

# WELFARE REFORM PROPOSALS

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON PUBLIC ASSISTANCE  
OF THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
NINETY-FIFTH CONGRESS  
SECOND SESSION

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FEBRUARY 7 AND 9, APRIL 17, 18, 25, AND 26,  
MAY 1, 2, AND 4, 1978

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PART 1 OF 5 PARTS  
Administration Testimony  
February 7 and 9, 1978



Printed for the use of the Committee on Finance

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# ADMINISTRATION'S WELFARE REFORM PROPOSAL

TUESDAY, FEBRUARY 7, 1978

U.S. SENATE,  
SUBCOMMITTEE ON PUBLIC ASSISTANCE  
OF THE COMMITTEE ON FINANCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Long, Moynihan, Curtis, Dole, and Danforth.  
[The committee press release announcing these hearings follows:]

## SUBCOMMITTEE ON PUBLIC ASSISTANCE ANNOUNCES PRELIMINARY HEARINGS ON ADMINISTRATION'S WELFARE REFORM PROPOSAL

Daniel Patrick Moynihan (D., N.Y.), Chairman of the Subcommittee on Public Assistance of the Finance Committee, today announced that preliminary hearings will be held on S. 2084, the Administration's proposed "Better Jobs and Income Program", in early February, 1978. On February 7, 1978, the Honorable Joseph A. Califano, Jr., Secretary of Health, Education and Welfare, will testify, and on February 9, 1978, the Honorable F. Ray Marshall, Secretary of Labor will testify. The hearings will begin at 10:00 a.m. both days and will be held in Room 2221 Dirksen Senate Office Building.

Senator Moynihan stated: "By setting aside two days for this purpose shortly after the Senate reconvenes, we will have an opportunity for Administration officials to present their proposals to us, and to ask questions of them. Under the energetic and accomplished leadership of Congressman James C. Corman, the House Welfare Reform Subcommittee has greatly advanced the cause of comprehensive welfare reform. Congressman Corman's Committee has made thoughtful and constructive changes in the Administration's bill, and the time is at hand now for those of us in the Senate to learn more, both about the President's recommendations and about some of the proposed amendments to them.

The momentum for welfare reform is building. While it is inevitably the case that people will emphasize different aspects of the subject, and while we have a distance still to go before enactment of a broadly satisfactory program, the Carter Administration has shown its willingness to come more than halfway to accommodate various concerns. In particular, the President's acceptance of the principle of interim fiscal relief for our States and localities demonstrates his appreciation of the urgency of the problem and the need to build toward a comprehensive solution. The Social Security bill signed into law by the President contains the first installment of that interim fiscal relief.

The preliminary hearings announced today are not intended as full scale public hearings on welfare reform. Later, when the House of Representatives has completed action, it will be appropriate for the Senate to commence full hearings at which public witnesses will have an opportunity to share their views with us. What we seek in these initial discussions is to obtain a clearer understanding of the President's proposals, and to begin to explore their implications, and some of the underlying considerations, with Administration representatives.

Senator MOYNIHAN. I say good morning to our guests and to our distinguished witnesses. This is the second occasion upon which the Subcommittee on Public Assistance has held a general series of hear-

ings on the President's proposal for a better jobs and income program, as it is termed, and welfare reform, as it is generally known.

We have followed the events closely since we last met with the administration officials, and, of course, there has been great progress. Just last evening, Chairman Corman called me from the House side to say that his committee had finished marking up the administration's bill and that on Wednesday, they expected finally to dispose of the matter, which is a very considerable achievement. And, if I may say in the presence of some known and possibly even professional skeptics, the demise of the President's program has been greatly exaggerated. It is alive and well, and we are looking forward to having it on our side by the 1st of April. As Chairman Corman said, he knows that if they got it to us by then, the Senate could indeed handle it before the end of the year.

Senator Danforth, would you like to make some remarks?

Senator DANFORTH. No.

Senator MOYNIHAN. In that case, the pleasant task falls to me to welcome Secretary Califano—I almost said "Senator Califano"; I must watch that—who is accompanied by Dr. Aaron and by Mr. Marcus—Mr. Marcus, you are an attorney and not a doctor.

We welcome you both, gentlemen, and I believe that the Secretary has prepared testimony which he will want to proceed with.

Secretary CALIFANO. Mr. Chairman, Mr. Marcus went to Yale Law School. If he had gone to Harvard Law School where they have now converted the LL. B. to a doctor of law, he could be a doctor too.

Senator MOYNIHAN. But it is well-known that he went to the Yale Law School for the purpose of ingratiating himself with Senator Danforth.

Secretary CALIFANO. Mr. Chairman and Senator Danforth, I would like to go through my statement, if I may, and comment on some additional information about Project Match that came to me last night.

#### **STATEMENT OF HON. JOSEPH A. CALIFANO, SECRETARY OF HEALTH, EDUCATION AND WELFARE**

Secretary CALIFANO. I welcome the opportunity to be here, Mr. Chairman, to discuss the President's proposal to overhaul the welfare system and to provide jobs for low-income Americans, the Program for Better Jobs and Income.

We are particularly appreciative, Mr. Chairman, of the expertise and leadership that you bring to the difficult subject of welfare reform, and we look forward to working with you, Chairman Long, Senator Danforth and other members of the Finance Committee to achieve our mutual objective of reforming our welfare system.

Since I appeared before you last May, the administration and the Congress, as you have noted, have made significant strides toward enacting a meaningful welfare reform program. Congressman Corman and his subcommittee here have done an extraordinary job.

The principles of welfare reform that the President announced last spring have been translated into a comprehensive, detailed blueprint for reform of the program that the President submitted to the Congress last August, and the Congress has responded. Throughout the

fall, the Special Welfare Reform Subcommittee in the House, under the able and dedicated leadership of James Corman, conducted extensive hearings and has now virtually completed its markup of the administration's bill.

The subcommittee has made a number of changes in the bill, but its actions have preserved the basic structure and principles of the administration's proposal, and I am optimistic that the House will act favorably on the President's program this spring. I am also convinced that if the House acts this spring, action by the Senate and final enactment of the program for better jobs and income is possible in this Congress.

My staff and I stand ready to assist this subcommittee and the full Finance Committee and the Human Resources Committee to the maximum extent possible in seeking to achieve this vital legislative goal. I should note, Mr. Chairman, that Senator Nelson, on behalf of the Human Resources Committee, has scheduled hearings for consideration of its part of the bill.

I need not dwell on the question of why welfare reform is necessary. The present system is antifamily, antiwork, and prone to error and fraud. There are serious problems that must be remedied. The existing categorical programs have left gaps in coverage that must be closed.

Different rules and eligibility standards in the three major Federal programs—AFDC, supplemental security income, and food stamps—and in the separately administered State and county AFDC programs, have led to administrative complexity and confusion for recipients, for officials, and for the public. There are wide disparities in benefit levels in different parts of the country, even between neighboring States. Families in identical circumstances are treated differently, depending on where they live, because of varying benefit levels and rules.

Our existing programs contain work requirements, but they lack work opportunities to make those requirements meaningful. The existing welfare system contains substantial family-splitting incentive. In many cases, the family is better off if the father leaves the home.

In part because of its administrative complexity, the current system is susceptible to fraud and to error. The current system places unjust and unacceptable fiscal burdens on State and local governments.

Detailing the deficiencies of the present system, of course, is easier than developing solutions that make sense and are politically feasible. This subcommittee, and especially you, Mr. Chairman, are well aware of the difficulty of putting together a welfare reform proposal that, within available resources, satisfies important policies and goals that are sometimes difficult to reconcile.

Nothing illustrates this difficulty more graphically than the problem of designing the central feature of any welfare system with benefit structure. That structure is composed of three fundamental elements: The basic benefit level for a family with no income; a benefit reduction rate, the rate at which the basic benefit is reduced as the family earns money; and the break-even point, the income level at which cash assistance phases out.

These three fundamental elements are inseparable. One element cannot be justified without affecting the other two.



Basic benefits levels should be high enough to assure at least a minimal standard of living for those who are unable to work. At the same time, benefit reduction rates, the rate at which benefits are reduced as the family earns money, should be low enough to insure adequate work incentives; and break-even points should be reasonably low so that the number of families receiving cash assistance does not become too large.

Basic benefits can be raised while keeping break-even points low only if benefit reduction rates are increased; and if basic benefits are increased too much, the incentive to work is undermined.

To keep benefit reduction rates low while raising basic benefits, the break-even point must be raised. This makes more families eligible for benefits and increases program costs.

These policy conflicts and dilemmas, and others with which you are intimately familiar, led me, on one occasion, to refer to welfare reform as the Middle East of domestic politics. There is no simple resolution to these dilemmas, and there is no perfect welfare system.

But I believe that the program for better jobs and income represents a balanced and comprehensive approach to the need for comprehensive reform. As you observed in the course of your recent, wide-ranging interview in the National Journal, Mr. Chairman, the President's program does a superb job of balancing different kinds of interest in coming to some optimal results.

The program consists of two basic components: The consolidated cash assistance program with uniform national rules and a work opportunity program, under which up to 1.4 million public service jobs will be created to assure a work or training program for every welfare family.

I cannot emphasize too strongly that these basic components are closely related and that each is essential to the success of the other.

And with respect to the consolidated cash program, Mr. Chairman, if I may depart from my statement for a minute, because it is relevant to considerations here and relevant to the incremental proposal that Congressman Ullman has proposed in the House as an alternative, to lose that consolidated cash system would be a serious blow.

Let me just review some information that we received through our Project Match operation just last evening. To appreciate the importance of a consolidated cash system with uniform rules and a centralized computer network and to understand how abuse and fraud-prone perpetuation of the present system is, let me give you the results which I received last evening of our most recent Project Match operation.

We have, with some difficulty, taken computer tapes of 24 States and the District of Columbia, and we have, for the first time, matched them one against the other. That match has revealed that there are 13,584 welfare recipients who are receiving welfare payments from more than one State. These are recipients who are using the same social security number and are making no attempt whatsoever to disguise their apparently fraudulent activity.

With the President's program, this kind of welfare fraud and abuse would be impossible, for each welfare office would have a terminal which would indicate if the individual applying for welfare

was receiving a payment in any other State or county in the United States.

Senator MOYNIHAN. Mr. Secretary, that is an extraordinary figure. That would involve welfare payments of upwards of \$10 million a year, would it not?

Secretary CALIFANO. Yes; it could, Mr. Chairman.

Senator MOYNIHAN. Am I correct in thinking that the use of social security numbers in Project Match comes in consequence of the law passed last year that made these numbers available to you?

Secretary CALIFANO. That law helps, Mr. Chairman. That law will be more helpful in the future because it will require States to begin to do exactly this.

Senator MOYNIHAN. I thought that Senator Curtis might be interested, because he was very much a supporter of that measure and this committee has more than once said that we are against—that welfare fraud is what makes it so difficult to provide a decent level of welfare assistance for people who are entitled to it.

Secretary CALIFANO. Mr. Chairman, if I might note on your \$10 million point, if you took an average of say \$3,000 for those 13,584 people, they are receiving almost \$40 million, half of which they may not be entitled to—or maybe they are not entitled to any of it.

We will now do more detailed work on it.

Senator MOYNIHAN. Forgive me, but \$20 million shows up just in something you were able to do last night, as it were? Somebody earned his pay yesterday.

Secretary CALIFANO. Mr. Chairman, the jobs part of the program will insure, for the first time, that all families with a full-time worker will have an income above the poverty line. An expanded earned income tax credit will give additional tax relief to the working poor and increase work incentives. The cash assistance benefit structure, in conjunction with the earned income tax credit, will assure that it is always more profitable for an individual or family to work than not to work under this program, and always more profitable to work in the private sector than in one of the special public service jobs.

Significantly, the jobs program helps us resolve a central dilemma of the benefit structure, for families whom we do not expect to work—single parents with young children and the aged, blind and disabled, work incentives are relatively less important. We can therefore encourage States to supplement basic Federal benefits to relatively high levels, allow benefit reduction rates of up to 70 percent, and still have break-even points that are acceptably low.

For families that we expect to work, two parent families and single parent families with no young children, 70-percent benefit reduction rates would be undesirably high. The jobs program, by assuring a work or training opportunity for the principal earner in every family with children, enables us to keep benefit reduction rates and break-even points low for families expected to work without sacrificing adequacy of income.

Under the administration proposal, the total income of a family with a full-time job, even a minimum wage job would, including the supplemental cash assistance, be well over the poverty line.

Details of the cash assistance component of the program for better jobs and income are set forth in the attachment to my statement and I would merely note some of the highlights here.

The President's proposal extends universal coverage to all poor families in a consolidated cash assistance program that replaces existing categorical programs: AFDC, SSI, and food stamps. National uniform eligibility standards and rules are established to improve equity and to make the system more understandable and administerable.

The bill provides for a uniform national benefit floor to reduce substantially existing disparities in benefits among the States. The basic Federal benefit of \$4,200 for a family of four would exceed the current Federal share of AFDC and food stamp benefits in all but seven States. Those States, for the record, are Alaska, Hawaii, Idaho, South Dakota, Utah, Vermont, and Wisconsin.

