persons living at home focused on problems of marital relationships, reuniting parents, adult social and community participation, adult isolation and companionship, maintaining family relationships, and other personal problems. Included here are both agency-run and purchased senior citizens center services.
3. Adult Home and Community Living Arrangements - Services primarily provided by public social service agency personnel to arrange and supervise placement of adults in boarding or foster homes; or, services to assist adults to return from boarding or institutional care to more independent living arrangements.
4. Adult Protective Services - Services directed towards assisting seriously impaired adults who are unable to manage their own resources, carry out activities of daily living, or protect themselves from neglect or hazardous situations. Services end when the service is no longer needed or when arrangements to move the individual to a more protected care setting have been made.
5. Alcoholism and Drug Addiction - Services directed toward alcoholics and drug addicts for the prevention, treatment, and reduction of their addiction. Preventive services include special purpose programs provided by mental health or narcotic control public agencies. Purchased services also include payments for clinical treatment.
6. Child Care - Services to refer and arrange for care of children during part of the day for purposes of parental employment and other reasons, excluding homemaker arrangements. Purchased services consist of payments to day care facilities or to individuals for either in-home or family day care.
7. Child Foster Care - Services provided for placement and fulltime maintenance of a child out of his home including working with natural parents and foster parents, selection and supervision of foster homes, and home finding.
8. Child Protection - Services for a child living at home who is reported or determined to be physically and/or emotionally neglected, abused, or exploited. Services end when no longer needed or when the child is removed from his home.

9. Child Rearing and Delinquency Prevention - Services to children and parents in their own home primarily focused on problems of child rearing, school adjustment, parent/child relationships, and child behavior problems including delinquency. Purchased services include public agency directed programs in teen centers, supervised recreation, etc. in neighborhoods of high delinquency rates.
10. Community Adjustment - Crime and Delinquency - Purchased services from state and local correctional agencies to assist parolees or probationers to remain in the home and community, or to assist individuals in correctional facilities to plan and prepare for return to home and community.
11. Community Adjustment - Mental Health/Mental Retardation - Purchased services provided by community mental health centers, outpatient departments of state mental institutions, or state mental institutions to help mentally ill or retarded persons to remain in the home and community, or to assist individuals in mental institutions to plan and prepare for return to home and community.
12. Consumer Education and Money Management - Services providing informal or formal education, information, and counseling directed toward purchase and use of economic goods and services and the management of personal financial resources.
13. Employment and Training (Non-WIN) - Activities directed toward preparation for employment, education, vocational training, and job placement for non-WIN clients including the handicapped, but excluding child care arrangements. Purchased services include vocational education or training programs, client training and work related expenses including transportation, and costs of required medical examinations.
14. Family Planning - Services to inform families or individuals about family planning and to assist them to limit family size or space additional children, if they so choose. Purchased services consist of educational programs, medical services, and counseling services.
15. General Information and Referral - Information and referral activities about agency or community resources provided to individuals where the contact is mainly informational and does not lead to an assessment of service needs and development of a service plan.
16. Health Access - Services to help locate and secure health care resources for the general physical or mental health of the client excluding long-term institutional care.
17. Homemaker and Chore Services - Assessment of need, arrangement, provision, and supervision of homemaker and chore services provided for purposes of child care, home management, personal care, or performance of household tasks.

18. Housing Improvement - Services to assist with securing housing, solving landlord/tenant problems, and obtaining home repairs and utility services.
19. Institutional Adjustment - Services for the arrangement, placement, and on-going supervision of adults in nursing homes, mental, or other institutions. Purchased services include these services for severely mentally handicapped children in addition to services for adults.
20. Other Services - Social services not elsewhere classifiable.
21. Services to Unmarried Mothers - All services to assist with the immediate problems arising from out-of-wedlock pregnancies or births. Services end with the assurance of the general health and welfare of the mother and child, or separation of the child from the mother.
22. Social Work in Public Schools - Purchased services provided by school social workers to assist public school students and their families who are encountering problems in school of a social, behavioral, attendance, or other nature.
23. Special Services for Culturally Deprived Children - Purchased services provided to children who are unable to participate in a normal school program due to cultural deprivation which results in an inability to communicate in English or other deficiencies which prevent the child from effectively participating in a normal school environment.
24. Special Services for Handicapped Children - Purchased services to children who are unable to participate in a normal school program due to a mental or physical handicap. Services are to develop social, physical, emotional, personal, and linguistic skills to enable child to participate in normal school environment.
25. WIN Employment and Training - Screening, referral, and counseling activities for WIN clients, excluding arrangement and provision of child care. Purchased services consist of medical examinations and restorative health care services not available under Title XIX, and training and work related expense payments.

TABLE A.—SOCIAL SERVICES EXPENDITURE CHANGES: ESTIMATED NATIONAL RESULTS (FEDERAL, STATE, AND LOCAL FUNDS)¹

[Dollars in thousands]

	Expenditures		Expenditure increase or decrease (—)	
	Fiscal year 1971	Fiscal year 1972	Amount	Percent
SERVICES FOR FAMILIES (TITLE IV-A)				
All services.....	\$788,643	\$1,761,868	\$973,225	123.4
General information and referral....	35,873	47,828	11,955	33.3
Adoptions.....	35,285	55,469	20,184	57.2
Child foster care.....	110,069	240,739	130,670	118.7
Services to unmarried mothers.....	18,701	27,276	8,575	45.9
Child protection.....	65,964	99,390	33,426	50.7
Child care.....	232,667	408,478	175,811	75.6
Child rearing and delinquency prevention.....	23,720	53,997	30,277	127.6
Social work in public schools.....		17,633	17,633	
Special services for handicapped children.....		150,347	150,347	
Special services for culturally deprived children.....		54,300	54,300	
Family functioning.....	16,289	25,060	8,771	53.8
Family planning.....	6,037	11,755	5,718	94.7
Consumer education and money management.....	10,056	13,934	3,878	38.6
Housing improvement.....	21,189	27,193	6,004	28.3
Homemaker and chore services.....	40,283	55,201	14,918	37.0
WIN employment and training.....	78,761	97,164	18,403	23.4
Employment and training.....	35,711	116,923	81,212	227.4
Health access.....	19,799	28,138	8,339	42.1
Alcoholism and drug addiction.....	3,077	45,170	42,093	1,368.0
Community adjustment, mental health/retardation.....		64,223	64,223	
Community adjustment, crime and delinquency.....		53,833	53,833	
Institutional adjustment.....		2,452	2,452	
Other.....	35,162	65,365	30,203	85.9
CHILD WELFARE SERVICES (TITLE IV-B)				
All services.....	596,812	532,324	-64,488	-10.8
General information and referral....	4,220	2,424	-1,796	-42.6
Adoptions.....	17,905	10,284	-7,621	-42.6
Child foster care.....	501,587	471,676	-29,911	-6.0
Services to unmarried mothers.....	5,244	3,012	-2,232	-42.6
Child protection.....	14,580	8,374	-6,206	-42.6
Child care.....	35,800	24,406	-11,394	-31.8
Child rearing and delinquency prevention.....	4,860	2,791	-2,069	-42.6
Family functioning.....	3,068	1,763	-1,305	-42.5
Housing improvement.....	128	73	-55	-43.0
Homemaker and chore services.....	2,698	1,748	-950	-35.2
Employment and training.....	256	147	-109	-42.6
Health access.....	512	294	-218	-42.6
Other.....	5,954	5,332	-622	-10.4

TABLE A.—SOCIAL SERVICES EXPENDITURE CHANGES: ESTIMATED NATIONAL RESULTS (FEDERAL, STATE, AND LOCAL FUNDS)¹—Continued

[Dollars in thousands]

	Expenditures		Expenditure Increase or decrease (—)	
	Fiscal year 1971	Fiscal year 1972	Amount	Percent
SERVICES FOR THE AGED, BLIND, AND DISABLED				
All services.....	196,368	476,827	280,459	142.8
General information and referral...	20,489	20,705	216	1.1
Adult and family functioning.....	7,451	8,666	1,215	16.3
Family planning.....	508	670	162	31.9
Consumer education and money management.....	2,370	2,705	335	14.1
Housing improvement.....	7,281	7,509	228	3.1
Homemaker and chore services....	44,993	62,188	17,195	38.2
Employment and training.....	14,489	28,683	14,194	98.0
Health access.....	16,764	17,657	893	5.3
Alcoholism and drug addiction.....	10,837	117,523	106,686	984.5
Community adjustment, mental health/retardation.....	4,000	111,294	107,294	2,682.4
Community adjustment, crime and delinquency.....		12,045	12,045	
Adult home and community living arrangements.....	10,498	15,110	4,612	43.9
Adult protection.....	13,208	15,901	2,693	20.4
Institutional adjustment.....	27,198	35,097	7,899	29.0
Other.....	16,282	21,074	4,792	29.4
Total, all services.....	1,581,823	2,771,019	1,189,196	75.2

¹ [Adapted from exhibits 3, 4, and 11 of the report.]

TABLE B.—FISCAL YEAR 1972 EXPENDITURES FOR SOCIAL SERVICES BY CATEGORY AND OBJECT OF EXPENDITURE (FEDERAL, STATE AND LOCAL FUNDS)¹

[Dollar amounts in thousands]

Social service	Total		Expenditure amounts for—			Expenditures amounts for—		
	Amount	Percent of total	Services for families (Title IV-A)	Child welfare services (Title IV-B)	Aged, blind, and disabled	Personnel	Purchased services	Other
All services.....	\$2,771,019	100.0	\$1,761,868	\$532,324	\$476,827	\$860,332	\$1,730,931	\$179,756
General information and referral.....	70,957	2.6	47,828	2,424	20,705	56,603	2,363	11,991
Adoptions.....	65,753	2.4	55,469	10,284		54,798		10,955
Child foster care.....	712,415	25.7	240,739	471,676		177,112	500,154	35,149
Services to unmarried mothers.....	30,288	1.1	27,276	3,012		24,160	1,127	5,001
Child protection.....	107,764	3.9	99,390	8,374		85,507	4,301	17,956
Child care.....	432,884	15.6	408,478	24,406		64,009	355,339	13,536
Child rearing and delinquency prevention.....	56,788	2.0	53,997	2,791		29,800	20,716	6,272
Social work in public schools.....	17,633	0.6	17,633				17,633	
Special services for handicapped children.....	150,347	5.4	150,347				150,347	
Special services for culturally deprived children.....	54,300	2.0	54,300				54,300	
Adult and family functioning.....	35,489	1.3	25,060	1,763	8,666	25,843	4,222	5,424
Family planning.....	12,425	0.4	11,755		670	3,029	8,733	663
Consumer education and money management.....	16,693	0.6	13,934		2,705	13,055	729	2,855
Housing improvement.....	34,775	1.3	27,193	73	7,509	28,198	444	6,133
Homemaker and chore services.....	119,137	4.3	55,201	1,748	62,188	61,904	44,021	13,212
WIN employment and training.....	97,164	3.5	97,164			56,461	28,225	12,478
Employment and training.....	145,753	5.2	116,923	147	28,683	44,498	91,630	9,652
Health access.....	46,089	1.7	28,138	294	17,657	34,756	3,887	7,446

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Alcoholism and drug addiction.....	162,693	5.9	45,170	117,523	11,551	148,721	2,421
Community adjustment—Mental health retardation.....	175,517	6.3	64,223	111,294		175,517	
Community adjustment—Crime and de- linquency.....	65,878	2.4	53,833	12,045		65,878	
Adult home and community living ar- rangements.....	15,110	0.5		15,110	11,266	1,044	2,800
Adult protection.....	15,901	0.6		15,901	13,577		2,324
Institutional adjustment.....	37,549	1.4	2,452	35,097	19,065	14,551	3,933
Other.....	91,771	3.3	65,365	5,332	21,074	45,140	37,076

¹ [Adapted from exhibits 12 and 13 of the report.]

² [\$46 million of this amount relates to child care provided persons participating in the Work Incentive Program.]

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Appendix B

**Material Submitted in Response to Questions Asked of the
Secretary of Health, Education, and Welfare by Members
of the Committee on Finance**

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Question of Senator Harry F. Byrd, Jr.

NUMBER OF PUBLIC ASSISTANCE RECIPIENTS

Question:

How many persons are drawing public assistance?

Answer:

As of January 1, 1973, the number is 15,149,000.

Questions of Senator Bob Packwood

FAMILY PLANNING PROGRAMS SPENDING

Question (asked at page 22):

Could I have documentation (of the dollars spent and people served under the Family Planning programs of the Department)?