Federal subsidies would give States incentives to increase the basic Federal benefit through supplements that can be administered as part of the basic Federal program.

The subsidy formula will insure that every State can retain or improve its existing benefit with lower expenditures. The proposal embodies the number of administrative reforms to promote efficiency and accuracy.

Chief among these is retrospective accounting, under which benefits are calculated on the basis of actual, rather than predicted income. We also propose a 6-month accountable period to target benefits on those families who need them most.

The bill includes a new \$600 million program of grants to the State for meeting emergency needs. This will permit States not only to meet traditional emergency needs, but also to deal with any hardships created by the switch to retrospective accounting.

The States will be given the option of retaining the critical administrative functions of intake and eligibility determination, subject to Federal rules. In all cases under the administration's proposal, benefits would be computed and paid by the Federal Government.

A single national computer system will link the cash assistance programs in every State, greatly increasing our capacity to reduce error and fraud and, as a result, our capacity to earn the respect of the American taxpayer for the integrity of the welfare system.

The program includes transitional provisions to protect existing recipients against sudden or drastic reductions in benefits and to guarantee fiscal relief to the States.

These are the major elements of our proposal, Mr. Chairman. Because of the importance to the success of this program, I would like to discuss briefly the subject of fiscal relief, a subject in which I know you are deeply interested.

Fiscal relief for State and local governments is a central goal of those who wish to reform the welfare system. It is, moreover, one

of the fundamental principles that has guided the President in shaping the program for better jobs and income and was one of the central planks that you, Mr. Chairman, placed in the Democratic Party Platform in 1976.

Poverty, wherever it occurs, is a concern to all of us. Its existence is related to the national economy and is thus a national problem. Assisting the poorest amongst us is a proper function of the Federal Government.

The State and local governments that have borne a large and fluctuating burden of welfare financing have relatively inelastic tax bases. Unlike the Federal Government, they are ill-equipped to deal with the party cyclical nature of welfare spending. State and local governments have other priority needs—social services, for example—that are more appropriately funded out of local tax revenues.

For these reasons, the administration has sought to design a cash assistance program that will provide substantial amounts of fiscal relief to State and local governments consistent with the other goals of welfare reform.

Senator Long and you, Mr. Chairman, have pointed out the importance of providing interim fiscal relief to the States between now and the implementation of the program for better jobs and income. The Social Security Amendments of 1977 provide for \$187 million of fiscal relief, payments to be divided among the States by a formula based half on AFDC expenditures and half on the revenue sharing allocation.

We understand that roughly the same amount of fiscal relief payments for 1978 will be proposed in H.R. 7200 and we support that.

We support this interim fiscal relief. In addition, we are prepared to support, as an amendment to H.R. 9030, interim fiscal relief payments of \$450 million for fiscal 1979 and \$525 million for fiscal 1980.

I should note, Mr. Chairman, that those are our estimates of the cash payments that would be made under the allocation formulas and the error reduction rates. The authorizations would be, as we have discussed, \$500 million for fiscal 1979 and \$600 million for fiscal 1980.

A similar allocation formula substituting total 1977 welfare expenditures would be used, however, no State could receive more than 90 percent of the fiscal relief guaranteed in the ultimate program and each State would have to meet AFDC error rate tolerance levels in order to receive its full share of fiscal relief.

The amounts that would be received by each State are set forth in table 1 of my statement.

Finally, Mr. Chairman, I would like to say a word about incremental versus comprehensive reform. A number of supporters of welfare reform, most recently Chairman Ullman, argue that we should work within the framework of the existing categorical programs to improve the system. The administration believes that such an ap-

proach is less efficient and less equitable in achieving the goals of welfare reform.

Chairman Ullman's plan, and other incremental programs, would not, in our view, effectively come to grips with the problems of the existing system. Leaving the categorical programs in place makes it more difficult to achieve uniformity of rules and administration and it perpetuates the inequities of coverage and continues to extend the invitation to fraud and abuse extended by the present system, which I illustrated with these Project Match numbers this morning.

If we keep those categorical programs without some kind of a consolidated cash assistance, still there is no need for any individual in going on welfare in New York State, for example, to change his name and address and social security number if he goes on welfare in Connecticut, New Jersey, or Pennsylvania.

There is no reason to believe that the poor cannot manage their incomes as well as other Americans. A separate food stamp program, we believe, is unnecessary and inefficient. A single cash assistance system will make it possible for government to respond quickly and effectively to changes in the economy and other developments that affect the poor. A consolidated cash system can be more effectively policed for fraud and error than the three programs with separate administration and different rules.

A meaningful jobs program can be more effectively coordinated with a consolidated cash system. The Ullman proposal, moreover, does not offer sufficient employment opportunities. His proposal has only 500,000 jobs as compared with the 1.4 million in the administration's proposal.

The American people are not satisfied with the current hodgepodge of welfare programs. They want change and they want systematic change. The problems that we all know exist can best be dealt with by a comprehensive reform plan which resolves competing policies and goals within the context of a single, consolidated program.

The President's program for better jobs and income is such a plan, and we believe that it merits your support. The subject of welfare reform is so complex that there are bound to be disagreements as to program details, but I believe firmly that if we work together, if we can keep the need for basic structural change in view and not let disagreements on particular parts of the program lead to impasse, we can enact real reform.

We can scrap the present crazyquilt system with its inequities and inconsistencies and replace it with a new system that is efficient and humane, that provides adequate assistance and genuine work opportunities to our less fortunate citizens.

I believe that the special House subcommittee has taken a major step toward achieving this illusive goal and that, with your cooperation, Mr. Chairman, and the cooperation of this committee, we can make that goal a reality.

Mr. Chairman, thank you very much. I would note that we received and are prepared both to answer in detail for the record the questions in your letter and also to discuss those questions today, as you see fit.

[The attachments to Secretary Califano's statement follow. Oral testimony continues on p. 16.]

TABLE 1.—FISCAL RELIEF BEFORE IMPLEMENTATION OF WELFARE REFORM

State	Fiscal year—			Total :
	1978 <sup>1</sup>	1979 <sup>2</sup>	1980 <sup>2</sup>	
1. Alabama.....	4.4	2.8	2.8	10.0
2. Alaska.....	.7	1.1	1.1	2.9
3. Arizona.....	2.6	2.0	2.0	6.5
4. Arkansas.....	2.7	1.5	1.5	5.7
5. California.....	50.5	81.5	97.8	229.8
6. Colorado.....	3.5	4.7	5.1	13.4
7. Connecticut.....	4.9	6.3	7.6	18.8
8. Delaware.....	1.0	1.3	1.3	3.6
9. District of Columbia.....	2.4	3.2	3.8	9.4
10. Florida.....	7.9	4.0	4.0	15.9
11. Georgia.....	5.9	4.5	4.5	14.9
12. Hawaii.....	2.3	2.9	3.5	8.6
13. Idaho.....	1.0	.9	.9	2.8
14. Illinois.....	23.2	31.8	38.1	93.1
15. Indiana.....	6.1	4.7	4.7	15.4
16. Iowa.....	3.9	4.5	4.5	12.8
17. Kansas.....	3.0	3.5	3.5	9.9
18. Kentucky.....	5.7	4.3	4.3	14.4
19. Louisiana.....	6.0	4.0	4.0	14.1
20. Maine.....	2.0	2.3	2.3	6.5
21. Maryland.....	6.5	8.5	9.1	24.1
22. Massachusetts.....	14.3	22.6	27.1	64.0
23. Michigan.....	21.0	26.9	32.3	80.3
24. Minnesota.....	6.4	8.4	9.0	23.8
25. Mississippi.....	3.3	.8	.8	4.9
26. Missouri.....	6.3	8.0	8.6	22.9
27. Montana.....	.9	.5	.5	2.0
28. Nebraska.....	1.6	1.5	1.5	4.6
29. Nevada.....	1.6	.9	.9	2.4
30. New Hampshire.....	1.0	1.3	1.3	3.6
31. New Jersey.....	13.9	17.9	21.5	53.3
32. New Mexico.....	1.8	1.1	1.1	4.1
33. New York.....	52.9	76.7	92.0	221.6
34. North Carolina.....	7.0	5.1	5.1	17.2
35. North Dakota.....	.7	.5	.5	1.6
36. Ohio.....	15.6	18.9	22.7	57.2
37. Oklahoma.....	3.5	4.5	4.6	12.5
38. Oregon.....	4.4	4.8	5.4	14.7
39. Pennsylvania.....	22.5	31.0	37.2	90.7
40. Rhode Island.....	1.8	2.3	2.8	6.9
41. South Carolina.....	3.3	1.5	1.5	6.3
42. South Dakota.....	.9	.7	.7	2.4
43. Tennessee.....	4.9	3.0	3.0	10.9
44. Texas.....	11.6	4.7	4.7	21.0
45. Utah.....	1.7	1.3	1.3	4.3
46. Vermont.....	1.0	1.3	1.5	3.7
47. Virginia.....	6.3	6.9	6.9	20.1
48. Washington.....	5.5	7.7	9.3	22.4
49. West Virginia.....	2.7	1.8	1.8	6.2
50. Wisconsin.....	8.6	9.8	10.6	28.9
51. Wyoming.....	.4	.3	.3	1.0
Total.....	372.9	452.8	522.7	1,348.4

<sup>1</sup> One-half of fiscal year 1978 fiscal relief was enacted as part of the Social Security Amendments of 1977 (Public Law 95-216). The other half will be considered as the Congress considers H.R. 7200.

<sup>2</sup> Fiscal year 1979 and fiscal year 1980 fiscal relief will be allocated based on States' fiscal year 1977 welfare expenditures. Data for fiscal year 1977 are not yet available, so these projections are based on 1975 welfare expenditures. When fiscal year 1977 data are used, the distribution of the fiscal relief among the States may change slightly.

#### DESCRIPTION OF PROGRAM FOR BETTER JOBS AND INCOME

- I. Who will be helped.
- II. How they will be helped.
- III. The Roles of the Federal and State Governments.
- IV. New Uniform Rules.

##### I. WHO WILL BE HELPED?

It is estimated that 40 million or more people are at some time during the year presently eligible for Aid to Families with Dependent Children, Supplemental Security Income, and/or Food Stamps. Three quarters of those eligible—or 30 million people—now receive benefits from one of these Federal programs.

But under present law many of the poor receive little or no cash assistance from the Federal government because they do not qualify under the narrow categories for eligibility.

For example, single individuals are childless couples with little or no earnings are only eligible for food stamps, and are not eligible for AFDC. And in many States families with children are ineligible for assistance if the father is present in the home.

The Administration believes a jobs and cash assistance program to help low-income people should reach all needy individuals, not just those who fit into a narrow category.

Thus the Better Jobs and Income program provides assistance in the form of employment and/or cash benefits for singles, childless couples and families with children. At the same time the Administration does not favor providing aid to those who are not classified as low-income.

Under the President's proposal, 36 million people would be eligible for jobs and cash benefits, four million fewer than are eligible under present law.

Of those four million no longer eligible for cash assistance, some one million are AFDC recipients who now have high incomes—many at twice the poverty level—but who manage to stay on welfare because of present rules.

When individuals with incomes substantially above the poverty line receive benefits, the credibility of the welfare system is undermined. Our program, as explained later, reforms the rules to assure that only the needy are eligible to participate in the program.

While four million fewer people are eligible, we estimate that 32 million people will actually receive benefits some time during the year from the basic cash assistance program (an increase of two million over the present system). The reason for increased participation is that many who are eligible for food stamps but do not apply for those benefits—especially the elderly and disabled—will, we believe, apply for cash assistance. In addition, participation will increase because the application process will be simpler.

In discussing numbers of participants in the President's proposal, it is important to recognize that most of the families in the program will be headed by someone who is working and who is receiving cash supplements to wages, not cash assistance alone.

Indeed, under the new system, reliance on welfare payments will be sharply reduced because the number of single-parent family heads who support their families primarily through earnings will increase substantially.

In sum, fewer will be eligible for the Program for Better Jobs and Income than for AFDC, SSI and Food Stamps; but more people will actually participate in the program, and most will receive benefits in the form of both jobs and job supplements. And those eligible will be more uniformly concentrated in the low-income brackets.

## II. HOW LOW INCOME PERSONS WILL BE HELPED

The Program for Better Jobs and Income is intended to (1) increase job opportunities for the low-income population, and (2) consolidate our major income support programs into one simple and efficient program.

In broad outline, the proposal would:

Attempt to assure up to 1.4 million public service jobs for the primary earner in families with children, which should serve as many as 2.5 million different people on a temporary basis during any year. Our emphasis is on providing income through jobs and wages wherever possible.

Consolidate the three current major income assistance programs—Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) and Food Stamps—into a single system with simpler, uniform rules which will make the system fairer and significantly less susceptible to fraud, abuse, and error.

Permit families headed by two parents to receive income supplements if the family's earnings are insufficient to support the family. Low-income fathers would no longer have an incentive to leave their wives and children in order to make families eligible for cash support.