Answer:

The most recent HEW figures for spending in the area of family planning are reported within Title IV-A¹ (AFDC), Title XIX¹ (Medicaid), Title V¹ (Maternal and Child Health Services), and Title X² (National Center for Family Planning Services). The estimated Federal expenditures for the above categories are as follows:

	Fiscal year—		
	1972	1973	1974
AFDC.....	\$18, 500, 000	\$21, 400, 000	\$31, 500, 000
Medicaid.....	8, 700, 000	22, 400, 000	30, 600, 000
Maternal and child health.....	16, 200, 000	16, 200, 000	16, 200, 000
National center for family planning services.....	88, 200, 000	98, 500, 000	113, 500, 000

¹ As of May 23, 1973.

Note.—The figures for fiscal years 1973 and 1974 for the national center program do not reflect program increases, but represent a transfer of funds previously administered by OEO. The increase is \$10,000,000 for fiscal year 1973 and \$15,000,000 for fiscal year 1974.

¹ Titles of the Social Security Act.

² Title of the Public Health Service Act.

The estimated total number of recipients under the HEW programs are:

	Fiscal year—		
	1972	1973	1974
AFDC.....	925,000	1,110,000	1,750,000
Medicaid ¹	350,000	550,000	700,000
Maternal and child health.....	987,000	987,000	987,000
National center for family planning.....	1,500,000	1,700,000	1,900,000

¹ Recipients of medicaid services in many instances have received services under AFDC also.

FAMILY PLANNING SERVICES

Question:

How do the provisions of the new regulations with respect to family planning services work in relation to the unmarried woman who has no children? How do the regulations work in relation to the married couple with no children? Doesn't the technical requirement that services can only be offered to persons who have the characteristics to qualify as actual cash recipients in the near future block many individuals who have low income from getting family planning services when it is needed most?

Answer

The unique characteristics of family planning as a preventive service are clearly established. Further, it is well documented that the existence of children, particularly unplanned children, frequently leads to public dependence. Therefore, the first unplanned child is the primary objective of family planning service. Inasmuch as the traditional concepts of welfare linkage and eligibility determination do not readily accommodate this need and in recognition of the critical role that family planning services can play with respect to unplanned pregnancies in the lives of married couples, as well as unmarried individuals, the Program Regulation Guide (which will be issued shortly) interpreting the new social service regulations will reflect the policies outlined below.

A. Any female of childbearing age who meets the income and resources eligibility requirements for potential applicants or recipients may be provided with family planning services upon request.

Because the purposes of this service encompass the voluntary limiting of family size or spacing of children and the prevention or reduction in the incidence of births out of wedlock, factors such as marital and parenthood status do not have to be taken into account in determining eligibility for this particular service as a potential applicant or recipient.

B. Special *income* criteria shall be applied in determining eligibility for family planning services which take into consideration the economic impact of an unplanned pregnancy which the service is attempting to prevent.

In applying the income requirement of 150% of the payment standard, in the case of the single woman, married couple or family unit, the payment standard to be used should include the addition of one additional individual (the assumption of birth of the child who would otherwise be conceived). In determining the eligibility of an unmarried, childless woman, the payment standard to be used would be that established for a parent and one child. For the childless couple or a family unit, the payment standard to be used would include one additional child.

Questions of Senator Carl T. Curtis

SOCIAL SERVICES FOR THE MENTALLY RETARDED

Questions (asked at page 44):

Do you have the necessary legal authority to issue regulations which would provide that the social services to the mentally retarded be provided without an income or needs test of any kind? If the answer to the question is yes, then why isn't this done?

Answer:

No.

There is no support in the assistance titles (I, IV, X, XIV or XVI) of the Social Security Act for such a policy. The purpose clause of each title specifies that both the financial assistance and service programs are to help categories of needy individuals (aged, blind or disabled and families with dependent children).

Also, the formula sections make clear that the Federal payments for services are to be made for services provided to individuals and families who are needy as evidenced by their current receipt of or application for assistance. These sections also provide matching for services to individuals who formerly met a needs test for assistance or who are likely to become applicants for or recipients of assistance, which includes meeting a needs test.

Section 1130 of the Act, as added by P.L. 92-512, and its legislative history reinforce the view that a needs test is mandated for any group to be eligible for services with Federal matching. The "notwithstanding" clause did not wipe out the condition in the formula sections that only services provided to "needy" groups could be matched. The Conference Report (H.R. Rept. No. 92-14500, p. 35) states that exempt services "could be provided to persons formerly on welfare or *likely to become dependent on welfare as well as present recipients of welfare*" (*italic supplied*).

Question:

If the answer to my first Question is No, then will you prepare for the committee the necessary language for a change in the statute that would permit this?

Answer:

Question No. 1 was answered in the negative. There is no legal authority to issue a regulation under which individuals would be eligible for social services on the basis that they are mentally retarded and without being subject to any income or needs test.

While the Department will cooperate in providing technical assistance in drafting the statute which would permit the mentally retarded to secure services under these titles of the Social Security Act without a needs test, the Department could not support such legislation.

Questions of the Chairman

ELIGIBILITY FOR SOCIAL SERVICES

Question:

Insofar as we look upon social services as a device to keep people from going onto the welfare rolls, would some of these extreme situations, such as Rhode Island, where a person is not permitted to have any cash and still be on the AFDC program, justify reconsideration?

Answer:

The regulations require that in order to be eligible for services as a potential, an individual must be likely to become dependent on public assistance within six months. In the past, this has merely been an income test and has not taken into consideration a person's assets. The intent of this provision is to insure that in determining an applicant's status as a potential recipient that, among other things, consideration be given to the assets held by that individual. The regulation has been revised in order to clarify this intent.

If the recipient's income is below 150 percent of the State's financial assistance payment standards, and if it is likely that he would be below the State's assets test within six months, if he spent his assets to support himself, he would be classified as a potential recipient and eligible for services. Furthermore, a State has the option of revising its resources and assets provisions if they prove to be too restrictive.

OUTLINE OF REPEALED REGULATIONS AND EFFECT OF NEW REGULATIONS

Question (asked at page 43):

In your new regulations you combine three separate chapters covering some 30 pages into a single new chapter with only a few pages. Some of the matters covered in the old regulations are simply omitted from the new regulations. I think it would be helpful if we could have for the record an outline of the repealed regulations explaining how each section would be affected by the new regulations.

Answer:

Enclosed is an analysis showing that few social services are deleted; in fact, several were added for the adult category. In addition, see the U.S. Senate Committee on Finance Report, "Staff Data and Material on Social Services regulations", May 4, 1973, for a comparison of the various regulations.*

The contributions to the reduction in pages are worth noting and are largely a separate issue from the substantive changes. The major reasons for the page reductions are as follows:

1. By merging the AFDC and adult sections, large redundant passages were eliminated.

*Page 58 of this volume.

2. Much of the advice to the States on how to run the program was reduced. Instead, a clear definition of program objectives and auditable eligibility criteria was determined sufficient to achieve Federal intent.

3. Some provisions were redundant and were eliminated in the new regulations so that the provision would be covered in only one place.

4. The language used was shortened and greatly simplified to obtain more widespread understanding.

ANALYSIS

I. LIST OF SERVICES COVERED AND NOT COVERED IN THE NEW SOCIAL SERVICE REGULATIONS

AFDC

No major AFDC services are dropped in the new regulations. Some services are merged, such as *reduction of births out-of-wedlock* and *family planning*. Others are merged into new categories. An example is *money management, child rearing, and education for family living*. They are included under a new heading, *home management*. Some are not explicitly mentioned in the new regulations.

The real issue is eligibility, not services. Under the previous lax definition of former and potential, almost any person is eligible for service, and the purpose for which the service is rendered is most obscure. Under the new regulations, we are requiring that the services rendered have a demonstrable effect on either the person's capacity to be self-supporting or to be increasingly self-sufficient. Further, through income limits and time limits, we have substantially curtailed the heretofore prevalent abuses associated with former and potential recipients.

The following list shows the services authorized under old and new regulations and clearly shows only minor changes in the kind of services authorized.

Services	Authorized under regulations	
	Old	New
1. Foster care ¹ -----	X	X
2. Reduction of births out-of-wedlock-----	X	X
3. Family planning ² -----	X	X
4. Protective services ² -----	X	X
5. Child care ³ -----	X	X
6. Services to secure support for children (and establish paternity).	X	X ⁴
7. Services to meet needs in:		
Housing problems ³ -----	X	X
Homemaking problems ³ -----	X	X
Reuniting families ³ -----	X	X
Money management ³ (home man- agement).	X	X
Child rearing ³ (home management) ..	X	X
Education for family living ³ -----	X	
Evaluation of need for protected and vendor payments. ³	X	
Obtaining special education for chil- dren. ⁵	X	
8. Education and training services ⁵ -----	X	X
9. Services related to health needs ³ -----	X	X
10. Emergency assistance in the form of services. ⁵	X	X
11. Legal services ⁵ -----	X	X
12. Employment services ⁵ -----	X	X
13. Transportation services ⁵ -----	X	X
14. Child care services (for former and po- tential recipients).	X	X

¹ Mandated by law for children receiving AFDC foster care payments.

² Mandated by law.

³ Mandated in old regulations but optional in new ones.

⁴ Mandatory provision under law but reimbursed under regulations covering the assistance program.

⁵ Optional in both.

⁶ Optional in both; Public Law 92-512 eliminated matching as a service, but continued matching under the assistance program.

Adult

The new regulations provide a list of "defined" services and mandate that State programs make available at least *one* service on that list. This is in contrast to eight mandated in the old regulations. It should be noted that several services are added.

Services	Authorized under regulations	
	Old	New
1. Information and referral ¹ -----	×	×
2. Protective services ¹ -----	×	×
3. Enable persons to remain in homes or communities. ¹	×	(⁴)
4. Services to meet health needs ¹ -----	×	×
5. Services for the handicapped ¹ -----	×	(⁵)
6. Homemaker services-----	×	×
7. Special services for the blind ¹ -----	×	×
8. Community planning ¹ -----	×	
9. Increase social participation-----	×	
10. Individual special needs-----	×	
11. Other services as approved by SRS-----	×	
12. Consultant services to State agency-----	×	
13. Adult foster care-----	×	×
14. Housing improvement services-----	×	×
15. Home delivered meals-----	×	×
16. Educational services related to consumer protection and money management (home management).	×	×
17. Day care for adults-----	×	×
18. Chore services-----	×	×
19. Family planning-----	×	×
20. Legal services-----	×	×
21. Transportation services-----		×
22. Emergency services-----	×	(⁶)
23. Employment services-----		×
24. Services to attain education appropriate to individual's capacity.		×

¹ Optional in new regulations, but mandated in old ones.

² Now in FFP subpart covering expenditures which are subject to Federal matching (FFP).

³ Available in new regulations as part of other services, or to enable recipients to gain employment.

⁴ Included as part of goal; to be accomplished through use of services.

⁵ Services available to handicapped otherwise eligible.

⁶ Optional in both; Public Law 92-512 eliminated matching as a service, but continued matching under the assistance program.

NEW REGULATIONS EFFECTIVE JULY 1, 1973

[During questioning of the Secretary (page 36), the chairman asked whether or not the Secretary would consider modification of the new regulations. On June 1, the following changes in the regulations were printed in the Federal Register:]

TITLE 45—PUBLIC WELFARE

CHAPTER II—SOCIAL AND REHABILITATION SERVICE (ASSISTANCE PROGRAMS),
DEPARTMENT OF HEALTH, EDUCATION, AND WELFAREPART 221—SERVICE PROGRAMS FOR FAMILIES AND CHILDREN AND FOR AGED, BLIND,
OR DISABLED INDIVIDUALS: TITLES I, IV (PARTS A AND B), X, XIV, AND XVI OF
THE SOCIAL SECURITY ACT

Miscellaneous Amendments

Part 221 of chapter II of title 45 of the Code of Federal Regulations is amended for the purpose of clarifying that potential aged, blind, and disabled recipients are eligible for services relating to the goal of self-sufficiency: that a \$30 income disregard applies to potential AFDC recipients; and that potential recipients in all categories are eligible for services if (in addition to meeting the income test), they have nonexempt resources which, if converted to cash, would not meet their needs beyond a 6-month period of time. Minor technical changes are also included.

Notice of proposed rulemaking has been dispensed with since these are minor changes aimed at clarifying and removing possible inconsistencies in the regulations as published.

1. Part 221 of chapter II, title 45 of the Code of Federal Regulations is amended by revising §§ 221.6(c)(3)(i) and (ii) and 221.8(a)(3) as set forth below:

§ 221.6 *Services to additional families and individuals*

(a) If a State elects to provide services for additional groups of families or individuals, the State plan must identify such groups and specify the services to be made available to each group.

(b) If a service is not included for recipients of financial assistance under the State plan, it may not be included for any other group.