Provide a basic Federal benefit floor for all poor persons, which will substantially increase income support in some States. Higher benefit States will be encouraged to supplement the basic Federal minimum to maintain income support at present levels.

Provide for a transition period after the new rules go into effect during which Federal support will help States maintain benefits to existing recipients in current programs. During this period, States will be required to maintain a substantial portion of their present level of expenditures in supporting programs for low-income individuals.

Expand the current Earned Income Tax Credit for workers in private sector and regular public sector jobs. The credit will supplement the income of low wage earners and serve as a positive incentive for work effort. In order to ensure that private employment will pay more than special public employment, those who are working in the new specially-created public sector jobs will not be eligible for the expanded Earned Income Tax Credit.

The program will provide assistance in three basic ways to low income Americans.

First, it will provide job opportunities for those who need work.

Second, it will provide a work benefit cash supplement for those who work but whose incomes are inadequate to support their families.

Third, it will provide income support for those unable to work due to age, physical disability, or the need to care for children six years or younger.

#### *A. Those required to work*

At the outset, we make an important distinction between those who are required to work and those who are not. In making this social and economic judgment we recognize that many in the "not required to work" category will nonetheless want to—and will in fact—work.

The following categories of persons are required to work under the Better Jobs and Income Program: The principal wage earner in a two-parent family with children, singles and childless couples, and single parents with children 14 and over. These persons must work full-time if such work is available.

Those in the not required to work category include the aged, blind, and disabled and single parents with children under age 7.

Single parents with children age 7 through 13 fall into a special category. They will be required to accept available part-time work which does not interfere with caring for children. But because they have young children, they will receive benefits at the same level as those not expected to work.

We believe that, if the American people are confident that those able to work are working, they will be willing to support a reformed system of jobs and cash assistance for low income citizens. They do not have that confidence now—and understandably so.

#### *B. Job opportunities*

The central element of our proposal is an innovative effort to match low-income persons with available work in the private sector.

It will be the responsibility of State and local officials to assure an unbroken sequence of employment and training services, including job search, training and placement. Prime sponsors under the Comprehensive Employment and Training Act (CETA), State employment service agencies and community-based organizations will play major roles in this effort, as Secretary Marshall will explain in greater detail later in these hearings.

Our goal is simple—to provide a job for the principal wage earner in every low-income family. In addition to placing people in private sector jobs, we estimate that we may need to create up to 1.4 million special public service jobs to assure employment for all principal wage earners in low-income families.

Our job creation effort will ensure that, in conjunction with cash assistance, most families with children and one parent able to work will have an income above the poverty line. For example, a family of four will have an income at least 20 percent above the poverty line if the principal earner has a full-time job in the private sector or in a regular public job at or above the minimum wage. The same family will have an income at least 10 percent above the poverty line if the principal earner has a special public job. In either case the accomplishment is significant. Millions of households will move above the poverty line and most of the income of these families will be from work.

This new jobs program for low income Americans is carefully designed to avoid disruptive effects in the regular economy:

Applicants will be required to engage in an intensive 5-week search for regular employment before becoming eligible for a public service job. Those working in public service employment will be required to engage in a period of intensive search for jobs in the private sector every 12 months.



To encourage participants to seek employment in the regular economy, the basic wage rate will be kept at or slightly above the minimum wage.

Every effort will be made to emphasize job activities which lead to the acquisition of useful skills by participants so that they may ultimately obtain employment in the regular economy. Training activities will be regular components of most job placements.

The development of this job program is clearly a substantial undertaking requiring the close cooperation of all levels of government. We are confident it will succeed.

Thousands of unmet needs for public goods and services exist in our country. Through an imaginative program of job creation we can insure that the goals of human development and community development are approached simultaneously. Public service jobs can be created in areas such as public safety, recreational facilities and programs, facilities for the handicapped, environmental monitoring, child care, waste treatment and recycling, clean-up and pest and insect control, home services for the elderly and ill, weatherization of homes and buildings and other energy-saving activities, teachers' aides and other paraprofessionals in schools, and school facilities improvements.

### *C. Benefits for work*

The Better Jobs and Income program will augment earnings for those who are required to work but whose incomes are inadequate to support their families.

This supplement will be provided both through a work benefit cash supplement and through the expanded earned income tax credit.

*Work Benefit.*—The work benefit will supplement the earnings of two parent families, single people, childless couples and single parents with no children under fourteen.

The proposal calls for an eight-week period of job search with maximum cash assistance of \$2,300 (family of four) for a two-parent family or single-parent family whose youngest child is 14 or older, followed by an increased benefit of \$4,200 (for a family of four) if no job is available for an eight-week period. It thus preserves an incentive to seek and accept employment and also protects families against program or labor-market failures over which they have no control.

Benefits will be reduced after the first \$3,800 of earnings by fifty-cents for each dollar. The purpose of not counting, that is, disregarding the initial \$3,800 is to bring immediate and substantial rewards from work.

A four-person family ceases to be eligible for benefits at an income of \$8,400.

Single persons would receive benefits of \$1100 which would phase out at \$2200 of earnings and childless couples would receive benefits of \$2200 which would phase out at \$4400.

*Earned Income Tax Credit.*—The second way in which earnings will be supplemented is through the expanded earned income tax credit. The expanded EITC will not only enhance work incentives but will provide tax relief for a family of four with income up to \$15,650.

The current Earned Income Tax Credit (EITC) is an excellent mechanism to provide tax relief for the working poor. We propose to expand this concept to provide benefits to more families, to provide relief to low and modest income working people, and to improve work incentives.

Currently, the EITC is a cash credit or rebate of 10 percent on all earnings up to \$4,000, for a maximum credit of \$400. The credit is phased down by \$1 for every \$10 of earnings on adjusted gross income over \$4,000, and disappears at \$8,000 of adjusted gross income. This structure creates a work disincentive for families with earnings between \$4,000 and \$8,000, many of whom will be receiving cash assistance under the Administration's proposal.

The proposed EITC will have the following features:

A 10 percent credit on earnings up to \$4,000 per year as under current law.

A 5 percent credit on earnings between \$4,000 and the point at which a family ceases to be eligible for welfare benefits in a state with matching supplements. This level is \$9,100 for a family of four.

A phase-out of the credit beyond the point at which the family ceases to be eligible for cash assistance. The credit will provide benefits to a family of four with income up to \$15,650.

The credit will be paid regularly by the Treasury Department through the payroll withholding system.

A persistent and effective incentive for workers to take regular unsubsidized public or private employment, rather than subsidized public service employment, will be created by applying the Earned Income Tax Credit only to earnings from unsubsidized jobs.

#### *D. Income support*

The income support cash benefit of the Better Jobs and Income program is available for those not expected to work; the aged, blind and disabled, and single parents with children 6 or under. As noted, single parents with children between 7 and 13 will receive cash assistance on this schedule, although they will be expected to work if part-time employment is available.

Benefit levels for a family of four with no other income will be \$4,200. If these people choose to work—and many of them will—their benefits will be reduced by 50 cents for every dollar earned. Federal benefits would thus phase out at \$8,400.

The aged, blind, or disabled individual would receive a Federal benefit of \$2,500 and a couple would receive \$3,750—more than they are now receiving. That is higher than the SSI benefit for either group—about \$100 higher for a couple and \$120 higher for a single person.

An aged, blind, or disabled individual ceases to be eligible for benefits at \$5,000 of earned income, and a couple at \$7,500.

The decision to set benefit levels for a nonaged, blind, or disabled family of four at \$4,200 was not an easy one. It is clear that it is economically impossible and undesirable to set Federal benefits at the level of the highest State. On the other hand the benefit could not be set so low as to cause a hardship on present recipients. The benefit level of \$4,200 exceeds the amount of Federal dollars going to recipients for AFDC and food stamps in all but seven States (Alaska, Hawaii, Idaho, South Dakota, Utah, Vermont and Wisconsin). And the benefit level exceeds the total amount, State and Federal, going to recipients for AFDC and food stamps in 10 States (Florida, Missouri, Louisiana, Georgia, Arkansas, Texas, Alabama, Tennessee, South Carolina, and Mississippi).

In short, the Federal government is making a greater effort to help those in need—and ease the burden on States, counties and cities—than ever before. Our rules for State supplementation of the Federal benefit levels allow the States to take into consideration regional variations in the cost of living, and in most instances, we expect the total assistance provided low-income citizens under the combined Federal-State program will be substantially higher than under the Federal program alone.

#### *E. Disregards and benefit reduction rates*

Both the work benefit and the income support programs have benefit reduction rates—the rate at which cash assistance is reduced as earnings rise. A note about them is in order, because they have tremendous implications for the cost of the program, the size of the caseloads, and the tradeoffs between the conflicting goals of welfare reform.

The system of “benefit reduction rates” is designed to address a fundamental problem: if cash benefits are reduced at too steep a rate as earnings increase there will be no incentive for work.

For example, if the cash benefit is reduced by \$1 for every \$1 earned, there is obviously no work incentive whatsoever.

If the cash grant is reduced 90 cents for every \$1 earned, there still may be no incentive, because travel costs and other expenses of going to work will mean there is still little or no real improvement in the individual's financial condition as the result of employment.

But, there is also a problem at the other extreme. If the cash benefit is reduced by only 25 cents for every \$1 earned, there is good incentive to work (income increases by 75 cents, less work-related expenses for every \$1 earned) but families will continue to receive cash assistance at income levels that seem much too high to many taxpayers.

Accordingly, benefit reduction rates ranging from 50 percent to 70 percent are provided in the Administration's program—the amount varies depending on the extent to which States supplement, on whether individuals are expected to work and on other features. But for those expected to work the rate should not, under our plan, exceed 52%. This will ensure an adequate work incentive.

## III. THE FEDERAL AND STATE ROLES

Given the proliferation of programs under the present State-Federal welfare system, complexity is unfortunately the rule, not the exception. The lines of responsibility between State and Federal governments are often blurred. Each State has different rules and benefits, with little rationale for the differences. The confusion that too often characterizes the administration of the present welfare system results in error, waste or fraud, it is costly to the taxpayer and demeaning to the recipient.

The Program for Better Jobs and Income aims to define State and Federal responsibilities more clearly and to allocate financial responsibilities in a manner which will alleviate some of the burden now being borne by State and local governments.

The Program we propose will increase Federal participation but will maintain an important role for the States.

Every State will be assured that it will save at least ten percent of its current welfare expenses in the first year of the program, with the potential for increased fiscal relief thereafter. Thirty-four States will save more.

Every State is free to supplement the basic benefits, and is eligible for Federal matching payments for supplements structured to complement and maintain the incentives of the Federal program.

For a family of four, with no income, the Federal government will pay 75 percent of the first \$500 supplement and 25 percent of any additional supplement up to the poverty line, so long as State programs do not provide for benefit reduction rates on required-to-work families that exceed 52 percent. These State supplements will be required to follow Federal eligibility criteria to help achieve nationwide uniformity.

Aside from such matching supplements, the States are free to continue to administer *non-matching* supplemental assistance programs of their own using their own rules and eligibility criteria. Indeed, they are encouraged to do so during a transition period for the purpose of "grandfathering" existing SSI and AFDC beneficiaries—that is, continuing payments at current levels to those existing beneficiaries until their circumstances change.

Except for such "grandfathering" supplements, however, the States must assure the Federal government that their own supplementation programs will not result in benefit reduction taxes that exceed the maximum permitted under the Federal program to assure adequate work incentives (70 percent for those not expected to work and 52 percent for those expected to work). A State which violates its assurance in this regard will be subject to sanctions, appropriate to the violations, including a reduction in the Federal payments they would otherwise receive under the program.

Where States supplement the income support they must also proportionately supplement and the public service employment wage, up to a maximum of ten percent.

During a three-year period the States will be required to maintain a prescribed minimum percentage of their current welfare expenditures, in order to ease the transition to the new system for those now receiving benefits. In the first year of the new program, each State will be required to spend at least 90 percent of its current expenditures in the AFDC and SSI programs, emergency assistance and general assistance or similar income maintenance programs. In the second year of the program, States will be required to maintain 75 percent of current expenditures and in the third year, 65 percent. The maintenance of effort requirements will phase out after three years.

At the same time, the Federal government will—during a transition period lasting five years—protect the States against increased expenditures resulting from the new program. The Federal government will, in essence, hold the States harmless for expenditures that exceed the following items: the 10 percent State fee, matching supplements up to current benefit levels, and grandfathering supplements for AFDC and SSI beneficiaries.

States will have the option to assist in the administration of the program. They will be able to operate the crucial intake function serving applicants so as to make possible effective coordination with social services. The Federal government will operate the data processing system, calculate benefits, and issue payments.

We recognize that States opting for State administration of the intake function have very real government to the needs of their citizens. For that reason

we are participating in and cooperating with an on-going task force made up of representatives of the American Public Welfare Association, the National Governors' Conference, and the National Association of Counties to identify and review potential Federal-State problems. We also recognize that if States choose to convert to full Federal administration the rights of their employees must be protected. Our legislation provides that, consistent with Federal civil service policies, State employees will have the highest priority for placement in the new welfare system.