(c) The State may elect to provide services to all or to reasonably classified subgroups of the following:

(1) Families and children who are current applicants for financial assistance under title IV-A.

(2) Families and individuals who have been applicants for or recipients of financial assistance under the State plan within the previous 3 months, but only to the extent necessary to complete provision of services initiated before withdrawal or denial of the application or termination of financial assistance.

(3) Families and individuals who are likely to become applicants for or recipients of financial assistance under the State plan within 6 months, i.e., those who:

(i)(A) with respect to title IV-A, have gross monthly income which, after deducting \$30, (i) does not exceed 150 percent of the State's financial assistance payment standard; or (2) with respect to eligibility for day-care services, does not exceed the maximum allowable under the State's schedule of fees to be paid for such services by otherwise eligible families, as contained in the State's approved plan; or

(B) With respect to title I, X, XIV, or XVI, have gross monthly income which does not exceed 150 percent of the combined total of the supplementary security income benefit level provided for under title XVI of the act (as amended by Public Law 92-603) and the State supplementary benefit level (if any); and

(ii) Have nonexempt resources which in the reasonable judgment of the agency, when converted to cash, would not meet the needs of the families and individuals at the level of the State's financial assistance payment standard or under the amended title XVI, if applicable, beyond a 6-month period of time; and

* * * * *
§ 221.8 *Program control and coordination*

The State agency must establish procedures and maintain documentation (including the aggregation and assimilation of data) to substantiate that Federal

financial participation under the State's family services or adult services program is claimed only for services which:

(a) Support attainment of the following goals:

(1) *Self-support goal*.—To achieve and maintain the feasible level of employment and economic self-sufficiency. (Not applicable to the aged under the adult services program.)

(2) *Self-sufficiency goal*.—In the case of recipients of financial assistance under title IV-A and all eligible individuals under the adult services program, to achieve and maintain personal independence and self-determination.

(b) Are provided to recipients who have been determined and redetermined to be eligible in accordance with the applicable provisions.

(c) Are evaluated at least once every 6 months to assure their effectiveness in helping a family or individual to achieve the goal toward which services are directed.

(d) Are not available without cost to the State agency.

2. Section 221.5(b)(2) of such part 221 is revised by inserting a comma after "legal services".

3. Section 221.54(a) and (b)(1) of such part 221 is revised to read as set forth below:

§ 221.54 Rates and amounts of Federal financial participation

(a) Federal financial participation for service costs identified in § 221.52 is available at the 75-percent rate, except that under title IV-A, the rate for family planning services is 90 percent and the rate for emergency assistance in the form of services is 50 percent: *Provided*, The State plan is approved as meeting the requirements of subpart A of this part under this provision:

(1) Federal financial participation at the specified rates includes:

(i) Salary, fringe benefits and travel costs of service workers and their supervisors giving full time to services and for staff entirely engaged (either at the State or local level) in developing, planning, and evaluating services;

(ii) Salary costs of service-related staff, such as supervisors, clerks, secretaries, and stenographers, which represent that portion of the time spent in supporting full-time service staff; and

(iii) All indirect costs which have been allocated in accordance with an approved cost allocation plan and with the requirements of OMB Circular A-87.

(2) Federal financial participation at the 50-percent rate is available for:

(i) Salary, fringe benefits, and travel cost of workers carrying responsibility for both services and assistance payments functions and supervisory costs related to such workers;

(ii) Salary costs of related staff, such as administrators, supervisors, clerks, secretaries, and stenographers, which represent that portion of the time spent in supporting staff carrying responsibility for both services and assistance payments functions; and

(iii) All indirect costs which have been allocated in accordance with an approved cost allocation plan and with the requirements of OMB Circular A-87.

(b) *Federal financial participation for purchased services*.—(1) Federal financial participation is available at the rates specified in paragraph (a) of this section in expenditures for purchase of service under the State plan to the extent that payment for purchased services is in accordance with rates of payment established by the State which do not exceed the amounts reasonable and necessary to assure quality of service and, in the case of services purchased from other public agencies, the cost reasonably assignable to such services, provided the services are purchased in accordance with the requirements of this part.

* * * * *

(Sec. 1102, 49 Stat. 647 (42 U.S.C. 1302).)

Effective date.—The regulations in these sections shall be effective on July 1, 1973.

Dated May 21, 1973.

FRANCIS D. DEGEORGE,

Acting Administrator, Social and Rehabilitation Service.

Approved: May 25, 1973.

FRANK CARLUCCI,

Acting Secretary.

[FR Doc. 73-10950 Filed 5-31-73; 8:45 am]

STATE-BY-STATE RESOURCES AND ASSETS TEST

Question asked at pp. 15 and 23

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR OLD-AGE ASSISTANCE, OCTOBER 1972

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occu- pied as home	Other real and personal property (combined)	Other real property (non- home)	Personal property— negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial Life insurance— C = Cash value, F = Face value	Burial insurance or prepaid contract	Value excluded from consideration as assets—		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Household and personal effects	Car or cars for trans- portation	Tools, equipment, livestock
Alabama.....	\$2,500 E.....	\$1,000.....						Exempt.....		
Alaska.....	0, no maximum.....	\$1,000 ¹			\$500.....	(1) C.....		Exempt.....	Vehicle ⁴	
Arizona.....	\$8,000 E.....	\$800, one; \$1,200, two x.....						Exempt.....		Livestock \$250, tools x. Livestock.
Arkansas.....	\$5,500 to \$7,500 H, ²	\$750.....				\$1,000 F.....			\$300 cars... Livestock.	
California.....	No maximum.....	\$2,000 ¹ x.....	(9).....			(1) C.....		Exempt.....	\$1,500 car ⁴	
Colorado.....	0, no maximum.....	\$1,000, one; \$2,000, two x.....								
Connecticut.....	0, no maximum.....		(9).....	\$600 ⁴		\$1,300 ⁴ C.....		Exempt.....	Car ⁴	Income producing. Exempt.
Delaware.....	0, no maximum x.....		(7).....		\$300.....	\$1,500 per person C.....	Or \$1,500.....	Exempt.....	Car.....	
District of Columbia.....	No maximum.....		(9) x.....		\$300, one; \$500, two. ⁴			Exempt.....	\$1,500, car ⁴ x	Tools, equip- ment. Livestock.
Florida.....	0, no maximum x.....	\$600, one; \$1,200— 2 or more.....	x.....			\$1,000 F.....	Or \$1,000 x.....	Exempt.....		
Georgia.....	0, no maximum.....	\$800, one; \$1,600, two.....	(9).....			\$1,000 x F.....			Car, 4 yrs. old. ⁴	
Guam.....	0, \$12,000 M.....		(9) x.....	\$1,000 ¹		(1) C.....		Exempt.....	Car ⁴	
Hawaii.....	0, \$25,000 ^{1a}		\$225 ^{1a}	(9).....		(1a) C.....				
Idaho.....	0, no maximum ¹¹	\$750 ¹¹	(11).....	\$500 ¹¹	(19).....	(19) C.....				
Illinois.....	0, no maximum.....	\$400, one; \$600, two.....				\$750 ¹¹ C.....		Exempt.....	Vehicles.....	Income producing. Exempt.
Indiana.....	0, no maximum.....		(7).....	\$700, one; \$1,400, two. ¹		\$1,000 per person F.....		Exempt.....	Car ⁴	
Iowa.....	0, no maximum.....	\$450, one; \$800, two.....				\$1,000, one C; \$2,000, two x.....	+\$750.....	\$3,000.....	\$2,500 ⁴	

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Kansas.....	O, moderate value +\$750 (40 acres) E.	\$500, one; \$1,000—2 or more.			\$500, child; \$1,000 adult F.	Death benefits.	Exempt.....	Car, 4 yrs. old. ⁴	Exempt.
Kentucky.....	O, no maximum x.	\$2,000.....	(15).....		\$500, one ¹³ \$1,000, two x.	\$1,000 ¹² C.	Or \$1,000 ¹² .	Exempt.....	Vehicles..... Exempt.
Louisiana.....	O, no maximum.....	\$1,750, one; \$2,750, 2 or more.							
Maine.....	O, no maximum.....	\$500, one; \$1,000, two. ¹⁴				\$1,500 per person F.	Or \$1,500 per person.		
Maryland.....	O, no maximum x.	\$2,000, one; \$2,600, two. ¹						Exempt.....	Exempt..... Tools, equipment.
Massachusetts.....	O, no maximum x.....		(15).....	\$1,000, one; \$2,000, two.		\$1,000 C.			
Michigan.....	O, no maximum.....	\$1,500, one; \$2,000, two x.				\$1,000 x C.	\$400 irrevocable.	Exempt.....	\$750 car.... Or \$750.
Minneapolis....	\$10,000 E (all real property).	Including home.		\$300, one; \$450, two.		\$1,000 C.....	\$750+ \$200 interest.		
Mississippi.....	O, \$3,500 E (\$6,000 joint owner).	\$600, one ¹ \$1,200, 2 or more.				(1) C.....		Exempt.....	\$300 car....
Missouri.....	\$10,500 M ¹⁶	(15).....				\$1,000 F.....	Or \$1,000 prepaid.		
Montana.....	O, under \$5,000 x A.		Under \$1,000.	\$500		\$5,000 per person F.	\$1,000 each irrevocable tr.		\$1,500 car x.
Nebraska.....	O, no maximum.....	\$750, one; \$1,500, two.				\$1,000 per person C.		Exempt.....	\$3,000 x.
Nevada.....	O, no maximum.....	\$750 \$1,500 ¹ E.				(1) C.....		Exempt.....	Car.....
New Hampshire.....	O, no maximum ¹¹		(7) x.....	\$500, one or two.		\$1,000, one x; \$3,000, two F.	Must be assigned.	Exempt.....	Car..... Exempt.
New Jersey.....	O, no maximum x. (17).....			1 month's budget requirements.				Exempt.....	\$500 car.... Exempt.
New Mexico.....	O, no maximum.....		(15).....	\$1,200 (see cols. 5 and 6).	\$100, one; \$150, family.	\$500, family (col. 4) C.			Car..... Exempt.
New York.....	No maximum.....					\$500 F.....	Or \$500.....	Exempt.....	Exempt x.
North Carolina..	O, no maximum x.	\$1,000, one; \$1,100, two. ¹		(19).....		(1) C.....		Exempt.....	\$1,000 car ⁴ E.
North Dakota... No maximum ²⁰			(7).....	\$1,000.....	\$350.....	Exempt C.....		Exempt.....	(21).

STATE-BY-STATE RESOURCES AND ASSETS TEST

Question asked at pp. 15 and 23

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR OLD-AGE ASSISTANCE, OCTOBER 1972

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occupied as home (1)	Other real and personal property (combined) (2)	Other real property (non-home) (3)	Personal property—negotiable assets, stocks, bonds, and other liquid reserves (4)	Cash or savings (5)	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C = Cash value, F = Face value (6)	Burial insurance or prepaid contract (7)	Household and personal effects (8)	Car or cars for transportation (9)	Tools, equipment, livestock (10)
Ohio.....	\$12,000 M.....		(⁹) x.....	\$300 ²²		(²²).....	Or (²²).....		\$500 or \$1,000. ⁴	Income-producing. ⁹
Oklahoma.....	O, \$10,000 M or x (40-acre limit).	\$350, one; \$500, two. ²⁴				(²⁴).....	\$1,000 ²⁴	Exempt.....		
Oregon.....	O, no maximum x.....	\$1,000, family (includes cash).			\$500, one; \$1,000, family.	\$1,000 per person C.	Or \$1,000.....	Exempt.....	Car.....	
Pennsylvania.....	O, no maximum.....		(¹⁰).....			\$500 F or C.	Or \$500.....			
Puerto Rico.....	O, no maximum.....		None.....		\$1,000.....			Exempt.....	Car.....	Livestock and poultry.
Rhode Island.....	O, no maximum.....		(⁹).....	\$1,000 ¹	\$200 ²⁴	(¹) F.....	(¹).....		Car.....	
South Carolina.....	O, no maximum.....		\$750, one; \$4,000, two.	\$750, one; \$1,000, two.		(²⁴).....				
South Dakota.....	O, no maximum.....		Considered re-source.	\$1,000, one; \$2,000, two.		\$1,000, C.....		Exempt.....	Car, 3 yrs. old or older.	
Tennessee.....	\$5,000 E, All real property. ²		(⁹).....	\$500, one; \$1,000, two.		\$600 C.....	Or \$600.....	Exempt.....	Car ⁴	Exempt.
Texas.....	No maximum ²⁰	\$1,000, one; \$3,000, family.				\$1,000 per person F.	Or \$1,000.....	Exempt.....	Car (not current model).	Exempt.
Utah.....	O, no maximum.....	\$600, one; ²⁷ \$1,200, family.				\$500, one; \$1,000, family C.	\$750, one; \$1,500, family.	Exempt.....	Car ⁴	Exempt to \$4,000.
Vermont.....	No maximum x.....	\$900, one; \$1,800, two.				\$1,100 per person F.		Exempt.....	Car.....	\$1,000, one; \$1,500, two.