The Federal government will provide \$600 million in block grants to the States to provide for emergency needs. These grants will assist the States in responding to sudden and drastic changes in family circumstances. In addition, a special \$20 million fund has been set aside for the Secretary to allocate to the States for emergency need expenditures for special categories of needy families, including migrant workers.

The Federal Government will provide 30 percent above the basic wage for fringe benefits and administrative costs of the job program, and will reimburse the States for 90 percent of the costs of administration of the work benefit and income support program. As an incentive to efficient administration by the States, we will increase up to 110 percent the level of reimbursement for administrative expenses in States whose administrative performance is at an unusually or exceptionally high level.

In the first year of this program, States and localities would receive \$1.75 billion in fiscal relief, while at the same time being able to ensure that no current SSI or AFDC beneficiary receives a reduced benefit.

In subsequent years as current recipients leave the rolls and as the maintenance of State effort requirement declines from 90 percent to zero after 3 years, the opportunities for fiscal relief will increase.

Under our program for fiscal relief, States will be required to pass through such fiscal relief to municipal and county governments in full proportion to their contributions.

*A Note on Medicaid.*—To ensure that the new Better Jobs and Income program will not lead to large new costs for the States under Medicaid, the bill provides for preservation of existing Medicaid eligibility criteria. We believe that our National Health Insurance proposal, which we will present to the Congress this year, is the appropriate vehicle for dealing with the problems presented by those existing Medicaid rules, and we intend to synchronize the implementation of National Health Insurance with this program. But should that not prove feasible, our proposal will ensure that the new program does not automatically expand Medicaid rolls and impose unanticipated new costs on both the States and the Federal government.

#### IV. NEW RULES FOR CASH ASSISTANCE

Every jurisdiction in America today has different rules for determining welfare eligibility and benefit schedules. Many of these rules—the way in which income and assets are counted, how they are reported and what group of people constitutes a filing unit—have tremendous cost and caseload implications.

The present system of rules is largely responsible for the headline-grabbing error and fraud rates and for the horror stories of higher income people receiving benefits.

The eligibility rules for the consolidated cash assistance program will be tightened to assure that the assistance is targeted on those who are most in need.

*The Accountable Period.*—Present programs use prospective periods of varying lengths (3 months in SSI, 1 month in AFDC and, generally, in Food Stamps) for determining need. An applicant's entitlement is determined by anticipated income.

The Administration's proposal will measure income retrospectively, using an applicant's actual income over the preceding six months. This method will assure that welfare dollars go to those most in need by preventing families with relatively high but irregular incomes from receiving benefits. (For example, a family headed by a teacher who gets paid only during the ten-month school year would no longer be able to collect benefits in the summer.)

A six-month period is more equitable than a shorter period, since it increases the likelihood that families with similar annual incomes will receive similar benefits. A retrospective accountable period avoids the problems of overpayment inherent in the present system of determining need on the basis of estimated future income.

Only families earning more than \$8,400 a year are likely to be adversely affected by the longer accountable period. The following table indicates the number of months that a family of four with no current income but previous earnings would have to wait.

WAITING PERIOD BEFORE ELIGIBLE FOR BENEFITS

A person with no income when applying but with previous annual earnings of—	Under AFDC current accountable period	Under proposed 6-mo accountable period
	Eligible for benefits in—	
\$5,200 (minimum wage).....	1st mo.....	1st mo.
\$8,400 (proposed eligibility ceiling).....	1st mo.....	1st mo.
\$10,600 (average wage in manufacturing).....	1st mo.....	2d mo.
\$12,000 (city schoolteacher).....	1st mo.....	3d mo.
\$15,000 (construction worker).....	1st mo.....	4th mo.

To help those who suffer temporary need, the Federal government proposes to assist States in financing Emergency Needs Program.

The implications of shorter retrospective accountable periods are enormous. Use of the present accountable periods would increase the cost of our proposal by about \$3 billion. The caseload would increase by about 25 percent. Even shortening our six months accounting period from 6 months to 3 months would increase the cost by approximately 2 percent and add approximately 4 percent more recipients to the program.

**Regular Reporting.**—Unlike most current welfare systems, the Administration's proposal will use a regular system of periodic income reports on which to base benefits. Recipients with employment income will be required to report monthly; others less frequently.

This system of reporting is expected to reduce overpayments by hundreds of millions. When monthly reporting and retrospective accounting was adopted in Oakland, California, error rates in the AFDC program there fell from 22.5 percent to 7 percent.

**Standard Definition of Income.**—Under the proposal, "countable income" (or income that counts in determining eligibility) will include 50 percent of wages from a job, 80 percent of non-employment income (income from dividends, property, private pensions, or social insurance programs), and 100 percent of any income from other Federal means-tested assistance programs such as veterans pensions (as is the case under present law). Expenses of child care, up to certain limits (\$150 per month for each child up to a maximum of \$300) will be deducted from earnings in determining "countable income" in order to encourage work.

**A Standard Method of Handling Assets.**—The proposal contains an asset test designed to assure that persons with low-income but substantial assets, such as a bank account, do not receive a benefit.

The Program for Better Jobs and Income proposal standardizes the treatment of liquid assets—cash or property quickly convertible to cash—in determining eligibility and computing cash payments. A percentage of the value of assets up to certain limits is imputed to income. The market value of non-business assets may not exceed \$5,000 and the equity value of business assets may not exceed a limit to be specified in regulations.

**Exclusions.**—Excluded from countable assets will be:

The first \$500 of liquid assets.

The total value of owner-occupied housing.

The total value of household goods and personal effects.

The retail value of vehicles used for nonbusiness purposes, the amount to be determined by regulations.

We believe that these new rules will assure that benefits go to those in need in as fair and equitable a manner as possible.

Senator MOYNIHAN. I thank you, Mr. Secretary, and I would like to have included in the record of this hearing the whole of your statement, which includes some supporting material that is extraordinarily important.

I would like to make, to begin with, two observations. First of all, that the President's program for better jobs and income not only merits my support, it wins my wholehearted support because it is the first Presidential program in perhaps two generations that is not an acronym. It is unpronounceable—ppbji.

The second thing I have to say, however, is not as encouraging. As someone raised with deep Madisonian conviction, I can only view with alarm the fact that the term "incremental" has become a word of opprobrium in our thinking.

But that is all right. We take your point.

We are going to depart from the normal practice of the committee because a revered member of this committee, and the ranking minority member, is present. I wonder if the questioning might not open with Senator Curtis?

Senator CURTIS. You are very kind, but I would be happy to just take my turn.

If the staff will let me know when I have used 5 minutes, then I will pick up later.

#### FAMILY SPLITTING INCENTIVES SEEN IN PROPOSED PROGRAM

Mr. Secretary, you stated in your testimony that the existing welfare system contains substantial family-splitting incentives. Is it true that your plan retains these incentives?

Is it not true that a man can leave his home, where he and his wife and two children were receiving \$4,200, and he could qualify for \$1,100 and they could qualify for \$3,600, a total of \$4,700?

Secretary CALIFANO. Senator, I would note two things with respect to that. First, with respect to the specific example that you give, he would lose his opportunity for a job. If he were with his wife and children and staying home, he would also be eligible for a minimum wage job, and by staying—and he would be getting about \$7,000 or a little more with his wife and children between the minimum wage job or training opportunity and the cash assistance.

Second, in general, what we consider to be the most serious family-splitting incentive was the fact that, in many States, a family is eligible for cash payments only if it is a single-parent family, and in those States a man who loves his wife and children and is trying to feed them may find that the most effective way he has of feeding them is to leave them.

Senator CURTIS. Well, if it were a case of someone classified as hard-core unemployed, who had been unemployed so long he had lost all incentive to try, is it true that they could get \$500 additional in the case I cited?

Secretary CALIFANO. I will take that case as a given and say even if it is true, I do not think that \$500 more is sufficient money for that man to go out and set up his own separate living arrangement.

But I would underline that he is much better off staying with his family, in economic terms and in human terms, because he will have a job under the jobs program which will give him an income of about \$7,000, in that family situation.

Senator CURTIS. But he has to have an employer to have a job, does he not?

Secretary CALIFANO. Well, we have 1.4 million special public service jobs and he would, under this program, have a job. Those jobs are directed at individuals, principal wage-earners in families with children.

### SSI ERROR RATE

Senator CURTIS. You state that the error and fraud rate is one of the defects of the present system. What is, and has been, the error rate in SSI since its inception?

Secretary CALIFANO. I cannot give you those numbers off the top of my head. I can note this, that the SSI error rate has been going down. The SSI program—and at this point in time, I believe, the SSI error rate is virtually everywhere lower than the AFDC error rate.

When the program started, it started on a very short fuse. The Social Security Administration had asked for about 3 years to put it in place. There was a desire to do it faster. They had less than 18 months to achieve that, and in the course of doing that, a lot of mistakes were made. I believe that most of those mistakes were cleaned up, and I believe that there will be some significant further reductions in the SSI error rates over the next couple of quarters.

Senator CURTIS. Well now, you told—and I was very much interested—about your checking for error and fraud in the existing State-Federal welfare plan. Have you made such a check in reference to SSI, to the same extent?

Secretary CALIFANO. In the check that I gave you this morning, those are the AFDC rolls that we were running one State against the other. In our other checks, I believe—I will have to double-check with Project Match—I believe we are running SSI as well as welfare.

Senator CURTIS. Has it been running long enough so that you have some results along the line that you gave us in reference to the State-Federal program?

Secretary CALIFANO. We matched the Federal civilian payroll against the welfare rolls. We found roughly 26,000 Federal civilian employees who were receiving welfare payments in 24 States plus the District of Columbia. Those were the 24 States and the District who were cooperating with us in this effort.

Senator CURTIS. Well, I think in as much as—excuse me.

Secretary CALIFANO. Of that number, we identified roughly half as the first targets. They were individuals who were receiving more than \$9,000 in income. We are checking those with the Federal agency they work for to verify their income levels. We have already checked about 7,000 of the 9,000 and we are in the process of distributing those 7,000 back to the State so they can now run checks, talk to the people individually, and check their welfare eligibility.

The only group that we have taken through the entire process are 216 matches of individual civilian employees who live and work in the District of Columbia and who are on welfare in the District of Columbia and HEW. Of those 216, HEW employees who are on welfare in the District of Columbia, 75 were totally ineligible, 43 were overpaid, 3 were underpaid and 95 were on welfare and properly paid.

As of the time we completed that check, those who were ineligible and overpaid had collected \$330,000 improperly, those 118 ineligible and overpaid recipients. Now, whether those proportions will hold

throughout the 26,000 people, I do not know. I doubt if it is a large enough sample, Senator, to know.

Senator CURTIS. It seems to me that, inasmuch as SSI is a Federal, centralized system, and in that respect, very similar to what you are urging that we do now, that you ought to run the same check on SSI and bring us the results as you have on the State-Federal welfare program.

Secretary CALIFANO. Yes; Senator, we intend to check SSI. We are also checking the medicaid program, we are checking doctors and pharmacists and we intend to check providers in that Project Integrity program. So we will do that.

Senator CURTIS. All right.

#### 1965 PROJECTED COSTS OF MEDICARE, MEDICAID, AND FOOD STAMP PROGRAMS IN 1977

Now, Mr. Secretary, how much was the medicaid program estimated to cost in 1977 when it was being proposed in 1965?

Secretary CALIFANO. I think you would have to direct that question to Secretary Cohen. I do not remember. It was less than it actually cost in 1977.

Senator CURTIS. Will you supply that?

Secretary CALIFANO. Yes, sir.

Senator CURTIS. How much did it actually cost in 1977?

Secretary CALIFANO. Medicaid?

Senator CURTIS. Yes.

Secretary CALIFANO. I would have to supply the exact number for the record. It was about \$15-plus billion. I would have to double check that number and provide it for the record.

Senator CURTIS. My recollection is that the estimate given to this committee was less than half a billion. Whether that was projected to 1977 or not, I do not know.

How much was medicare expected to cost over a similar period?

Secretary CALIFANO. I do not know, Mr. Chairman.

Senator CURTIS. Would you supply that?

Secretary CALIFANO. Yes.

Senator CURTIS. How much did it actually cost?

Secretary CALIFANO. Last year medicare was \$20-plus billion. I will provide the exact figure.

Senator CURTIS. And would you, even though it has not been under your jurisdiction, would you supply the same information for food stamps?

Secretary CALIFANO. Yes, sir.

[The departmental responses follow:]

#### 1965 MEDICARE, MEDICAID, AND FOOD STAMP PROGRAM PROJECTED 1977 COSTS COMPARED WITH ACTUAL 1977 COSTS

##### MEDICARE PROGRAM

The fiscal year 1977 estimates of Medicare/Health Insurance (HI) costs prepared in 1965 projected program outlays of \$4.510 billion. Actual outlays in fiscal year 1977 were \$14.906 billion. The underestimate of Health Insurance costs was attributable to three factors:



Congress added additional beneficiary groups to the program after estimates were submitted (the uninsured aged, the disabled, and persons suffering from chronic renal disease).