Virgin Islands.....	O, no maximum...	\$1,500 ² x...	(?) A.....	\$500 (family).....	\$300 C, or \$1,500 F.....	Included in amount col. 4.	Exempt.....	Car.....	(9).
Virginia.....	O, no maximum.....		(9).....	\$400 (family).....			Exempt.....	Car.....	
Washington.....	O, no maximum.....		(?) x.....	\$750, one; \$1,450, two, \$50 each added person. ²⁰	\$200-1, \$400-2, \$25 each add person ²⁰			Cars ²⁰	
West Virginia...	O, no maximum...	\$1,000 ¹ x.....			(?) C.....	Irrevocable trust.	Exempt.....	\$2,000, car x.....	
Wisconsin.....	No maximum.....		(19).....	\$750.....	\$1,000 C.....		Exempt.....	\$750 ⁴	(20).
Wyoming.....	O, \$3,500.....	\$500 ¹			(?) C.....	(?) C.....	Exempt.....	Car, 2 yrs. or older.	

*Indicates additional information supplied by State in revision of chart.
x See published document for unusual details.

¹ Includes cash or face value of life insurance without specifying a separate figure for the value of insurance, except in Rhode Island (\$1,000).

² Depending upon location of house.

³ Additional real property up to a specified value may be held if income-producing in these States; *California*, \$5,000, assessed value; *Georgia*, \$1,000, market value, *Guam*, \$3,000, appraised value; *North Dakota*, \$5,000, equity; *Ohio*, \$6,000; *Tennessee*, amount included in overall real property \$9,000 maximum; *Virgin Islands*, \$1,500, real and personal property, assessed value.

⁴ If considered essential for transportation; in *Georgia*, limited to use for work; in *Ohio*, value of \$1,000 if producing income; in *Wisconsin*, a \$1,000 limitation if essential for medical or employment use and no limitation if aid is temporary.

⁵ Real property other than home must be liquidated.

⁶ Includes cash value of life insurance; however, when cash value exceeds \$600 but not \$1,300, the insurance may be retained if assigned to the Commissioner. Excess of insurance or other personal assets must be liquidated. All personal property in excess of \$250 must be assigned.

⁷ Other real property must be offered for sale or rent unless producing income; in *New Hampshire*, a time limit of 6 months is set on disposal.

⁸ Plus money given or bequeathed for burial.

⁹ More valuable car must be sold; car limitation does not apply to recipient needing assistance less than 60 days.

¹⁰ "Tax appraised value." (*Hawaii* appraises property for tax purposes currently at 70 percent of market value.) Cash value of insurance and any other cash reserves are considered a resource.

¹¹ In *Idaho*, unless value substantially exceeds market value of modest home in community; in *New Hampshire*, if value exceeds \$20,000 (based on 100 percent assessment) an evaluation and recommendation is made regarding disposal.

¹² Combination of all negotiable assets not to exceed \$750 including cash surrender value of insurance, up to \$500 of liquid resources, and value of marketable real property other than home; excludes real property, other than home, which is non-marketable.

¹³ Non-homestead property not producing income limited to \$1,000 equity within the \$2,000 maximum on total reserves (see col. 2). In addition income-producing non-homestead property may be held up to \$5,000 equity. Cash (col. 5) also must be within the \$2,000 overall maximum.

¹⁴ When equity in saleable real property exceeds this figure, immediate steps must be taken to sell property or "dispose of excess amount."

¹⁵ Vacant land not producing income does not of itself disqualify.

¹⁶ All property, real and personal, limited to \$10,500; within this amount person may have \$1,000 in reserves (couple \$2,000), including cash surrender value of insurance, market value of real property other than home, certain personal property, and any cash or securities; however the first \$1,000, face value, of insurance (or prepaid burial) is disregarded.

¹⁷ No specific limitations except plan for liquidation must be made within 6 months as a condition of eligibility.

¹⁸ May be held pending liquidation or demonstration of unsaleability.

¹⁹ Equity in nonessential automobiles and personal property, such as TVs and cameras, treated as reserve.

²⁰ May own homestead as defined by State law.

²¹ Personal property essential for rehabilitation is exempt from \$1,000 reserve.

²² Combined value of insurance, liquid assets, and burial contract not to exceed \$800.

²³ Insurance with face value in excess of \$500 must be assigned in trust.

²⁴ An additional \$150 permitted for each adult dependent in home who is receiving assistance in his own right. Maximums include cash surrender value of life insurance; but increases in cash or loan value due to interest or dividend accruals after certification for assistance may be held if left on deposit with company or if used to purchase a prepaid funeral contract, so long as any combination of accrued amounts or funeral contract so purchased does not exceed \$1,000 for each insured individual included in the grant.

²⁵ Recipient may accumulate this amount if saved from earned income.

²⁶ Loan or surrender value of insurance included in liquid reserve.

²⁷ Exceptions made to all maximums if a real property lien or chattel mortgage is executed.

²⁸ Cash value of insurance with face value in excess of \$1,000 is included in the \$400 maximum (col. 4).

²⁹ Value of cars and cash value of insurance and cash included in personal property maximum.

³⁰ Value of livestock, farm machinery, and equipment of farms is considered in determining total value of applicant's property even though he cannot be required to transfer his ownership as a condition precedent to receipt of assistance.

Source: DHEW.

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO THE BLIND, OCTOBER 1972

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occu- pied as home	Other real and personal property (combined)	Other real property (non- home)	Personal property— negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C = Cash value, F = Face value	Burial insurance or prepaid contract	Household and personal effects	Car or cars for trans- portation	Tools, equipment, livestock
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Alabama.....	No maximum.....	\$1,200.....	(1) x.....					Exempt.....	Car ²	
Alaska.....	O, no maximum.....	\$1,000 ²			\$500.....	(7) C.....			Vehicle ²	
Arizona.....	\$8,000 E.....	\$800, one; \$1,200, two.....						Exempt.....		Livestock \$250, tools.....
Arkansas.....	\$5,500 to \$7,500 M. ⁴	\$750.....				\$1,000 F.....			\$300, car.....	Livestock.....
California.....	No maximum.....		(1).....	\$1,500, one; \$3,000, two.....				Exempt.....	\$1,500, car. ²	
Colorado.....	O, no maximum..	\$1,000, one; \$2,000, two.....								
Connecticut.....	O, no maximum.....		(7).....	\$600 ⁴		\$1,300 ⁴ C.....		Exempt ⁴	Car ^{2*}	Income produc- ing. ⁶
Delaware.....	O, no maximum.....		(7).....	Not to exceed monthly needs.....		\$1,500 per person C.....	or \$1,500.....	Exempt.....	Exempt.....	Exempt.....
District of Columbia.....	O, no maximum x.....		(7).....		\$300, one; \$500, two. ⁵			Exempt.....	\$1,500, car. ² x	Exempt.....
Florida.....	O, no maximum x.....	\$600, one; \$1,200—2 or more.....	x.....			\$1,000 F.....	or \$1,000 F.....	Exempt ⁴		Exempt x.....
Georgia.....	O, no maximum..	\$800, one; \$1,600, two.....	(1).....			\$1,000 x F.....			Car, 4 yrs. old. ²	
Guam.....	O, \$12,000 M.....		(1).....	\$1,000 ²		(7) C.....		Exempt.....	Car ²	
Hawaii.....	O, \$25,000 ¹⁰		\$225 ¹⁰	(1) ¹⁰	(1) ¹⁰	(7) C.....				
Idaho.....	No maximum ¹¹	\$750 ¹¹	(1) ¹¹	\$500 ¹¹	(1) ¹¹	\$750 ¹¹ C.....				
Illinois.....	O, no maximum.....	\$400, one; \$600, two.....				\$1,000 per person F.....		Exempt.....	Vehicles.....	Income- produc- ing.....
Indiana.....	O, no maximum.....		(1) ¹²	\$700, one; \$1,400, two. ²		(7) C.....		Exempt.....	Vehicles ²	Exempt.....
Iowa.....	No maximum.....	\$1,500, one; \$2,000, two.....						Exempt.....	Car ²	

Kansas	O, moderate value, \$750 (40 acres) E.	\$500, one; \$1,000—2 or more.			\$500, child; \$1,000 adult F.	Death benefits.	Exempt	Car, 4 yrs. old. ²	Exempt.	
Kentucky	O, no maximum x.	\$2,000	(14)		\$500, one; x \$1,000, two. ¹⁴	\$1,000 ¹⁴ C.	Or \$1,000 prepaid. ¹⁴	Exempt	Vehicles	Exempt.
Louisiana	O, no maximum	\$1,750, one; \$2,750—2 or more.								
Maine	O, no maximum x.	\$500, one; \$1,000, two. ¹⁵				\$1,500 per person F.	Or \$1,500 per person.	Exempt*	Exempt*	Tools, equip-
Maryland	O, no maximum x.	\$2,000, one; \$2,600, two. ³						Exempt*	Exempt*	ment.
Massachusetts	O, no maximum		(14)	\$2,000 ³		C		Exempt	\$750 or	\$750. ¹⁷
Michigan	O, no maximum	\$1,500, one; \$2,000, two.				\$1,000 x C.	\$400 irrevocable.			
Minnesota	\$10,000 E (all real property including home)		(7)	\$2,000, one; \$4,000, two. ³		(7) C.	\$750+ \$200 interest. ³			
Mississippi	O, \$3,500 E (\$6,000 joint owner)	\$600, one; ³ \$1,200, family.				(7) C.		Exempt*	\$300, car	
Missouri	O, no maximum	\$2,000, one; \$4,000, two.	(14)					Exempt		
Montana	Under \$5,000 x A.			Under \$1,000 x	\$500	\$5,000 per person F.	\$1,000 each irrevocable.		\$1,500, vehicle x	
Nebraska	O, no maximum	\$750, one; \$1,500, two.				\$1,000 per person C.		Exempt		\$3,000. ¹⁷
Nevada	O, no maximum	\$1,500 E.	(19)	\$500, one or two.		\$1,000, one; \$3,000, two F.		Exempt	Car	Exempt.
New Hampshire	O, no maximum ¹¹					Assigned		Exempt	\$500, car	Exempt
New Jersey	O, no maximum		(20)	1 month's budget requirements.				Exempt	\$500, car	Exempt
New Mexico	O, no maximum		(21)	\$1,200 (cols. 5 and 6).	\$100, one; \$150, family	\$550, family (col. 4) C.		Exempt	Car	Exempt.
New York	No maximum					\$500 F.		Exempt		Exempt.
North Carolina	O, no maximum x.	\$2,000 ¹⁸ x	(7)			(7) C	Or \$500 Exempt*	Exempt*	Exempt*	Exempt*
North Dakota	O, no maximum ²²		(7)	\$1,000	\$350	Exempt C.		Exempt		Exempt ⁽²²⁾
Ohio	No maximum	\$300, one; \$600, two.				\$500, one; \$1,000, two F.		Exempt	\$500	Exempt
									\$1,000 (if income-producing.)	

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO THE BLIND, OCTOBER 1972

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occupied as home	Other real and personal property (combined)	Other real property (non-home)	Personal property—negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C = Cash value, F = Face value	Burial insurance or prepaid contract	Household and personal effects	Car or cars for transportation	Tools, equipment, livestock
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Oklahoma	O, \$10,000 M x or (40 acres).	\$350, one; \$500, two. ²⁴				(*)	\$1,000 *	Exempt		(*)
Oregon	O, no maximum x.	\$1,000, family (includes car).			\$500, one; \$1,000, family (see col. 2).	\$1,000 per person C.	Or \$1,000	Exempt	Car	
Pennsylvania	\$5,000 * (All real and personal property).	\$1,500 *				\$500 *C.				
Puerto Rico	O, no maximum.		None		\$1,000			Exempt	Car	Livestock and poultry.
Rhode Island	O, no maximum.		(9)	\$1,000 *	\$200 *	(9) F.	(9)		Car	
South Carolina	O, no maximum.		\$750, one; \$1,000, two.	\$750, one; \$1,000, two.		(2) C.				
South Dakota	O, no maximum.		(7)	\$1,000, one; \$2,000, two.		\$1,000 C.		Exempt	Car, 3 yrs. or older.	
Tennessee	\$9,000 E, all real property. ¹		(t)	\$500, one; \$1,000, two. ³		\$600 per person C.	Or \$600 each.	Exempt	Car ²	Exempt.
Texas	O, no maximum ²² .	\$1,800, one; \$3,000, family				\$1,000 per person F.	Or \$1,000	Exempt	Car (if not current model).	Exempt.
Utah	O, no maximum.	\$600, one; ²² \$1,200, family				\$500, one; \$1,000, two C	\$750, one; \$1,500, family (if over 65).	Exempt	Car ²	\$3,000, exempt. ²²
Vermont	O, no maximum x.	\$900, one; \$1,800, two				\$1,100 per person F.		Exempt	Car	\$1,000, one; \$1,500, two. (t).
Virgin Islands	O, no maximum.	\$1,500 ¹ x.	(t) A.	\$500 (family).		\$300, one C; \$1,500, family F.	Included in amount, col. 4.	Exempt	Car ²	

Virginia.....	O, no maximum.....	(9).....	\$600, one; \$900, two x.	.....	\$5,000 per family F	x.....	Exempt.....	Car ¹	Income produc- ing.
Washington.....	O, no maximum.....	(13).....	\$750, one; \$1,400, two; \$50 ²⁹ each added person.	\$200-1; \$400-2; \$25, each added person. ²⁹	(29) C	.....	.....	Cars ²⁹.....	.....
West Virginia...	O, no maximum..	\$1,000 ³.....	.....	.....	(9) C.....	Irrevocable trust.	Exempt.....	Car, \$2,000 or less x.	x.
Wisconsin.....	No maximum.....	(21).....	\$750.	.....	\$1,000 C.....	.....	Exempt.....	Car, \$750 ³ .	(29).
Wyoming.....	O, \$3,500.....	\$500 ³.....	.....	.....	(9) C.....	.....	Exempt.....	Car.....	Exempt.

* Indicates additional information supplied by State in revision of chart.
x See published document for unusual details.

¹ Additional real property up to a specified value may be held if income-producing in these States: Alabama, \$5,000, equity; California, no limit, but must be producing income consistent with its value; Georgia, \$1,000, market value; Guam, \$3,000, market value; North Dakota, \$8,000, equity; Tennessee, amount included in overall real property amount, \$9,000; Virgin Islands, \$1,500, real and personal property, assessed value.

² If considered essential for transportation; in Georgia, limited to use for work; in Wisconsin, a \$1,000 limitation if essential for medical or employment use and no limitation if aid is temporary.

³ Includes cash or face value of insurance without specifying a separate figure for the value of insurance; except Rhode Island specifies \$1,000.

⁴ Value dependent upon location of home.

⁵ Real property other than home must be liquidated.

⁶ Includes cash value of life insurance; however, when cash value exceeds \$600 but not \$1,300, the insurance may be retained if assigned to the Commissioner. Excess of insurance or other personal assets must be liquidated. All personal property in excess of \$250 must be assigned.

⁷ Real property owned but not occupied considered a resource.

⁸ Plus money given or bequeathed for burial.

⁹ More valuable car must be sold, but part of proceeds may be used to purchase car of acceptable value.

¹⁰ "Tax appraised value." (Hawaii currently appraises property for tax purposes at 70 percent of market value.) Cash value of insurance and other cash reserves are considered a resource.

¹¹ Idaho—unless value substantially exceeds market value of modest home in community; in New Hampshire—if value exceeds \$20,000 (based on 100 percent assessment) an evaluation and recommendation is made regarding disposal.

¹² Combination of all negotiable assets not to exceed \$750 including cash value of insurance, up to \$500 of liquid resources, and value of marketable real property other than home; excludes real property other than home which is non-marketable.

¹³ Nonhomestead income-producing property may be held; other nonhome real property must be offered for sale or rent.

¹⁴ Nonhomestead property not producing income limited to \$1,000 equity within the \$2,000 maximum on total reserves (see col. 2). In addition, income-producing nonhomestead property may be held up to \$5,000 equity. Cash (col. 5) also must be within the \$2,000 overall maximum. For blind child in family of 2, \$1,000; in family of 3 or more, \$1,500.

¹⁵ When equity in saleable real property exceeds this figure, immediate steps must be taken to sell property or "dispose of excess amount."

¹⁶ For business enterprise in which client is self-employed, capital assets of \$5,000 allowed.

¹⁷ Exempt if necessary for an approved employment plan.

¹⁸ In addition may have real property "used in remunerative employment."

¹⁹ Other real property must be liquidated within 6 months unless income-producing or self-supporting.

²⁰ No specific limitations, but plans for liquidation must be made within 6 months as condition of eligibility.

²¹ Other real property may be held pending liquidation or demonstration of unsaleability.

²² May own homestead as defined by State law; in Texas, definition is made applicable to AB by administrative policy.

²³ Personal property essential to rehabilitation is exempt from \$1,000 reserve in North Dakota; in Utah, up to value of \$4,000 exempt for approved self support plan.

²⁴ For adults: \$350 for single person, \$500 for married couple, plus \$150 for each additional adult dependent receiving assistance in his own right. For recipient under 18 years of age living in home with parents, \$50; for recipient under 18 years of age not living with parents, \$250 for 1 child, \$400 for 2, \$50 for each additional recipient up to \$600. Maximums include cash surrender value of life insurance; but increases in cash or loan value due to interest or dividend accruals after certification for assistance may be held if left on deposit with company or if used to purchase a prepaid funeral contract, so long as any combination of accrued amounts or funeral contract so purchased does not exceed \$1,000 for each insured individual included in the grant. If parents of an adult recipient are not receiving assistance, resources from which their essential income is derived will not be considered in determining the amount of reserve allowed for family.

²⁵ Within overall \$5,000 maximum, combined value of nonhome property and personal property may not exceed \$1,500, including cash surrender value of life insurance not to exceed \$500.

²⁶ Recipient may accumulate this amount in savings from earned income.

²⁷ Loan or surrender value included in liquid reserve; no limit on face value.

²⁸ Exceptions made to all maximums if a real property lien or chattel mortgage is executed.

²⁹ Value of cars, cash value of insurance, and cash are included in personal property maximum.

Source: DHEW.

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED, OCTOBER 1972

State	Home— A=Assessed value, E=Equity, M=Market value, O=Must be occu- pied as home	Other real and personal property (combined)	Other real property (non- home)	Personal property— negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C=Cash value, F=Face value	Burial insurance or prepaid contract	Household and personal effects	Car or cars for trans- portation	Tools, equipment, livestock
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Alabama.....	\$2,500 E.....	\$1,000.....						Exempt.....		
Alaska.....	O, no maximum.....	\$1,000 ¹			\$500.....	(1) C.....		Vehicle ¹		
Arizona.....	\$8,000 E.....	\$800-1; \$1,200— more than 1.			\$400, 1; \$600, more than 1 ² .			Exempt.....		Livestock \$250— tools x.
Arkansas.....	\$5,500 to \$7,500 M. ¹	\$750.....				\$1,000 F.....			\$300, car.....	Livestock.
California.....	No maximum.....	\$2,000.....	(1).....			(1) C.....		Exempt.....	\$1,500, car ¹	
Colorado.....	O, no maximum.....	\$1,000, one; \$2,000, two x.								
Connecticut.....	O, no maximum.....		Must liqui- date.	\$600 ⁷		\$1,300 ⁷ C.....		Exempt.....	Car ¹	Income- producing. Exempt.
Delaware.....	O, no maximum.....		(1).....	Not to exceed monthly needs.		\$1,500 x, Or \$1,500... per person F.		Exempt.....	Exempt.....	
District of Columbia.	No maximum.....		(1).....		\$300, one; \$500, two. ¹⁰		(1) ⁹	Exempt.....	\$1,500 car ¹¹ x.	Tools equip- ment. Livestock.
Florida.....	O, no maximum x.	\$600, one; \$1,000, 2 or more.	x.....			\$1,000 F.....	Or \$1,000 F.	Exempt ⁸		
Georgia.....	O, no maximum.....	\$800, one; \$1,600, two.	(1).....			\$1,000 x F.....			Car, 4 yrs. old. ⁶	
Guam.....	O, \$12,000 M.....		(1).....	\$1,000 ¹		(1) C.....		Exempt.....	Car ¹	
Hawaii.....	\$25,000 ¹²		\$225 ¹²	(1) ¹³	(1) ¹³	(1) ¹³ C.....				
Idaho.....	O, no maximum ¹⁴	\$750 ¹⁵	(1) ¹⁵	\$500 ¹⁵		\$750 ¹⁵ C.....		Exempt.....	Vehicles.....	Income- producing.
Illinois.....	O, no maximum.....	\$400, one; \$600, two.				\$1,000, per person F.		Exempt.....		
Indiana.....	O, no maximum.....		(1).....	\$700, one; \$1,400, two. ¹		(1) C.....		Exempt.....	Cars ¹	Exempt.
Iowa.....	No maximum.....	\$500, 1 \$200- each de- pendent.				\$1,000 per person C.		Exempt.....		

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Kansas.....	O, moderate value plus \$750 (40 acres) E.	\$500, one; \$1,000, 2 or more.			\$500, child; \$1,000, adult F.	Death benefits.	Exempt.....	Car, 4 yrs. old or older. ⁸	Exempt.*
Kentucky.....	O, no maximum x.	\$2,000.....	(¹⁵).....		\$500, one x \$1,000, two. ⁹	\$1,000 ¹⁰ C.	Or \$1,000, prepaid. ¹¹	Exempt.....	Vehicles..... Exempt.
Louisiana.....	O, no maximum..	\$400, 1; \$600, 2; \$800, more than 2.	(if income-producing).....						
Maine.....	O, no maximum..	\$500, one; \$1,000, two. ¹⁷				\$1,500, per person F.	Or \$1,500, per person.		
Maryland.....	O, no maximum..	\$1,000, one; \$2,600, two. ¹						Exempt*.....	Exempt*..... Tools equipment*.
Massachusetts.	O, no maximum x.		(¹⁹).....	\$1,000 ¹ x.	(¹) C.				
Michigan.....	O, no maximum..	\$1,500, one; \$2,000, two.			\$1,000 x C.	\$400 irrevocable.		\$750 or.....	\$750. ¹⁸
Minnesota.....	\$10,000 E (all real property, including home).			\$300, one; \$450, two.	\$500, per person C.	\$750 each plus \$200 interest.			
Mississippi.....	O, \$3,500 E (\$6,000 joint owner).	\$600, one; ¹ \$1,200, family.			(¹) C.....			Exempt*.....	\$300, car...
Missouri.....	O, \$10,500 M ²⁰ .	(²⁰).....			\$1,000 F.....	Or \$1,000, prepaid.			
Montana.....	O, under \$5,000 x A.		Under \$1,000 x.	\$500.....	\$5,000 F.....	\$1,000 per person irrevocable trust.		\$1,500, vehicle x.	
Nebraska.....	O, no maximum..	\$750, one; \$1,500, two.			\$1,000, per person C.			Exempt.....	\$3,000 x.
Nevada.....	(No APTD program).								
New Hampshire.	O, no maximum ¹⁴ .		(¹).....	\$500 (one or two).	\$1,000, one x; \$3,000, two F.			Exempt.....	Car ⁴ Exempt.
New Jersey.....	O, no maximum x. (¹⁴)		(²¹).....		Must be assigned.			Exempt.....	\$500, car... Exempt.
New Mexico.....	O, no maximum..		(²²).....	\$1,200, (cols. 5 and 6).	\$100, one; \$150, family.	\$550, family (col. 4) C.		Car.....	Exempt.
New York.....	No maximum..				\$500 F.....	Or \$500.....		Exempt.....	
North Carolina..	O, no maximum x.	\$1,000, one; \$1,100, two. ¹			(¹) C.....			Except TVs, cameras, etc.	\$1,000 ⁸ E... Exempt.*
North Dakota...	No maximum ²² .		(¹).....	\$1,000.....	\$350.....	Exempt C.....			Exempt.*

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STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED, OCTOBER 1972—Continued