Inflation in the total economy and the health sector were underestimated. Utilization was underestimated.

By far the most important of these factors was the inflation generated by the Vietnam war which could not reasonably have been foreseen by the Social Security Administration actuaries. The relative importance of each factor is displayed below :

	<i>Billions</i>
Additional beneficiaries.....	\$2. 091
Inflation in general economy.....	4. 140
Inflation in hospital costs.....	3. 165
All other including underestimate of utilization rates.....	1. 000

Total underestimate of fiscal year 1977 HI costs..... 10. 396

Subsequent estimates for changes in the Medicare program have been more reliable. For example, estimates prepared in 1972 regarding the cost of extending Medicare Part B (Supplemental Medical Insurance) coverage to the disabled and persons suffering from chronic renal disease have proved reasonably close to actual costs, as seen in the table that follows.

#### *Supplemental Medical Insurance Cost Projections*

[Dollars in millions]

Calendar year:

1973:		1975:	
1972 estimate.....	\$60	1972 estimate.....	\$591
Program outlays.....	72	Program outlays.....	606
1974:		1976:	
1972 estimate.....	420	1972 estimate.....	770
Program outlays.....	476	Program outlays.....	707

#### MEDICAID PROGRAM

Projections of Medicaid costs done in 1965 and 1966, other than as shown in the President's budget, are not available.

A long range plan was prepared by the Medicaid Bureau and submitted to SRS on June 1, 1970 covering the period 1972 to 1976. The fiscal year 1976 projected medical vendor payments (Federal share) were \$7.872 billion; actual expenditures in fiscal year 1976 were \$7.887 billion or 0.19 percent higher. The estimate in the long range plan assumed no substantial impact of savings in what became the 1972 Social Security Amendments (primarily the \$600 million savings due to State program outbacks which could result from the elimination of the requirement to maintain fiscal effort). The plan did, however, underestimate costs for fiscal year 1971 through fiscal year 1975, sometimes by as much as \$600 million (in fiscal year 1975).

Another long range plan submitted to SRS in May 1972 projected costs for the new fiscal year 1977 at \$9.487 billion; fiscal year 1977 expenditures are \$9.713 billion or 2.4 percent higher than the figure projected five years earlier. In this plan the total projected costs for fiscal year 1972 through fiscal year 1977 (not including the transition quarter) are \$40.537 billion; actual aggregate expenditures were \$40.025 billion, or 1.26 percent lower, over the entire six year period. The \$512 million total difference is an \$85 million average difference each year.

Considering the wide latitude States have to change rates of reimbursement, scope of services, and eligibility, these projections are remarkably accurate for estimates made five years earlier. It should be noted, however, that these Bureau projections are not what has been presented to Congress as budget requests. During the Nixon administration there was a great deal of emphasis by the Department and OMB on controlling "uncontrollable" programs.

#### FOOD STAMP PROGRAM

In 1965, the Department of Agriculture was not making long-term cost projections. Such projections would not have been possible then given the absence of substantial program experience or a microsimulation model, except on a very

gross basis. The first official 1977 Food Stamp program cost projections were presented in the fiscal year 1977 budget. In 1976, the Food Stamp program was projected to cost \$4.7 billion in fiscal year 1977. The actual fiscal year 1977 expenditures were \$5.4 billion.

There are several factors which led to this underestimate. In 1976, President Ford proposed the following changes in the Food Stamp program:

- Eliminate benefits to persons with net income above the poverty level;
- Initiate a 30 percent benefit reduction rate;
- Replace the itemized deduction with a \$100 standard deduction.

It was estimated that these changes would decrease the cost of the program by \$1.2 billion in fiscal year 1977 and the estimated reduction were included in the budget preparation. These changes did not occur. In addition, the 1976 projections assumed continued high inflation and unemployment rates. Therefore, the cost of the program in fiscal year 1977 was expected to be approximately \$5.9 billion without the proposed changes, or \$500 million over the actual fiscal year 1977 program costs.

#### METHOD OF COMPUTING ESTIMATES

Senator CURTIS. Now, what was the computer model used for estimating the cost of these proposals? Was it the so-called transfer income model, or TRIM?

Secretary CALIFANO. These did not exist. We really created our own computer model.

Let me go back and answer it generally, and then if you want it supplemented, Dr. Aaron can supplement it, because it is important because it is related to your other questions, I think.

No cost estimate will be perfect in an area in which we are dealing with human motivation and how individuals will react, but we have the best data base that has ever been compiled in this area. We took what we had in terms of our Federal records and our Federal computer runs and used them to do our first cuts on this program.

We then had each State come in, State by State. We gave them our numbers, we gave them our computer programs, and asked them to go back to their States and run them with their technical people, with their program people, and they came back with all kinds of changes and we ultimately, State by State, came to agreement pretty much on what the numbers were.

Then we drafted the legislation on that basis, sent the legislation forward in August.

Since that time, we have had—most of the States have come back in. The State of New York, for example, as the chairman is well aware, raised questions about some of the assumptions that we used with respect to the amount of fiscal relief, for example, that they would receive, and we reran it. We went State by State to double check our assumptions.

The numbers I used when I testified in September of 1977 and the numbers subsequent to that are based on this continuing dialog with the States.

I think we have the best evidence that we could have.

#### TRANSFER INCOME MODEL (TRIM)

Senator CURTIS. Is that what you call TRIM, that model?

Secretary CALIFANO. No; that is not the TRIM model.

Senator CURTIS. Who developed TRIM?

Mr. AARON. The TRIM model was developed over a number of years. Involved in it were people who had worked on income maintenance questions back in the late 1960's, some people at Mathematica, Inc. It was a joint effort of a great many people.

Senator CURTIS. Were many of them previously connected with the Government?

Mr. AARON. Some were and some were not.

Senator CURTIS. Who now owns it?

Mr. AARON. I do not know who owns it. It is currently in the public domain, I believe. It is available freely to anyone to use and has been used widely.

The Urban Institute has done some continuing work. I think.

May I say also that the TRIM model did not exist at the time medic-aid and medicare—

Senator CURTIS. I understand that.

Mr. AARON [continuing]. Was adopted, and we have not used TRIM in our work.

#### SSI ERROR RATES

Secretary CALIFANO. Senator, I have an answer to one of your earlier questions, just to clarify the record, if I may.

Senator CURTIS. Yes.

Secretary CALIFANO. The numbers I gave you this morning simply involve the AFDC rolls. We are running experiments with the SSI rolls to determine what the best way to match will be. So we should have that in several weeks.

Senator CURTIS. Well, I think we should have as complete a check on this Federal program to ascertain how it measures up on error and fraud with the existing State-Federal welfare program.

#### METHODS USED IN ESTIMATING COSTS OF PROGRAMS

Who decides what changes are made in the premises and the equations in your model?

Secretary CALIFANO. Senator, what has gone on, as I have indicated, is that it has been a continuing dialog and it continues to this day. We have worked State by State with the States to see—

Senator CURTIS. Well, now, do you work with some outside groups, other than the States?

Secretary CALIFANO. I do not think so on this aspect of it. I think it has been the HEW staff—

Senator CURTIS. Who actually performs the computer run?

Secretary CALIFANO [continuing]. And the Council of Economic Advisers.

Senator CURTIS. Who actually performs the computer run?

Mr. AARON. Those are done on the HEW computer by HEW staff.

Senator CURTIS. To what extent was TRIM used in estimating the costs of the present welfare program?

Mr. AARON. We have developed a separate model to integrate the way in which people behave in the labor markets, the way in which they respond to cash assistance. That model is different from, and much more far-reaching, than the TRIM model because it encompasses a broader range of behavior.

Senator CURTIS. Mr. Chairman, that is all the questions I will ask at this time. I will have some more later.

Senator MOYNIHAN. I thank you, Senator Curtis.

#### FAMILY SPLITTING INCENTIVES IN PRESENT PROGRAM

I will ask a question which will follow from that of Senator Curtis. Mr. Secretary, as you remarked, on January 6 we sent a long letter to you suggesting some of the areas of concern that we would raise, and, of course, among these and central to the whole idea of changing our welfare system are the effects of the existing system on families in America.

You spoke of the family-splitting incentives of the existing system and said that the present system is antifamily. What we would like to ask is how do you know this? What do you know?

We are not going to press you, you know. This is not an adversary proceeding in any way, but we are putting forward a major social program here. The Congressional Budget Office estimates that the President's program—as amended by the House Subcommittee—will cost 1 percent of GNP—1 percent of the GNP is a large amount of money.

We are going to look closely at this program because some social change will follow. We make a claim for doing so, that this is something that has to be done, because the existing system has effects on the lives of adults and children which are deleterious. Since Government has created that system, Government clearly has a responsibility to change it.

And yet, what is the evidence? What do you know?

This afternoon Mr. Plotkin of the Census Bureau is going to testify that the principal reason for the persistence of poverty in the United States in the face of extraordinary increases in social spending is an increase in female-headed dependent families.

And in terms of the numbers of children involved, the increase in female-headed families is about equally divided between those which come about because of divorce—although divorce settlements commonly involve situations which provide for children—and because of families that never formed. I am sorry. That is not a very clear statement. They are the children of unmarried females, and therefore there are no family-splitting incentives. There may be incentives in the existing system not to form families.

But, in any event, the central fact of dependency in America in the face of the poverty program and the this program and the that program, is its persistence. And it is asserted that this program will change it—that the existing program has helped create this situation, and the proposed program will change it.

Mr. Secretary, what evidence have you?

Secretary CALIFANO. Mr. Chairman, let me go at that both in terms of data and in terms of commonsense, if I may.

It is obviously very difficult to determine the extent to which a cash incentive is the dominant or significant element in a decision between two people to break up their marriage or a decision by an individual never to get married, in effect, and have children.

There is, in the present system, a substantial cash incentive for a father who believes it is important to provide food, shelter, some funds for his family, to leave. In some States there is a difference of several thousand dollars in terms of the income to that family whether he stays with them or not.

Second, where unemployment is high and where income is low, in the hearings that Senator Mondale has run when he was chairing the subcommittee in his hearings on the family, the Human Resources Committee, there was substantial testimony and evidence—Walter Reuther was among the people who testified—to the effect that there was an increase in family breakup, in child abuse, in domestic violence within the family.

Third, we have a Seattle-Denver income maintenance experiment, which indicated several things, none of which, I must say in all candor, was indicated that clearly. The experiment was not that large and it was not aimed at this subject.

Nevertheless, it offers this kind of conflicting evidence. In a statistical basis, marriage disruption due to divorce, desertion, or separation was more likely, in that experiment, upon families who had been on welfare previously and were going on welfare under the system we used.

Second, reconciliation was more likely for those families who received the cash assistance payment when the father and mother stayed together than it was for those families who were under the traditional AFDC single-family system for cash assistance.

Third, and we are looking at this, in fact, assembling a group of experts to look at it, there was evidence that those families who received cash assistance broke up as much, if not more, than those combined families who did not receive cash assistance.

So it is—I cannot say that we have, out of that experiment, any clear evidence one way or the other. All of those elements that I mentioned are statistically in that study.

I think as central to the cash assistance for the whole family, in terms of the profamily aspect of the President's program, is also the jobs program. It is the individual, the breadwinner in the family's having the opportunity to get trained for work and to work, and that that is as important a component as is the fact that you receive a cash payment when the family is together.

Senator MOYNIHAN. Mr. Secretary, with respect, sir, that is not a persuasive answer. I want to hold on this, and I will ask that my colleagues bear with me a moment, because it is important.

First of all, to speak sir, we asked you about evidence, and you come back and say commonsense.

Secretary CALIFANO. Well, let me, Mr. Chairman, if I may, give you the other piece of information. I left out perhaps the most important piece of data, to the extent that you can get data here, we analyze the 1970 case-closing data in AFDC cases, and the AFDC cases closed due to marriage or reconciliation were 100 percent higher in States which had the UF program, in which the payment was made to the father and the mother when they were together, than in States which did not have the UF program.

Senator MOYNIHAN. That suggests something, surely.

But let me go through a little history here with you, and this is a history in which you are involved. In 1964 when President Johnson was beginning the poverty program, I was in the Labor Department and was doing some very—well, maybe not so simple, but maybe not so complex, analysis of employment data, and trying to establish the relationship between changes in employment and other social movements which were considered desirable or undesirable.

I was able to show that for a long period—well, we did not have data for that long a period, it was all postwar—but I was able to show that between about 1946 and 1960, there was a correlation between male unemployment and new AFDC cases month by month of 0.91. This is one of the strongest correlations ever found in social science. As Dr. Aaron can tell you, if you get a correlation of 0.2, which explains 4 percent of variance, you can get a Ph. D. I was explaining 84 percent of variance, although I could not establish causality.

And then, in the early 1960's, these correlations began to break up. I was trying to prove that unemployment controls these other phenomena. And then these correlations began to break up, and they crossed, and in time the correlations became negative: Unemployment would go down and the number of new AFDC cases would go up.