State	Home— A = Assessed value. E = Equity. M = Market value. O = Must be occu- pied as home	Other real and personal property (combined)	Other real property (non- home)	Personal property— negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C = Cash value, F = Face value	Burial insurance or prepaid contract	Household and personal effects	Car or cars for trans- portation	Tools, equipment, livestock
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ohio.....	No maximum.....	\$300, one; \$600, two.				\$500, one x; \$1,000, two C.		Exempt.....	\$500, \$1,000 ²²	Income- producing. ⁹
Oklahoma.....	O, \$10,000 M x or (40 acres).	\$350, one; \$500, two. ²²				(²²).....	\$1,000 ²²	Exempt.....		(²²).
Oregon.....	No maximum x...	\$1,000, family (includes cash).			\$500, one; \$1,000, family.	\$1,000, per person C.	Or \$1,000...	Exempt.....	Car.....	
Pennsylvania...	O, no maximum.....		(²²)			\$500 F or C.	Or \$500.....			
Puerto Rico.....	O, no maximum.....		None		\$1,000			Exempt.....	Car.....	Livestock and poultry.
Rhode Island...	O, no maximum.....		(²²)	\$1,000 ¹	\$200 ²²	(¹) F.....	(¹).....		Car.....	
South Carolina..	O, no maximum.....		\$750, one; \$1,000, two.	\$750, one; \$1,000, two.		(²²) C.....				
South Dakota...	O, no maximum.....		(²²)	\$1,000, one; \$2,000, two.		\$1,000 C.....		Exempt.....	Car, 3 yrs. old.	
Tennessee.....	\$9,000 E ² all real property.		(⁹)	\$500, one; \$1,000, two.		\$500, per person C.	Or \$600 each.	Exempt.....	Car ⁴	Exempt.
Texas.....	O, no maximum ²²	\$1,800, one; ²⁷ \$3,000, family.		(²²)		\$1,000, per person F.	Or \$1,000, per person.	Exempt.....	Car (not current model).	Exempt.
Utah.....	O, no maximum.....	\$600, one; ²¹ \$1,200, family.				\$500, one C; \$1,000, family.	\$750, one; \$1,500, family.	Exempt.....	Car ⁴	Exempt to \$4,000. ¹¹
Vermont.....	No maximum x...	\$900, one; \$1,800, two.				\$1,100, per person F.		Exempt.....	Car.....	\$1,000, one; \$1,500, two.
Virgin Islands...	O, no maximum..	\$1,500 x x... (9).....		\$500 (family).		\$300 C; \$1,500, family F.	Included in amount, col. 4.	Exempt.....	Car ⁴	
Virginia.....	O, no maximum.....		(²²)	\$400, family.		\$1,000 ²² x F.		Exempt.....	Car ⁴	

Washington.	O, no maximum.	(9)	\$750, one; \$1,450, two; \$50 each added person. ²²	\$200, 1; \$400, 2;	(20) C.	Cars ²¹
West Virginia.	O, no maximum.	\$1,000 ¹			(1) C.	Irrevocable trust funds. Exempt. \$2,000, or x.
Wisconsin.	No maximum (reasonable value).	(21)	\$750.		\$1,000 C.	Exempt. \$750, car. ⁶ (24).
Wyoming.	O, \$3,500.	\$500 ¹			(1) C. (1) C.	Exempt. Car, 2 yrs. or older. Exempt.

*Indicates additional information supplied by State in revision of chart.

x See published document for unusual details.

¹ Includes cash or face value of life insurance without specifying a figure for the value of insurance, except in Rhode Island (\$1,000).

² Current value for tools of trade.

³ Included in maximum on other real and personal property, col. 2.

⁴ Depending on location of home.

⁵ Additional real property up to a specified value may be held if income-producing in these States: *California*, \$5,000, assessed value; *Georgia*, \$1,000, market value; *Guam*, \$3,000, market value; *North Dakota*, \$8,000, equity; *Tennessee* amount included in over-all real property amount, \$9,000; *Virgin Islands*, \$1,500, assessed value, real and personal property.

⁶ If considered essential for transportation; in *Georgia*, limited to use for work; in *Wisconsin*, \$1,000 limitation if essential for medical or employment use and no limitation if aid is temporary.

⁷ Includes cash value of life insurance; however, when cash value exceeds \$600 but not \$1,300, the insurance may be retained if assigned to the Commissioner. Excess of insurance or other personal assets must be liquidated. All personal property in excess of \$250 must be assigned.

⁸ Other real property must be offered for sale or rent unless producing income; in *New Hampshire*, the time limit on disposal is 6 months.

⁹ If accumulated from "disregarded" earned income only.

¹⁰ Plus money given or bequeathed for burial.

¹¹ More valuable car must be converted; car limitation does not apply if assistance will be needed less than 60 days.

¹² "Tax appraised value." (*Hawaii* currently appraises property for tax purposes at 70 percent of market value.)

¹³ Cash or loan value of any insurance policy must be utilized as well as any other cash reserve.

¹⁴ (*Idaho*—ownership of home does not affect eligibility unless value substantially exceeds market value of a modest home in the community; in *New Hampshire*, if value exceeds \$20,000 (based on 100 percent assessment) an evaluation and recommendation made regarding disposal.

¹⁵ Combination of all negotiable assets not to exceed \$750, including cash surrender value of insurance, up to \$500 of liquid resources, and value of marketable real property other than home.

¹⁶ Non-homestead property not producing income limited to \$1,000 equity within maximum on total resources (col. 2). In addition, income-producing non-homestead property may be held up to \$5,000 equity. Cash reserves (col. 5) also within the overall \$2,000 maximum.

¹⁷ When equity in saleable real property exceeds this figure, immediate steps must be taken to sell property or "dispose of excess amount."

¹⁸ No specific limitation except plans for liquidation must be made within 6 months as a condition of eligibility.

¹⁹ Exempt to a specified value if necessary for an approved employment plan in *Michigan*, up to \$750; in *Utah*, up to \$4,000.

²⁰ All property, real and personal, limited to \$10,500. Within this amount individual may have \$1,000 in reserves (couple, \$2,000), including cash surrender value of insurance, market value of real property other than home, certain personal property, and cash or securities.

²¹ Limited to 1 month's budget requirements.

²² Other real property may be held pending liquidation or demonstration of unsaleability.

²³ May own homestead as defined by State law; in *Texas*, definition is applied to APTD by administrative policy.

²⁴ Personal property essential for rehabilitation is exempt from \$1,000 reserve.

²⁵ \$500 allowed for value of car used for transportation; \$1,000 allowed if income-producing.

²⁶ An additional \$150 permitted for each adult dependent in home who is receiving assistance in his own right. Maximums include cash surrender value of life insurance; but increases in cash or loan value due to interest or dividend accruals after certification for assistance may be held if left on deposit with company or if used to purchase a prepaid funeral contract, so long as any combination of accrued amounts or funeral contract so purchased does not exceed \$1,000 for each insured individual included in the grant. If parents of an adult recipient are not receiving assistance, resources from which their essential income is derived will not be considered in determining the amount of reserve allowed for family.

²⁷ Real property other than home must be liquidated; in *Texas*, liquidation requirement applies to excess real and personal property.

²⁸ Recipient may accumulate this amount from earned income.

²⁹ Loan or surrender value of insurance included in liquid reserve.

³⁰ Real property not used as home is considered as a resource in determining eligibility.

³¹ Exceptions made to all maximums if a real property lien or chattel mortgage is executed.

³² Cash value of insurance is to be included in the evaluation of cash assets only when the face value of policies for an individual 21 years of age or older is in excess of \$1,000.

³³ This over-all personal property reserve includes cash, securities, cars, and cash value of insurance.

³⁴ Value of livestock, farm machinery, and equipment of farms is considered in determining total value of applicant's property even though he cannot be required to transfer his ownership as a condition precedent to receipt of assistance.

Source: DHEW.

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO FAMILIES WITH DEPENDENT CHILDREN,
OCTOBER 1971

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occu- pied as home	Other real and personal property (combined)	Other real property (non- home)	Personal property— negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
	Life insurance— C = Cash value, F = Face value					Burial insurance or prepaid contract	Household and personal effects	Car or cars for trans- portation	Tools, equipment, livestock	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Alabama.....	\$2,500 E.....	\$1,000.....								
Alaska.....	O, no maximum.....	\$1,000 ¹	(15).....		\$500.....	(1) C.....		Exempt.....		
Arizona.....	\$8,000 E.....	\$800, one; \$1,200, family.....		\$400, one; \$600, family. ³				Exempt.....		Livestock, \$250, feeds. Livestock.
Arkansas.....	\$4,500 to \$6,500 M. ³	\$500, one; \$1,000, family.....				\$1,000 F.....			\$300, car...	Livestock.
California.....	O, \$5,000 E all real property.....	(9).....		\$600, family x.....				Exempt.....	Car ⁴	\$1,500. ⁷
Colorado.....	O, no maximum.....	\$1,000, pts. lch. \$250 each one. \$2,000, family.....								
Connecticut.....	O, no maximum.....		(9).....	\$250 ¹		(1) C.....		Exempt*.....	Car*.....	Income- pro- ducing.*
Delaware.....	O, no maximum.....		(9).....		\$300 ⁷	\$500, \$1,000. ⁸				
District of Columbia.....	No maximum.....		(9) x.....		\$300, one ¹⁰ \$500, family.....		(19).....	Exempt.....	\$1,500 car ¹¹	Exempt.
Florida.....	O, no maximum x.....	\$1,200, family x ¹²	(12).....							Exempt.
Georgia.....	O, no maximum x.....	\$800, family ¹²				\$1,000 F.....			Car, 4 yrs. old. ¹⁵	
Guam.....	O, \$12,000 M.....		(13).....	\$1,000 ¹				Exempt.....	Car.....	
Hawaii.....	O, \$25,000 ¹⁴		(13).....	No maxi- mum ¹⁶		(1) C.....				
Idaho.....	O, no maximum ¹⁶	\$750 ¹⁷	(17).....	\$500 ¹⁷		\$750 ¹⁷ C.....				

Illinois.....	O, no maximum..	\$150, one; \$50, each additional member.			\$1,000, per person F.	Exempt.....	Vehicles.....	Income- produc- ing.		
Indiana.....	O, no maximum..		(¹).....	\$700, family; \$350, children only x.	(¹) C.....	Exempt.....	Cars.....	Exempt.		
Iowa.....	O, no maximum..	\$500, one; \$200, each addi- tional member.			(¹).....	\$1,000, per re- cipient C.	Exempt.....	\$1,000, car.		
Kansas.....	O, moderate value: \$750 (40 acres) E.	\$500, one; \$1,000, family.				\$500, child; \$1,000, adult F.	Or death benefits.	Exempt.....	Car, 1 yr. old or older.	Exempt.
Kentucky.....	O, no maximum x.....		\$1,000 E. ¹⁹	\$500, one child; \$1,000, two; \$1,500, family x.		\$500, child; \$1,000, adult C.		Exempt.....	Cars.....	Exempt.
Louisiana.....	O, no maximum..	\$400, one; \$600, two; \$800, family.		(If income-producing).....						
Maine.....	O, no maximum..		\$500, one; \$1,000, family.			\$1,500, per person F.	Or \$1,500, prepaid.			
Maryland.....	O, no maximum..			\$300.....		\$500, each child; \$1,000, adult F.				
Massachusetts.....	O, no maximum..		(¹).....	\$1,000 x.....						
Michigan.....	O, no maximum..	\$1,500, one; \$2,000, family.				\$1,000, family x C.		Exempt.....		\$750. ²¹
Minnesota.....	\$7,500 E (all real property).			\$300, re- cipient and one child, \$500, family.		\$500, for each parent C.	\$750 each plus \$200 interest.	Exempt.....		Exempt.

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO FAMILIES WITH DEPENDENT CHILDREN,
OCTOBER 1971

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occu- pied as home	Other real and personal property (combined)	Other real property (non- home)	Personal property— negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C = Cash value, F = Face value	Burial insurance or prepaid contract	Household and personal effects	Car or cars for trans- portation	Tools, equipment, livestock
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Mississippi.....	O, \$2,500, one E (\$5,000 joint owner).	\$600, 1 child; \$1,200, family.						Exempt*.....	\$300, car...	
Missouri.....	\$10,500 M ²²	\$1,500 ²²				\$1,000, per person F.	Or \$1,000, prepaid.			
Montana.....	O, under \$5,000 x A.		Under \$1,000 x.	\$300, two; \$100, each added person; \$600, family.		\$5,000, per person F.	\$1,000, person irrevo- cable.		\$1,500, car, x.	
Nebraska.....	O, no maximum...	\$750, 1 child, \$1,500, 2; \$25, each added person.				\$1,000, per person C.		Exempt.....		\$3,000. ²¹
Nevada.....	O, \$7,500 A.....	\$1,000 adult + 1 child; \$150, each additional x ¹ E.				(1) C.....		Exempt.....	Car.....	
New Hampshire.....	O, no maximum ¹⁴			\$500, family.		\$2,000, family F.		Exempt.....	Exempt.....	Exempt.
New Jersey.....	O, no maximum x. (²³)			(²³)	(²³)	Assigned x.		Exempt.....	\$500, car.....	Exempt.
New Mexico.....	O, no maximum.....		(²³)	\$1,200 ²⁴ .	\$100, one; \$150, family.	\$550 C.....		Exempt.....	\$750 ²⁴ .	Exempt.
New York.....	No maximum x.....				\$1,000, (child's trust fund) x.	\$500, F, per person x.		Exempt.....		Exempt.