This led me to think that the kinds of difficulties we have had in welfare were coming; that the kind of data which the Census Bureau will present us with this afternoon was coming. I was not wrong in this. And President Johnson briefly thought I was right, but I was then jumped upon in the most vicious way by the HEW bureaucracy, and none were more vicious than those people who made a comfortable living in the Children's Bureau, and who said that no child was going to be in trouble while they were there, making their own, comfortable living.

They denied my findings were correct. They said they were not true. And I do not think they were lying, because mostly they were stupid people. Only some of them were vicious.

But they succeeded. They told the Government that this was not so; and the Government found that good news is better than bad news, and so they took the good news, and then we proceeded into this present disaster.

But now you are here—and the tradition of your Department has been obfuscation, sometimes lying, always avoidance of this issue. And, sir, you come before us, and we ask you for evidence on this. You are asking to use 1 percent of the gross national product because you think this will take care of family-splitting incentives. I ask you for evidence and, sir, you cite Walter Reuther.

Now, Walter Reuther was. God rest his soul, a fine man. A social scientist he wasn't. The Seattle-Denver experiment, as you know, casts for the first time some real doubt on the proposition that the program you are proposing will have the effects you say.

Is it the case that, out of fear of what you might find, you have never asked the questions to which we have hoped to hear answers from you? Not you, you have been there 13 months. But you were there before. You know the mentality of your Department.

Here you have this extraordinary social program and, as far as I can see, you have not 5 cents worth of honest inquiry as to whether or not this system does break up families.

You sponsor millions of dollars of research. Have you ever researched this question?

Secretary CALIFANO. Mr. Chairman, let me comment, and then Dr. Aaron may want to supplement. Sure I have asked this question. I did not mean to cite Walter Reuther. That was a shorthand for a study that I do not have with me, but that is part of the testimony and record in the Mondale hearings. It was a study done, I believe, in Pontiac, Mich.

I also would note that the two most convincing elements for me in this regard were one, the data I gave you as far as cash assistance was concerned, which is, namely, the extent of reconciliation being so much higher in the AFDC-UF States versus the AFDC States that do not have the unemployed father's program.

Senator MOYNIHAN. That comes under the heading of correlation. It may establish causality, it may not at all. It may be moonspots, sunspots.

Secretary CALIFANO. Mr. Chairman, there is no way that I can, or anybody can, in my judgment, come before this committee or any committee in the Congress or the American people and say that we know the reasons why families break up.

Senator MOYNIHAN. But there is a way, Mr. Secretary, that you can come before this committee and say we tried to find out. Go down and ask somebody.

Secretary CALIFANO. That was one element of it. Second, the study that was done, and the studies that were done and are a part of the record of the Mondale hearings. Third, what I would have to say is commonsense. To the extent we believe, as a society, that people are, in part, at least motivated by the amount of money they receive, a system which provides motivation, which provides additional money if the mother and father are separate rather than if they are together, I would judge to be a system which provides at least some financial incentive for their breaking up.

And particularly if they are breaking up and the kind of dilemma you put a man in who happens to be poor, who wants to provide for his family.

Now I will let Dr. Aaron speak to it.

Senator MOYNIHAN. May I first say something regarding the question of commonsense. There is a little doctrine that we call Forrester's Law, from Jay Forrester who invented the memory core of the computers that were used for the first 20 years of that generation. Forrester who, you know, knows something, has a rule that states that with respect to complex social situations, intuitive solutions are almost invariably wrong. And he can demonstrate that.

I am not, please understand, arguing with your premise. I think, if I may say, I was one of the people who introduced the premise into American discussion. I did so in an article in America magazine in 1965 called "Towards a National Family Policy."

I did so in an introduction to a book. I got Alva Myrdal's book, "Nation and Family," reprinted by the MIT press and wrote an introduction. But through all the years that I have been interested in

this, I have had to face the sustained and, I repeat, the vicious opposition of your bureaucracy, which has consistently in my view been obscurantist such that you come before this committee, sir, naked of fact.

That is what those people with their fat salaries and their pleasingly plump sense of social purpose have produced for you.

Dr. Aaron?

Dr. AARON. I would like to make just three points. The first point is that the program for better jobs and income is different from any of the existing programs in the United States, and therefore one can only draw limited inferences about the impact on the family from a system of programs consisting only of cash assistance and apply those inferences to one that consists both of reform of the cash programs and a new and enlarged jobs program. Secretary Califano stressed the importance of that interaction, and I want to come back to that in just a minute.

The second is that there has been a good deal of research on what causes families to break up. Unfortunately, as you point out, the research consists of assorted analyses of various kinds of data, none of which is really experimental and so that all one has to go on are correlations.

But the real point that I think should be stressed is that one has to ask whether a program that drastically alters the incentives that people face by, for the first time, providing aid to two-parent families and not requiring, as a condition of aid, that two-parent families split, a program that for the first time assures that a fully employed worker can support his family above the poverty threshold, deserves the presumption that it, on its face, improves these incentives.

I would suggest that really the burden of proof ought to rest on those who deny that such a patently sensible change in the incentives that American families face, the burden of proof should rest on those who deny that that will improve, over the long haul, the behavior and the prospects for family stability.

The best thing we can do is structure a system that makes sense, and I think that what Secretary Califano has been saying is that the program for better jobs and income, on its face, makes sense in terms of the issues that you are posing.

Senator MOYNIHAN. Well, thank you, Dr. Aaron and, let me say, too—and I began saying this 15 years ago; it is not a new idea to me—that my understanding is exactly yours. The point about the research that you have done, and you spent millions, is, as you said, that none is experimental. None is experimental.

I support this program completely, but I would support it even more enthusiastically if I thought that, as a reward for our passing it, you would abolish the jobs of about 100 of the people in your bureaucracy. These are people who have prevented our learning about this subject, who have denied it existed, who have maintained their own, as I say, pleasingly plump sense of personal worth by avoidance of a profound national problem. The problem that come up, particularly in the Children's Bureau, is the tragedy of the lives of children who have grown up while those people in the Children's Bureau drew their pay and collected their pensions.



Just one point. I think, and Dr. Aaron would recognize this, that with respect to those 1970 studies, Gil Steiner reports in his book, "The State of Welfare," that while there was a difference in closing rates, there was no difference in desertion rates between the States with unemployed father programs and those without. That kind of inquiry is elusive. We have a huge social problem. Your bureaucracy has avoided it rather than illuminated it.

It is not your fault, but it is now your condition.

I have talked long enough.

Senator Danforth?

#### COMBINING PROGRAMS FOR THE POOR

Senator DANFORTH. This program combines three categorical programs, AFDC, SSI, and food stamps. What does it not combine? What programs to help the poor are left out?

Secretary CALIFANO. Well, there are many social service programs, the title XX programs, the tremendous amounts of social security payments that have been in effect and lift people out of poverty, older people particularly.

The housing programs that provide the rent subsidies and, in effect, provide income for other people. There are a tremendous number of programs not touched by this: The unemployment insurance program is one of them, the veterans pension programs are not touched by this, even though in the case of one of the veterans pension it is a means-tested non-service-related disability program. But simply winking at that program as I went by, I got a black eye, so I moved on.

#### FOOD STAMPS

Senator DANFORTH. Now, the reason for combining food stamps, for including food stamps, was what?

Secretary CALIFANO. Well, there were several reasons, Senator. First, once Congress eliminated the purchase requirement for food stamps, they became equivalent to cash for all practical purposes.

Second, for older people and disabled people, the SSI population, and for mothers with lots of young children, it is difficult for them to get to the food stamp offices and pick up the food stamps. So there are millions of people who are eligible for food stamps who do not get them but would receive them if they received them as a cash benefit.

Third, there is a tremendous advantage in terms of error, abuse, and fraud, to having one consolidated system. The three programs I mentioned, actually the food stamps program is the most fraud prone and subject to the highest error and abuse rates of these three programs.

It was for all of those reasons that we folded them in.

To give you a sense of the impact of that, under present law, if you take these three programs, we estimate that there are 40 million Americans who are eligible for them and about 30 million Americans who are receiving those benefits.

Under the President's program, because we trim some of the cream off the top, there would be 36 million Americans eligible but we estimate that 32 million or more would actually get the benefits. And a

lot of those extra hundreds of thousands of people who would get them would be people who are entitled to food stamps but are not receiving them.

### SSI CHANGES

Senator DANFORTH. Now, a person who now receives SSI would be in tier 1. Is that right?

Secretary CALIFANO. Well, there is a separate benefit schedule for SSI recipients, in terms of expected to work and not expected to work.

Senator DANFORTH. An SSI recipient now gets cash; right?

Secretary CALIFANO. Correct; plus food stamps.

Senator DANFORTH. Plus food stamps.

Secretary CALIFANO. Correct.

Senator DANFORTH. Let's leave the food stamps question aside just for a minute.

With respect to cash payments, what would be the difference for an SSI recipient? Would he get less?

Secretary CALIFANO. No; with the provisions that we have, those current SSI recipients would all be grandfathered, so they would not receive less.

In future, on the whole, they should be at least as well off as they are with the combination of SSI and food stamps.

Senator DANFORTH. Essentially they would be getting a check; right? I mean, as far as SSI is concerned, this is not cashing anything out, it is just changing the administration?

Secretary CALIFANO. Well, that is correct. It is changing the administration of it. We did not fold SSI recipients into the AFDC family, if you will.

Senator DANFORTH. It calls them tier 1, but it maintains the same programs with about the same benefits as they currently receive. Is that correct?

Secretary CALIFANO. We have moved away from the world of tiers because it became so confusing—

Senator DANFORTH. The veil of tiers, Mr. Secretary.

Secretary CALIFANO. We call them expected to work and not expected to work. They are in the group that is not expected to work.

Senator DANFORTH. Can I call them tier 1 and tier 2?

Secretary CALIFANO. Well, they would essentially receive, if you combine their food stamp and their SSI benefits together, essentially that benefit under the new program.

Now, States are free to supplement their SSI beneficiaries. If they did, we would make the whole payment, however.

Senator DANFORTH. But as far as that emphasis that you have given to this program of combining three categorical programs into one basically what it does is cash out the food stamp program; right?

Secretary CALIFANO. I think it does something else as well, and I may not be getting it across clearly. There are undoubtedly a number of SSI recipients on welfare as well as SSI. The consolidation of all the cash into one program, all of this into one computer, one master program, in effect, would eliminate abuses to the extent that those exist.

Senator DANFORTH. Then they may be getting less?

Secretary CALIFANO. Well, they are not getting more than they are entitled to. Roughly, we estimate that about half of the SSI recipients are entitled to food stamps and not getting them; they will get more, if you will. If they are improperly getting payments from AFDC and from SSI, and they should not be getting those payments, sure, they will get less, but they should get less.

#### FOOD STAMPS VS. CASH PAYMENTS

Senator DANFORTH. Now, let's suppose a person who is now getting food stamps receives cash instead, then it is up to that person to use the cash to buy food or buy clothing or buy lottery tickets in New York; right?

Secretary CALIFANO. That is correct, Senator. There was a study done in pre-Great Society programs, before there were lots of social services programs, an analysis of how poor people spent their income and how middle-class people spent their income. Essentially the way it was spent was essentially the same, with poor people perhaps spending a slight bit more on the basics of food and shelter.

There have been subsequent studies that we submitted on the House side and that the Department of Agriculture submitted on the House side also indicating that it did not affect the way people spent their money.

Senator DANFORTH. Supposing you get a person who just takes the cash and blows it. The month is half over and they do not have any money to spend on food. What happens to that person?

Secretary CALIFANO. Well, they can take the food stamps and blow them now. They can play bingo with them or sell them, so that I do not think there would be any difference.

Senator DANFORTH. You do not think there would be any practical change?

Secretary CALIFANO. No; I do not. I think the one change would be that, to the extent that there is an element of indignity about going into the Safeway and having to lay out your food stamps rather than lay out some cash, that would be eliminated.

#### PROGRAMS NOT CASHED OUT

Senator DANFORTH. Now, what other in-kind programs are there which were not cashed out? The section 8, of course, you would call that in-kind.

Secretary CALIFANO. I am sure that the Secretary of Housing and Urban Development would call that in-kind.

Senator DANFORTH. What others? Section 8 and what else?

Secretary CALIFANO. Well, any of the—you know, an argument can be made that any housing program, any public housing program of any kind, was, in effect, not cashed out.

The problem that we had there, and the disagreement initially—

Senator DANFORTH. Just before you get into that, could you mention what the others are? There is food stamps, which are included; section 8, which are not included—

Secretary CALIFANO. Well, you know, we left the whole array of title XX programs, all the day care—

Senator DANFORTH. That is a little different though, is it not? Or is it?

Secretary CALIFANO. Well, we have a day care deduction in this program. We have a day care payment, in effect, comparable to the day care deduction in the Tax Code in this program.

You mean programs that we considered that were close to cash that we did not cash in?

Senator DANFORTH. Yes.

Secretary CALIFANO. The veterans pension program I mentioned.

Senator DANFORTH. That is cash.

Secretary CALIFANO. That is cash, but—there are two veterans programs. One is the service-connected disability which we never looked at in any serious way. The other is a veterans pension program that is means tested, non-service-connected disability which one could have thought would fit into this.

We did not cash that out.

The section 8 programs. We did not touch the unemployment compensation programs. We did not touch, as I said, the social security programs.

Senator DANFORTH. Those are cash, though.

Secretary CALIFANO. That is right.

Senator DANFORTH. I am talking about the in-kind. I mean, in food stamps, it is a program designed expressly to help people buy food. Section 8 is a program which is designed specifically to find housing. So what I am talking about is the in-kind programs—which were included, and which were not?

Secretary CALIFANO. The BOGS grant in the higher education program was not included in this. You could label all of the in-kind programs on the domestic side of the Government, ranging from Head Start and all of those programs in which we are, in effect, providing a service where you could argue that you could have provided the mother with some money to buy that service.

Senator DANFORTH. That is a little different, because those are kids who are involved. That would be the rationale for keeping them separate.

What is the rationale for including food stamps but not including section 8?

Secretary CALIFANO. Well, I can give you the arguments on both sides of that. The argument for including is that it is in effect simply—section 8 is simply a cash payment. The argument for making some allowance for public housing is that if you are on welfare and you are in a public housing project, you are paying less for your housing than if you are on welfare and getting the same payment and you are not in a public housing project.

I think it is fair to say that there was a disagreement in the Government about what to do about the section 8 housing and an eventual decision was made not to include it.

Senator DANFORTH. You favored including it, did you not?

Secretary CALIFANO. Well, I think I thought there were strong arguments for including it, let me put it that way.

Senator DANFORTH. Were you that mild?

Secretary CALIFANO. I have never been shy, but I think if I were starting from scratch, sure. I think the arguments come down on the side of including section 8 —

Senator DANFORTH. Basically it was an argument between you and Secretary Harris?

Secretary CALIFANO. No; the Office of Management and Budget actually was a prime mover in wanting to include—to cash out the section 8 program and put it into this program.

Senator MOYNIHAN. You mean that it was the OMB who wanted to do it, and not you?

Secretary CALIFANO. Well, let me say, at a minimum, I was lying back and enjoying it.

Senator MOYNIHAN. But OMB lost?

Secretary CALIFANO. OMB lost. One of the rare occasions that OMB lost.

Senator DANFORTH. Was there a disagreement with the the Department of Agriculture on including food stamps?

Secretary CALIFANO. No; there was not a disagreement from the Department of Agriculture on including food stamps. From the very beginning there was agreement on that subject.

Indeed, you know, there was a discussion on whether or not we should go forward with the administration proposal to in effect turn the food stamps into cash by eliminating the payment requirement, and it was eventually decided that that was an efficient first step toward cashing them out.

That is why that proposal went forward last year.

Senator MOYNIHAN. May I just add —

Senator DANFORTH. Could I just ask one more question, Senator Moynihan?

Senator MOYNIHAN. Please, please.

#### MEDICAID PAYMENTS—WORK DISINCENTIVE

Senator DANFORTH. Is it not a fact that one of the disincentives to getting a job is that you lose your medicaid payments?

Secretary CALIFANO. Yes; I think there is.

Senator DANFORTH. Did you consider doing something about that as part of your program?

Secretary CALIFANO. Yes; well, our desire is to handle medicaid, hopefully as a part of national health insurance and consistent with it. The way this program now sits the legislation would essentially leave those individuals who are eligible for medicaid eligible on a categorical basis on which they are until we have a new system.

Under medicaid, also you know, there are strong arguments that the loss of medicaid disability is a tremendous disincentive for people leaving the disability rolls.

Senator DANFORTH. Leaving the what?

Secretary CALIFANO. The disability rolls, which is becoming an increasing problem.

Senator MOYNIHAN. Senator Dole? You are a very welcome and distinguished guest, and, of course, you are a member of the Finance Committee.

### HANDICAPPED WORK INCENTIVES

Senator DOLE. What about the handicapped individuals? I am aware of their benefits, but they are not required to register for work.

How are they going to get into the jobs program if they are not so recognized?

Secretary CALIFANO. Well, Senator, the way the jobs program is geared as part of this proposal, the jobs, the 1.4 million special public service jobs, are for individuals, for the breadwinner in the families with children.

Senator DOLE. Can you be handicapped?

Secretary CALIFANO. Yes, sir. And if you were, you would be entitled to the program. But what I wanted to make clear was that if you were on SSI with no family, say you were disabled, there are disabled individuals on SSI, handicapped, and had no children, you would not be eligible for this jobs program as it is in the administration package.

Senator DOLE. Is there any evidence, then, that the handicapped will be able to participate and will benefit from the jobs program?

Secretary CALIFANO. They will benefit just as anyone else will benefit, to the extent that they are—that they have a family with children.

Senator DOLE. But no other incentives? I mean, they have the same incentives as everyone else?

Secretary CALIFANO. That is correct, sir.

### UNIFORM ELIGIBILITY BENEFIT STRUCTURE

Senator DOLE. Senator Danforth touched briefly on the medicaid, and I notice on page 23 you indicate that you intend to synchronize the implementation of National Health Insurance with this program. You referred to medicaid, and part of your emphasis has been on trying to develop a uniform eligibility benefit structure.

Is that what may happen? We get into national health insurance and it will be carried over into that program?

Secretary CALIFANO. Senator, I honestly cannot answer that question at this time. I do not think—and that is why we did not try and solve it. It might or might not be consistent with whatever—consistent in that sense with whatever the President's national health insurance proposals were.

What I am trying to indicate in that statement was that we thought we ought to know what we are doing with national health insurance, or what we think we want to recommend to the Congress, before we recommended the change here as far as medicaid is concerned.

Senator DOLE. Whenever you discuss welfare programs, somebody is always citing horror stories on the costs. I guess, depending on the mix of the family, in addition to the basic benefits, you could also receive benefits under the BEOG's program and the school lunch program. If you have a senior citizen in the family as part of the mix, that is another Federal benefit.

Someone suggested that there has been a study done to indicate that under the proper mix—it may be in only one case in America—you could receive up to \$35,000 in Federal benefits.

Secretary CALIFANO. I have never seen that. I do not know—do you mean someone that was on social security, going to college with a BEOG's grant, also on—

Senator DOLE. Yes, you know, if you had a rather large group.

Secretary CALIFANO. Well, in our program, this would be integrated with social security payments and there would be deductions made, so I do not think it is possible under the President's program.

Senator DOLE. Do you have any limits? I know in the food stamp program there was some disagreement about eliminating the purchase requirement, and we were given all kinds of examples where airlines pilots, farmers with big landholdings, and everyone else were qualifying for stamps. The same charges are going to be raised—and I assume that you are probably going to be prepared to meet those.

Do you have any figures on what the outside limits would be?

Secretary CALIFANO. We turned the outside limits back. It depends upon the size of the family. But the reason why 40 million people are now eligible and only 36 million people would be eligible under the President's program is largely because we trimmed that top level back.

Senator DOLE. But there is nothing here that would preclude children getting free lunches, or—

Secretary CALIFANO. Nothing here would preclude children from getting school lunches. You know, there are schools, I am sure, in Kansas as well as I have happened to see one in the South Bronx in which the entire school was on welfare and every child in the school—

Senator DOLE. Nothing to prevent the housing assistance? I am not criticizing, but am suggesting you must be aware of some of the charges, maybe justifiable charges, that will be leveled against any effort to reform the welfare program.

Secretary CALIFANO. I think that in the context in which you are asking the question, and somebody is always going to find an exception, that on the whole, there is no question in my mind that this program we propose is better integrated with those other programs than the current system. Better integrated in the context of social security and, I would hope, better integrated—it is not integrated to the maximum extent, as Senator Danforth raised the issue, of section 8 housing payments.

I could make a strong argument that that, in effect, is cash, the implication of what you are saying is that that should be folded in. We chose not to do that.

#### FOOD STAMPS AND THE FARM PROGRAM

Senator DOLE. I think Senator Danforth raised another question that concerned which is the right way to go on the food stamp program.

As a member of the Senate Agriculture Committee, we have spent a great deal of time on the food stamp program and we think that the USDA does a good job in the administration of the program. We realize that it is fraud prone, as you have indicated, but there have been recent efforts made to reduce fraud and the rate has gone down considerably.

It is always those cases you cannot anticipate—or maybe you can anticipate them—where somebody blows the money and you have hungry children involved. Maybe they can do pretty much the same with food stamps. I assume that if you had that in mind you could also squander the coupons, but it would be a little easier with cash, and that is the concern that some of us have.

The problem is not eliminating the food stamp program. We have gone from commodities to food stamps, and I guess the next logical step would be cash. But there is some concern about the children involved and I do not know how you would protect against that in a cash program.

Secretary CALIFANO. I agree with that, Senator. I think it is very difficult to protect against that in any program, particularly when \$1 in food stamps is worth \$1, now, and when you get it, it is like getting scrip, so it would seem to me that anyone who, as you indicated, wanted to blow it would try to blow it anyway.

There is nothing—you know, I do not think any government is ingenious enough to make sure that every dollar that goes to the mother or father in a cash assistance program is going to be spent properly on the children.

Senator DOLE. There is another, very practical, political consideration—I do not say it is a problem, but many of the farmers who are back here now, and by the way, I saw some in South Carolina Saturday who said to tell you hello, tobacco farmers—but many farmers who are back here striking are fussing about the food stamp program being a part of the Agriculture budget. At the same time, there is a recognition that maybe without the food stamp program tied in with the farm program, you would not have either one.

It is a very practical political problem, not a partisan problem. We are able to pass a farm bill and a food stamp bill because we do mix the two together. If you cash out food stamps—or whatever goes beyond that—then you have another program which some rural members might have some difficulties with.

You are aware of that. I do not know how you would address it.

Secretary CALIFANO. Well, Senator, I am aware of that argument. I have heard that point made.

My comment, I guess, would be I think, you know, Congress passed agriculture bills, very good ones, long before there was a food stamp program. Second, I think that the benefits are so substantial to putting this whole thing in one, consolidated cash, computerized system for the taxpayers, that—

#### CONFLICTING COST ESTIMATES

Senator DOLE. Have you estimated the dollar savings, if that is done, as far as food stamps?

Secretary CALIFANO. Yes; we are talking about, combined—and this is on the assumption that we could drive the error rates down to about 4 percent on all programs, about \$3 billion, \$4 billion a year. That is not just food stamps.

Senator DOLE. Right, the whole, the total.



Secretary CALIFANO. That is our estimate. I have—I can give you a precise estimate for the record.

Senator DOLE. That is fine. I do not want to take too much time of the subcommittee, but the Congressional Budget Office, and I am a member of the Budget Committee, reports that the administration's welfare proposal will cost about \$10 billion more than your estimate.

I assume that you have answered that, and maybe it is not necessary to go into it again if you can provide it for the record. It would be helpful to know whether you agree or disagree, or whether or not you used a different model?

Senator MOYNIHAN. Senator, could I just say that the recent judgment of the CBO is that the bill, as it has passed the House subcommittee, would add \$21.05 billion to Federal costs?

Secretary CALIFANO. They added a few things.

Senator MOYNIHAN. They added a few things, right.

Secretary CALIFANO. Senator, I will submit a detailed reconciliation for the record. I would just note that a couple of things that I think are interesting about that, which is that we are very close with respect to the cash payments cost of the program—the CBO and us. The difference is less than 10 percent projected out to 1982, which is pretty good, especially compared with some of the estimates that Senator Curtis was referring to at the beginning of the hearing.

One of the big differences is that we assume and have assumed in terms of offsets, the enactment of some of the President's pieces of legislation which they did not assume, which may be very chancy. The wellhead tax is one, for example.

Senator DOLE. The wellhead tax?

Secretary CALIFANO. The rebate back of \$45 per citizen if the wellhead tax were passed. And we also assume that the CETA program, at an unemployment rate of the kind we are projecting, would be down by about \$5.5 billion, and they do not agree with that assumption.

So, that, I think—

Senator DOLE. Well, you have different assumptions, generally.

Secretary CALIFANO. But I will submit a—that is correct. I will submit a detailed reconciliation.

[The departmental response follows:]

**A COMPARISON OF BUDGET AND CBO FISCAL YEAR 1982 COST ESTIMATES OF THE PROGRAM FOR BETTER JOBS AND INCOME**

The table below provides a line by line breakdown of the differences in Fiscal Year 1982 cost estimates of the Program for Better Jobs and Income included in the President's Fiscal Year 1979 Budget and those delivered to the House Subcommittee on Welfare Reform by the Congressional Budget Office on January 25, 1978. A detailed explanation is provided in the paper that follows.