North Carolina	O, no maximum x	\$1,100, adult + \$1,000 1 child; \$50 family. \$2,000.	1 child, each addi- tional maxi- mum x. ¹		(1) C	Exempt #...	\$1,000, car E.		
North Dakota	No maximum ²²		(13)	\$1,000	\$350	(Value not specified) C	Exempt	(20)	
Ohio	No maximum	\$300, family.	(13)			\$500, each parent; \$500, all children x.	Exempt	\$500, \$1,000. ²²	Income- produc- ing.*
Oklahoma	O, \$8,000 M x or (40 acres).	\$350, 1 parent; \$500, 2 parents; \$50, each additional child; \$600, family. ²²				(21)	(21)		
Oregon	No maximum x	\$1,000, includes cash.	(13)	\$500, one; \$1,000, family.	\$1,000, per person C.	Or burial contracts or plots.	Exempt	Car	
Pennsylvania	O, no maximum		(20)		\$500 ²²				
Puerto Rico	O, no maximum		None		\$1,000				
Rhode Island	O, no maximum		(9)	None	None	\$500, child; \$1,000, adult F.		Car	
South Carolina	O, no maximum			\$1,000, family.	\$1,000 ¹	(1) C			
South Dakota	O, no maximum		(22)	\$1,000, each parent; \$300, each child x.	\$1,000 C		Exempt	Car (3 years old or older).	
Tennessee	O, \$9,000 E ¹³ all real property.		(13)	\$500, 1 to 3 x; \$1,000, more than 3.		\$600, per person C. Or \$600 each.	Exempt	Car	Income- produc- ing.

STATE LIMITATIONS ON REAL PROPERTY AND PERSONAL PROPERTY WHICH AFFECT ELIGIBILITY FOR AID TO FAMILIES WITH DEPENDENT CHILDREN, OCTOBER 1971—Continued

State	Home— A = Assessed value, E = Equity, M = Market value, O = Must be occupied as home	Other real and personal property (combined)	Other real property (non-home)	Personal property—negotiable assets, stocks, bonds, and other liquid reserves	Cash or savings	Insurance and burial		Value excluded from consideration as assets—		
						Life insurance— C = Cash value, F = Face value	Burial insurance or prepaid contract	Household and personal effects	Car or cars for transportation	Tools, equipment, livestock
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Texas.....	O, no maximum ²⁴ .	\$1,800, one; \$3,000, family.				\$1,000, per person F.	Or \$1,000.....		Car (not current model).	Exempt.
Utah.....	O, no maximum..	\$600, one; \$1,200, family. ²⁵				\$500, one C; \$1,000, family.		Exempt ⁶	Car ⁶	Exempt ⁶ \$4,000. ²⁴
Vermont.....	No maximum x.....	\$900, one; \$1,800, family.				\$1,100, per person F.		Exempt.....	Car.....	\$1,500, family.
Virgin Islands...	O, no maximum..	(¹²) x.....	(¹²).....	\$500, family.		\$300 C or F; \$1,500, family.		Exempt.....	Car.....	
Virginia.....	O, no maximum..		(⁹).....	\$400.....		\$1,000, adults x F.		Exempt.....	Car.....	
Washington.....	O, no maximum..		(⁹).....	\$750, one; \$1,450, two; \$50, ²⁶ each added person.	\$200, 1; \$400, 2; \$25, each added person. ²⁶				Cars ²⁶	
West Virginia...	O, no maximum..	\$1,000 ¹				(¹) C.....	Irrevocable trust.	Exempt.....	Car, \$2,000 or less x.	

Wisconsin.....	No maximum (reasonable value).	None.....	\$500 ¹	(1) C.....	Car, \$750 ²
Wyoming.....	0, \$3,000 A.....	\$500 ¹		(1) C.....	Exempt..... Car..... Exempt.

- *Indicates additional information supplied by State in revision of chart.
- x See published document for details.
- ¹ Includes cash or face value of insurance without specifying a figure for value of insurance.
- ² Included in overall limitation on real and personal property (col. 2).
- ³ Depending upon location of the house.
- ⁴ Exempts child's share of an undistributed estate.
- ⁵ California—exempts value of tools and equipment for a rehabilitation plan, including car for work or training up to \$1,500 in value; Georgia—exempts any car used for transportation to work, in seeking work, or as a business holding.
- ⁶ Must be liquidated; in Delaware, unless producing income.
- ⁷ Only if accumulated from "disregarded" earned income.
- ⁸ \$500 for persons under 21 years of age; \$1,000 for persons 21 years and older.
- ⁹ Real property other than the home must be offered for sale or rent unless it is income-producing.
- ¹⁰ Plus money given or bequeathed specifically for burial.
- ¹¹ More valuable car must be sold; car limitation does not apply to recipient needing assistance less than 60 days.
- ¹² If a child is living with a relative other than his parents who is financially independent, maximum is \$250 per child up to \$1,200 for a sibling group.
- ¹³ Additional real property may be held if income-producing in these States: Alaska, amount not specified; Florida, no amount specified; Georgia, \$1,000, market value; Guam, \$3,000, market value; North Dakota, limit not specified; Ohio, limit not specified; Oregon, amount not specified; Tennessee, amount included in overall real property amount of \$9,000; Virgin Islands, \$1,500, assessed value, real and personal property.
- ¹⁴ Tax appraised value." (Hawaii currently appraises property for tax purposes at 70 percent of market value.)
- ¹⁵ No maximum is set on total, but values for items of personal property are specified; cash value of insurance and any other cash reserve must be utilized.
- ¹⁶ In Idaho, unless value substantially exceeds market value of a modest home in the community; in New Hampshire, if value exceeds \$20,000 (based on 100 percent assessment) an evaluation and recommendation is made regarding disposal.
- ¹⁷ Combination of all negotiable assets may not exceed \$750 in value, including cash value of insurance, up to \$500 of liquid resources, and value of marketable real property other than the home; excludes real property, other than home, which is nonmarketable.
- ¹⁸ Savings from earnings of children are exempt.

Source: DHEW.

- ¹⁹ Income-producing non-homestead property may be held up to \$5,000 equity.
- ²⁰ When equity in saleable real property exceeds this figure, immediate steps must be taken to sell property or "dispose of excess amount."
- ²¹ Exempt if necessary for an approved employment plan.
- ²² All real and personal property is limited to \$10,500. Within this total, family may have reserves of \$1,500 including cash value of insurance, market value of non-home real property, and certain personal property including cash or securities.
- ²³ No specific limitations on other real property, or on personal property not convertible to cash, but plans for liquidation for both within 6 months must be initiated as an eligibility condition.
- ²⁴ Cash and personal property on which cash may be realized limited to an amount less than 1 month's budgetary requirements.
- ²⁵ May be held pending liquidation or demonstration of unsaleability.
- ²⁶ The \$1,200 maximum includes the value of a car not to exceed \$750.
- ²⁷ Equity in loan value of non-essential vehicles and non-essential personal property, such as cameras and television sets, is considered as a reserve.
- ²⁸ Maximum value is determined by size and needs of family.
- ²⁹ Personal property essential to a person's or a family's rehabilitation is exempt from the \$1,000 limitation.
- ³⁰ Exempt up to \$1,000 value if car is used in producing income.
- ³¹ If child is not living with parents, amount is \$250 for 1 child, \$400 for 2 children, plus \$50 for each additional child up to \$600, family maximum. Maximums include cash surrender value of life insurance; but increases in cash or loan value due to interest or dividend accruals after certification for assistance may be held if left on deposit with company or if used to purchase a prepaid funeral contract, so long as any combination of accrued amounts or funeral contract so purchased does not exceed \$1,000 for each insured individual included in the grant.
- ³² No maximum on life insurance for children under age 18.
- ³³ Considered a resource in determining eligibility.
- ³⁴ May own homestead as defined in State law, made applicable to AFDC by administrative policy.
- ³⁵ Exceptions made to all maximums if a real property lien, or chattel mortgage, is executed.
- ³⁶ Combination of all negotiable assets must not exceed \$750 for individual and \$1,450 for 2 persons, with \$50 additional for each added family member; these maximums include cash, securities, cars, and insurance.
- ³⁷ Limitation \$1,000 if car needed for access to medical treatment or employment purposes, and no limitation if aid temporary.

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Questions of Senator William V. Roth, Jr.

PROVISIONS RELATING TO DRUG ADDICTS, ALCOHOLICS, AND MENTALLY RETARDED

(Questions referred to on pp. 44 and 46)

Question:

There is a seeming inconsistency between Section 221.55 (90/10 provision of Revenue Sharing Act) and Sections 221.6 (Services to additional families and individuals) and 221.9 (Definitions of services). Is it the purpose of the new regulations that a State may include any service in its State plan, and furnish them to the mentally retarded, and to drug addicts and alcoholics, without any limitation except as noted in 221.55(d)(3) and (4)?

Answer:

No. Only those drug addicts, alcoholics and mentally retarded who are *current applicants and recipients* of assistance payments (AFDC, Aged, Blind and Disabled) or those *who qualify under the provisions of Section 221.6* as former or potential applicants or recipients of assistance are eligible for services. Drug addiction, alcoholism or mental retardation as such does not necessarily establish any eligibility for services. Those conditions may relate to establishment of eligibility of an individual for assistance or services on the basis of being or becoming "permanently and totally disabled."

The only services which can be offered *any eligible* individual whether they are or not mentally retarded, drug addicted or alcoholic, are limited to those services defined in Section 221.9 and included in the State plan.

Section 221.55(d)(3) and (4) does not relate to eligibility for service or definitions of service. It reflects the statutory exemption to the 10% limit placed on expenditures for services offered to eligible persons who qualify for services as "formers" and "potentials." Under this section the *costs of certain services* provided to the mentally retarded, drug addicts and alcoholics who received services on the basis of being eligible as "formers" or "potentials" do not have to be charged against the 10% limit.

ELIGIBILITY REQUIREMENTS FOR AND DEFINITION OF MENTALLY RETARDED

Question:

May a State furnish services to the mentally retarded without regard to age if such person meets other eligibility requirements?

Answer:

The mentally retarded individual must meet the requirements for eligibility on the same basis as others. This would include the criteria of age in the AFDC program in relation to the age limit regarding a "dependent child." In the Aged program, 65 years of age is the requirement for assistance and 64½ years as a potential recipient. In the Blind program, age is not a criteria of eligibility.

Under the current Disabled program (Title XIV) the minimum age is 18 years. Since the new Federal Disabled program (new Title XVI), effective January 1, 1974, deletes the age requirement, the new

Services Regulations (Part 221) does not establish any age criteria to qualify as a *potential* applicant or recipient of assistance as a disabled individual, effective July 1, 1973.

Question:

What is your definition of the mentally retarded?

Answer:

For the Services Program (with the exemption noted below) the diagnosis to determine whether an individual is mentally retarded shall be made "by a State mental retardation clinic or other agency or organization recognized by the State agency as competent to make such diagnoses, or by a licensed physician . . ."

Section 221.6(c)(3)(iv) provides that eligibility of a mentally retarded person receiving services on June 30, 1973, under the old regulations (Part 222) governing Adult Services shall continue to have eligibility determined under those regulations until December 31, 1973. The definition of a mentally retarded person for the purpose of this subparagraph has been specifically defined as "an individual, not psychotic, who, according to a licensed physician's opinion, is so mentally retarded from infancy or before reaching 18 years of age that he is incapable of managing himself and his affairs independently, with ordinary prudence, or of being taught to do so, and who requires supervision, control, and care, for his own welfare, or for the welfare of others, or for the welfare of the community."

Question:

Is it intended that only mentally retarded children eligible for day care would receive services as persons mentally retarded?

Answer:

Mentally retarded persons who have been determined to be eligible for services may receive any of the services in the State plan appropriate to his circumstances. Day Care Services is the one service which can be provided for eligible mentally retarded children on the basis of mental retardation without reference to the requirements applicable to all other children who are "service eligible."

Questions of Senator Walter F. Mondale

NUMBER ELIGIBLE FOR CHILD CARE

(Questions referred to on p. 47)

Question:

In your statement released when the new social services regulations were issued, and again in your statement before the Committee, you included figures showing a tremendous expansion in the number of children who will be receiving child care under the social service programs, from 694,000 child care years in 1973 to 998,000 child care years in 1974. How can there be any expansion in the number of children receiving day care when the major features of the regulation is to restrict eligibility for social services? What was the basis for this projected increase?

Answer:

The figures cited, 694,000 child care years in 1973 and 998,000 child care years in 1974, represent a composite of all child care provided

under the Social Security Act. The breakdown by funding source is as follows:

	Child care/years (average number of children)	
	1973	1974
Social services.....	405, 000	658, 300
WIN.....	97, 300	155, 100
Income disregard.....	172, 300	167, 000
Child welfare services.....	19, 000	18, 000
Total.....	693, 600	998, 400

The new social service regulations define with greater precision as to who is eligible for Federally-supported child care under the social services programs. This will allow a greater number of children in AFDC families and those whose income is near the assistance level to receive this service. Among the key factors which support the projected increase are the following:

1. In addition to the basic regulation which defines the income eligibility of nonrecipients as 150% of the State's assistance payment standard to be eligible for services as a potential, the States have the option of extending partially subsidized child care to families with incomes between 150% and 233¼% of the State's payment standard. This provision would make it possible for 39 States to offer partially subsidized day care to a mother and 3 children whose annual income exceeded \$6000. In 11 of those States the annual income of such a family unit could exceed \$9000. In the context of a social service program directly tied by statute to the cash assistance program, in general, the income limits established by the new regulations cannot be characterized as overly restrictive.

2. While it is true that some families with incomes over the limits noted above, who received free day care services, will no longer be eligible under the new regulations, there is an unmet need for day care services in the target population which will be eligible under the new regulations. We believe these families deserve primary consideration in the allocation of child care resources.

For FY 1974 we estimate a minimum of 550,000 AFDC mothers (recipients and potentials) at any one time will be employed, full or part time, or in a non-WIN training program. It is estimated that these mothers have 1,100,000 children under 14 years of age for whom some child care service is needed. Of this estimated total of 1,100,000 children, child care will be provided for 167,000 through the "income disregard" under AFDC cash payment provision. It is estimated that day care for an additional 532,000 children will be provided through social services.

This leaves an estimated potential demand *within the eligible population* of 401,000 day care years for employment related reasons. It is to this group that any increase in child care resources under the social service program should be directed in the coming year.

In addition to the 532,000 day care years related to employment and training to be funded under social services, it is estimated an additional 126,300 day care years will be funded under social services for reasons unrelated to employment or training (i.e., the special needs of mentally retarded children, the temporary absence of the mother because of hospitalization). The two figures total the 658,300 projected for fiscal year 1974 in the table cited above.

As noted initially, the new regulations do not represent a cutback on child care under social services. The goal is a redirection of resources to those whose need for day care is the greatest.

SHORT-TERM CHILD CARE

Question:

The new regulations permit child care to be provided only to make employment possible or in cases where the mother is not in the home or is incapacitated. An exception is made only for mentally retarded children. If a mother on welfare is called for jury duty, I suppose this means that she will have to leave her children at home alone. Isn't this regulation unnecessarily severe? In your February proposed regulations, you at least allowed for child care when it was necessary to permit the caretaker to obtain some other services. Why did you stop that provision?

Answer:

Child care under these regulations is not appropriate for short term care, such as babysitting while a mother is absent from the home receiving services. The requirements apply only to ongoing, daily or continuing care. "In receipt of other services" implies hourly care or drop-in care to cover very short term needs, which can be handled within existing resources in the community. If a mother needs intensive, daily medical care or treatment due to incapacity to function she is still entitled to day care services. If she is absent from the home for long periods, care can be provided.

Expanded coverage to include the mentally retarded, death, incapacity and absence from the home of the caretaker, and the extension of financial eligibility for services made it necessary, in view of the closed-end appropriation, to eliminate the costs related to the short term babysitting arrangements from Federal financial participation.

STAFF TRAINING FOR CHILD CARE SERVICES

Question:

Under the former regulations, great emphasis was placed on the training and development of staff. The new regulations make no provision for Federal matching for staff training. Won't this seriously restrict efforts to expand the availability of day care and other services?

Answer:

Regulations for staffing and staff training were eliminated from the social service regulations to avoid duplication of the current regulations for staff development (CFR, Title 45, Part 205, Section 205.202). With the ceiling on expenditures for services, States will need as much flexibility as possible in establishing staffing patterns, as well as latitude in developing their own service priorities.

Section 205.202 requires that a State plan under Title I, IV-A, X, XIV, XVI, or XIX of the Social Security Act must provide for a staff development program for personnel in all classes of positions and for volunteers, to improve the operation of the State program and to assure a higher quality of service. This regulation applies only to the staff of those agencies administering the Social Security Act titles specified.

ELIGIBILITY FOR CHILD CARE

Question:

The provisions in the new regulations on charging fees for child care seem to me to have some strange results. For example, looking at the table on page 26 of the staff blue book,* I notice that in Maryland a mother with three children would be ineligible for even partially subsidized child care services if she was earning \$6,000 a year. In Indiana, however, a mother with three children would be eligible for some subsidization until her earnings exceeded \$10,000 a year. I understand that these differences are based on differences in State Welfare standards but is it really necessary for the Federal Government to compound the anomaly of wide variations in State Welfare standards by tying the child care fee schedules to 233½ percent of the State standards?

Answer:

It is recognized that the standards of assistance vary greatly among the States, and this is because the States have the responsibility for determining their own assistance payment. We feel that the Federal-State relationship should permit the States to establish their own regulations and standards without having broad Federal mandates imposed upon them. We believe that the States are in the best position to understand the needs of their citizens.

DAY CARE STANDARDS

Question:

The new regulations specifically preclude Federal matching for the enforcement of licensing standards for social services. How do you expect States to ensure that your day care standards are met if you won't help fund their efforts to monitor the day care provided?

Answer:

There is no change between the old and the new regulations regarding licensing. Licensing is a State function and therefore the cost of staff primarily engaged in the issuance of licenses or in the enforcement of State standards is not matchable with Federal funds. However, Federal social service funds are available to match the costs of staff responsible for monitoring and evaluating the services provided in day care facilities.

Question:

In the regulations proposed in February you dropped the requirement that formal child care in the home reasonably meet standards recommended by such organizations as the Child Welfare League, but you retained requirements that the State agency establish standards with respect to certain factors. In your final regulations, you

* Page 78 of this volume.

further weaken this section by eliminating some of the factors that must be covered by the State agency standards, specifically, standards with respect to the responsible person's age and health. Can you explain the reason for this change? Don't you think, for example, that there should be some minimum age for babysitters?

Answer:

The final regulations strengthen rather than weaken the section of the social service regulations which deals with the qualification standards necessary for providers of in-home care. It has been revised to indicate that the State agency standards must include requirements with respect to the caretaker's capacity to properly care for children. Implicit in the term, "capacity" are State standards for age, health, stability, experience, etc. In effect, the State must determine each care giver's ability to properly care for children, taking into account all factors which relate to that ability. It is an inclusive term and is more comprehensive than merely spelling out certain factors which the Department feels should be considered.

SELECTION OF SUITABLE CHILD CARE

Question:

Former regulations provided that child care services must be suitable for the individual child and that his parent must be involved in the selection of the child care source to be used. This provision has been dropped entirely in the new regulations. What is the reason for this?

Answer:

The provision was dropped as no longer needed. Experience has shown that the selection of suitable care and the involvement of the parent are inherent in the development of a child care plan. There is generally cooperation between the parent and the agency in seeking the most appropriate child care arrangement.

COMPOSITION OF CHILD CARE ADVISORY COMMITTEE

Question:

I see that the new regulations eliminate the former requirement that at least one-third of the membership of the child care advisory committee be composed of recipients or their representatives. In fact, the new regulations do not provide for any recipient representation. Could you explain why this change was made?

Answer:

The new regulations reflect the language of the statute. The Social Security Act requires "an advisory committee, to advise the State public welfare agency on the general policy involved in the provision of day care services under the plan, which shall include among its members representatives of other State agencies concerned with day care or services related thereto and persons representative of professional or civic or other public or nonprofit private agencies, organizations, or groups concerned with the provision of day care."

The regulations do not deny parent participation. It is left to the State to determine the membership of its advisory committee. Federal Financial Participation is available to pay for the costs of the advisory committee members.

NOTCH PROBLEM IN DETERMINING NEED FOR DAY CARE SERVICE

Question:

Why don't the regulations provide for sliding fee schedules up to 233 $\frac{1}{3}$ % of the welfare payment standards for social services other than day care?

How can HEW justify treating these services differently? And how can HEW justify the "notch" problem that is created by a situation where at 149% of the standard a person qualifies for totally free services but at 151% of the standard, he would have to pay the total cost of the services?

Answer:

Title IV of the Social Security Act provides the legal base for charging fees only for day care services. Section 422(a)(1)(c)(iii) applies to the entire Title IV and provides for fees for day care according to the family's ability to pay. There is no comparable provision for other services.

Otherwise, there is no differentiation in the regulations between the various services beyond the fact that some are mandated, others are optional.

Aside from the legislative reference for charging fees for day care, it is recognized that day care warrants special attention. It represents the largest expenditure for services under Title IV-A. It is a major contributor to enabling parents to become self-supporting. Mothers with young children need some form of day care to allow them to remain employed or in training. If their income exceeds 150% of the payment standards but below 233 $\frac{1}{3}$ %, it has been determined that States may provide partial assistance to meet day care expenses.

FEE SCHEDULES FOR DAY CARE

Question:

Would you please submit the tentative guidelines that you are considering for approval of the fee schedules States propose for persons using day care whose incomes are between 150 and 233 $\frac{1}{3}$ percent of welfare standards.

Answer:

Day care services for children of families otherwise eligible as potential applicants or recipients, but having incomes in excess of 150 percent of the State's financial assistance payment standard, may be considered eligible provided their income does not exceed the maximum allowable under the State's fee schedule.

The tentative guidelines limit Federal financial participation (FFP) to State costs resulting from the application of a State fee schedule wherein fees move in approximately a straight line drawn between full FFP at 150 percent of payment standard going to zero FFP at 233 $\frac{1}{3}$ percent of payment standard.

EFFECT OF NEED STANDARDS

Question:

Why haven't you used the need standard instead of the payment standard for the base on which 150 and 233 $\frac{1}{3}$ percent are calculated?

Is it true that use of the need standards in general tend to reduce the tremendous disparity in eligibility levels among the States which exist under your proposal?

Answer:

The payment standard is the figure from which available income is deducted in calculating the public assistance cash grant in each State. It is the only figure that has met the test of legislative scrutiny and is backed by State monies. Raising or lowering the payment standard has profound State policy and fiscal impacts; thus, it is not likely to be manipulated without thorough State legislative Review.

The need standard is established by each State in relation to cost in the market place of allowable items, but in many States is not used directly for consideration of income or determination of amount of the assistance payment. Therefore, it has little bearing on the operation of the welfare program.

AUTHORITY FOR SETTING FEE SCHEDULES FOR DAY CARE

Question:

Is it correct that HEW will not permit States to impose fees below a level of 150 percent of the Welfare Payment Standard?

Answer:

No. The May 1, 1973, social service regulations do not prohibit States from charging day care fees below 150 percent of the payment standard.

The authority for States to set fee schedules comes from title IV-B of the Social Security Act, which permits fees to be charged "in cases in which the family is able to pay part or all of the costs of such care." Thus, HEW cannot prohibit States from setting fee schedules meeting the Social Security Act criteria.

If States do have fee schedules below 150 percent of the payment standard, that portion of the cost paid by the family is not a cost to the State, thus does not qualify for Federal financial participation.

SERVICES FOR AGED, BLIND, AND DISABLED

Question:

What services are potential welfare recipients who are aged, blind or disabled eligible to receive?

Answer:

Under a technical amendment to the new regulations, those aged, blind and disabled persons who meet eligibility criteria as potential recipients under the regulations can receive all the defined services for adults in the States' plan which contribute to the goal of self-sufficiency, as well as self-support. (Self-support services for the aged is voluntary.)

EFFECTS OF NEW REGULATIONS ON SERVICES TO DRUG ADDICTS AND ALCOHOLICS

Question:

What effects do the social service regulations have upon services to drug addicts and alcoholics?

Answer:

Drug addiction or alcoholism, as such, does not necessarily qualify an individual as eligible for Federally funded social services. Drug addicts and alcoholics who meet eligibility requirements for service as current applicants or recipients of cash assistance (AFDC, Aged, Blind or Disabled), as former applicants or recipients of cash assistance, or as potential applicants or recipients of such assistance are eligible for any social service appropriate to their circumstances that are provided for in the State plan. The costs of supportive social services to former applicants and recipients and potential applicants and recipients who are drug addicts or alcoholics in active treatment are exempt from the 10% limit imposed by new Section 1130 of the Social Security Act.

Over the years, under the old regulations, an ever-increasing proportion of Federal social service funds was diverted to support medical, subsistence and mental health program costs for many individuals, including drug addicts and alcoholics. The new regulations refocus the Federal funds to their intended purpose—social services.