## ESTIMATES OF THE COSTS OF THE PROGRAM FOR BETTER JOBS AND INCOME IN FISCAL YEAR 1982

[In billions of dollars]

	Budget	CBO	Difference
<b>Gross costs:</b>			
Cash.....	25.95	28.11	+2.16
Jobs.....	9.90	11.51	+1.61
EITC.....	2.95	2.83	-.32
Present EITC.....	(1.03)	0	(-1.03)
New EITC for those eligible for cash assistance.....	(.62)	(1.12)	(+.50)
New EITC for those ineligible for cash assistance.....	(1.31)	(1.51)	(+.20)
<b>Total gross costs.....</b>	<b>38.81</b>	<b>42.25</b>	<b>+3.44</b>
<b>Total gross costs, excluding the EITC for those ineligible for cash assistance.....</b>	<b>(37.50)</b>	<b>(40.74)</b>	<b>(+3.24)</b>
<b>Offsets.....</b>	<b>30.04</b>	<b>24.89</b>	<b>-5.15</b>
<b>Net costs.....</b>	<b>8.77</b>	<b>17.36</b>	<b>+8.59</b>
<b>Net costs, excluding the EITC for those ineligible for cash assistance.....</b>	<b>(7.46)</b>	<b>(15.85)</b>	<b>(+8.39)</b>

Both the budget and CBO include in their net costs the amount of EITC benefits paid to persons ineligible for cash assistance benefits. HEW has not included these costs as part of welfare reform in previous estimates.

Note: Totals may not add due to rounding.

## I. DIFFERENCES IN CASH PROGRAM ESTIMATES

CBO has estimated the cash portion of the Program for Better Jobs and Income for FY 1982 at a cost which is \$2.16 billion higher than the estimates submitted in the President's FY 1979 Budget. This difference is due to numerous different assumptions about both the state of the economy in FY 1982 and about the operation of the program in that year. Additionally, there are some significant differences in both the estimating techniques and the data bases used. These complex differences can be summarized as follows.

## A. DATA BASE DIFFERENCES

CBO used as its data base the 1974 Current Population Survey. Budget estimates are based on the 1975 Survey of Income and Education. CBO adjusts the survey data base to 1982 on the basis of economic and population projections and then prepares estimates using the adjusted data base. The Budget estimates are made on an unadjusted data base and the results are then modified to reflect FY 1982 economic and population projections. There appear to be significant differences in the proportion of low income single-parent families and single persons estimated by these methods. An HEW analysis has shown that non-aged, non-disabled single parent families constitute 43% of CBO's recipient population as compared with 33% of the Budget recipient population. This same analysis shows that non-aged, non-disabled single persons constitute 10% of CBO's recipients and are only 4% of the Budget recipient estimate.

This difference in the make-up of the recipient population has significant impacts on Federal cash costs and on hold harmless costs since average payments per person for these groups are higher than for others eligible for the program. HEW has estimated that these differences increased CBO cash cost estimates by \$1.82 billion over the Budget estimate.

Budget analysts believe that the Administration's estimates are more accurate for the following reasons:

(1) The Survey of Income and Education, three times larger than the Current Population Survey used by CBO (150,000 households vs. 50,000), was taken specifically to count the number of families with children in poverty.

The larger sample size was used to count precisely the kinds of families for which CBO estimates exceed the Budget's.

(2) CBO bases its projection of single parent families on recent growth rates of that demographic group. While such projections are always subject to uncertainty, it is fair to say that a consensus of experts believes that in the future, while this group will continue to grow, its growth will be concentrated among higher income families that would not be eligible for cash assistance.

Additionally, the CBO data base contains lower asset levels than the data base used in the Budget estimates. By including specific questions concerning assets, the Survey of Income and Education provides a more complete picture of the asset holdings of families eligible for PBJI. CBO estimates that the assets test will save \$850 million less than the Budget estimate and, accordingly, projects greater outlays for cash assistance.

#### B. PROGRAM ASSUMPTIONS

CBO has made several assumptions about the operation of the program which differ from the Budget assumptions. First, CBO has assumed that program eligibles would participate at a higher rate: an overall participation rate of 89 percent (on a dollar basis) rather than the 86 percent assumed by the Budget. The participation rates on a person basis are 89% for CBO and 84% in the Budget estimate. This increase CBO estimates by \$700 million. Program participation rates (i.e., the percent of eligible persons who receive benefits) under current program provide the only hard evidence on which to base a projection of such rates in the future. Estimates of participation in the existing Food Stamp program, which is open to all low-income persons, ranges from 50 percent to 60 percent. The aged show a 53 percent participation in the Supplemental Security Income program. Single parent families (in AFDC) and the disabled (in SSI) show high participation rates, 91 percent and 81 percent, respectively. However, only an estimated 20-25 percent of two parent families who are eligible for AFDC-UF in 28 states actually claim benefits. Both CBO and the Budget analysts believe overall participation will rise from that in current programs. CBO believes it will rise to a greater extent.

Second, CBO has assumed that the income tax laws which existed in 1977 would prevail through 1982. The Budget has assumed that tax thresholds (i.e., the income levels where tax liabilities begin) would be adjusted upward over time, as they have been in the past. This dramatically affects the cost of the tax reimbursement provision of PBJI which provides for tax reimbursements to cash eligibles whose net earnings have been reduced by income taxes. This tax assumption increases CBO cost estimates by \$810 million.

Third, CBO has assumed the program would be implemented in April 1981. The Budget assumption is that the program would not be implemented until July of 1981. Thus the benefits in the first quarter of fiscal year 1982 (October-December 1981) have been adjusted for one more quarter of Consumer Price Index change in the Budget estimate. In addition, the Budget assumes that benefits would be readjusted as of January 1, 1982 for another six months of inflation. Thus the Budget estimates assume benefit levels for the last three quarters of fiscal year 1982 that have been adjusted for three more quarters of Consumer Price Index change. This difference along with differences in assumed level of increases in the Consumer Price Index acts to lower CBO cost estimates relative to the Budget by \$1370 million.

#### C. ECONOMIC ASSUMPTIONS

CBO has a generally more optimistic set of economic assumptions for 1982 than the Budget. General inflation assumptions are fairly similar (averaging 6.1% from FY 1978-FY 1982 for CBO and 6.0% over the same period for the Budget). This increases CBO costs by \$30 million for items that are separately estimated such as administrative costs. CBO, however, assumes a slightly lower unemployment rate (4.5% vs. 4.7%). This decreases CBO cost estimates by \$120 million.

Additionally, CBO assumes a significantly higher rate of real growth in the economy. This decreases CBO costs by \$440 million.

## D. OTHER CASH DIFFERENCES

## 1. Puerto Rico costs

CBO has estimated that the cost of the cash program in Puerto Rico would be \$380 million higher than the Budget estimate. The CBO estimate is based on data from the 1970 Census. The Budget estimate is based on data from the 1975 Food Stamp Survey. Both estimates have been adjusted to FY 1982. Budget analysts believe the Budget estimates based on the later Food Stamp Survey are more reliable since the Food Stamp Survey covered roughly the same population as would be eligible for PBJI and has the advantage of being significantly more current.

## 2. Administrative costs

While CBO has a higher participation rate and a different mix of recipients than the Budget, it projects a smaller eligible population. This reduces its administrative cost estimates by \$330 million.

## 3. Emergency needs

CBO has not adjusted the Emergency Needs block grant for inflation from 1978 to the date of implementation. While H.R. 9030 does not specifically provide for such indexing, the Budget estimates have assumed it would be indexed. This decreases their estimates by \$100 million.

## 4. Start-up costs

The Budget includes \$70 million for non-recurring program start-up costs in FY 1982. CBO does not. This decreases CBO cost estimates by \$70 million. (CBO assumes that the program is in full operation in 1982 and thus projects no start-up costs by FY 1982.)

## E. SUMMARY OF CBO AND BUDGET DIFFERENCES IN CASH ESTIMATES

[In billions]	
CBO estimate.....	\$28.11
Budget estimate.....	25.95
Difference .....	2.16
Reconciliation ("+" indicates CBO greater than Budget) :	
Data base differences :	
Demographic structure of recipient populations.....	+ 1.82
Assets information.....	+ .85
Program assumptions :	
Participation Rate.....	+ .70
Current tax system unchanged.....	+ .81
Implementation date and level of indexing.....	- 1.37
Economic assumptions :	
Inflation rate.....	+ .08
Unemployment rate.....	- .12
Real growth rate.....	- .44
Other :	
Puerto Rico costs.....	+ .38
Administrative costs.....	- .88
Non-indexing of Emergency Needs.....	- .10
Start-up costs.....	- .07
Difference .....	+ 2.16

## II. DIFFERENCES IN JOBS PROGRAM ESTIMATES

CBO has estimated the costs of the jobs portion of the Program for Better Jobs and Income at \$1.61 billion more than the Budget estimate. The difference stems largely from implementation assumptions.

## A. PHASE-IN ASSUMPTIONS

CBO has assumed that during FY 1982, the jobs portion of PBJI would be fully operating. The Budget cost estimate has assumed that the program would be phased-in over the course of FY 1982 as public jobs in the countercyclical CETA program decline to sustaining levels. This increases CBO cost estimates by \$1.24 billion.

## B. DIFFERENT SLOT ESTIMATE

CBO has additionally estimated that the total number of jobs slots necessary when the program is fully implemented is 40,000 more than the Budget estimate. This difference is apparently due to the same kind of differences in the make-up of the recipient population discussed in the cash section. This increases CBO cost estimate by \$370 million.

## C. SUMMARY OF CBO AND BUDGET ESTIMATES OF JOBS PROGRAM

<i>[In billions]</i>	
CBO estimate.....	\$11.51
Budget estimate.....	9.90
Difference .....	<u>+ 1.61</u>
Reconciliation:	
Phase in assumptions.....	+ 1.24
Different slot estimate.....	+ .37
Total .....	<u>+ 1.61</u>

## III. DIFFERENCES IN ESTIMATES OF THE EARNED INCOME TAX CREDIT

CBO has estimated its total EITC costs (i.e., benefits to those whose incomes are below and those whose incomes are above the cash assistance eligibility ceiling) at a level \$320 million lower than the Budget estimate. This total difference is the result of several accounting and estimating differences.

## A. ACCOUNTING PRACTICES

The PBJI changes the method of paying the EITC benefits. Under present rules, eligible persons file for an EITC on their tax return, after the end of the tax year. Under the new EITC, Federal withholding taxes will be reduced during the tax year to provide EITC benefits on a continuing basis during, not after, the tax year.

The Budget estimates are based on projected actual Treasury payments during FY 1982. Some of these expenditures are tax refunds made during CY 1982 for claims filed on 1981 tax returns, under the old EITC Program. The CBO estimates assume that there is no carryover of refunds into the following calendar year under the old EITC rules (i.e., prior to the change in method of payment) and reflect only the costs of the new EITC.

The Budget estimate can be broken down as follows:

<i>[In billions]</i>	
Outlays from old EITC in fiscal year 1982.....	1.03
Outlays from new EITC in fiscal year 1982:	
To persons eligible for cash assistance.....	.62
To persons not eligible for cash assistance.....	1.31
Total .....	<u>12.95</u>

<sup>1</sup> Total does not add due to rounding.

The differences between the Budget and CBO estimates can be summarized as follows:

[in billions]	
Budget -----	\$2.95
CBO -----	2.63
Difference -----	<u>.32</u>
Reconciliation:	
Inclusion of old EITC costs -----	+1.03
Use of outlays rather than obligations:	
To persons eligible for cash assistance -----	- .50
To persons not eligible for cash assistance -----	- .20
Difference -----	<u>1.33</u>

1 Total does not add due to rounding.

#### B. COMPARISON TO PRIOR ADMINISTRATION EITC ESTIMATES

Two further points should be made about these estimates. First, previous estimates have not included EITC payments made to persons not eligible for cash assistance in the costs of welfare reform. Such payments were and are viewed as desirable but separate tax reductions. Both the CBO and the Budget estimates are therefore higher than prior estimates.

Second, the CBO EITC estimates assume an implementation date prior to FY 1982. The Administration assumes an EITC implementation date of January 1, 1982. This means that in the Budget estimate, new EITC program costs are incurred for only three-fourths of FY 1982. Since CBO has assumed, as noted earlier that the program will be in full operation in 1982, it has no phase-in of the various program components.

#### IV. DIFFERENCES IN OFFSETS

The CBO estimate of offsets is \$5.15 billion lower than the Budget offsets. This is the result of a series of estimating differences and varying decisions concerning inclusion of items as offsets. These differences can be classified into three categories: differences in estimates of included offsets, offsets included in the Budget which are not included by CBO, and offsets included by CBO but not included in the Budget. Details of these differences are shown in the attached table.

##### A. DIFFERING ESTIMATES OF INCLUDED OFFSETS

Both the Budget cost analysis and the CBO analysis agree that PBJI will eliminate five programs (AFDC, SSI, Food Stamps, the Work Incentive Program, and the existing EITC), cause decreased outlays in two programs (Regular Unemployment Insurance, and Housing Assistance), and increase revenues in one other (FICA taxes). There are many relatively minor differences in these estimates and four major ones. CBO's AFDC and Food Stamp estimates are \$1.36 billion and \$640 million greater, respectively, primarily due to higher CBO forecasts of the number of single-parent families in poverty. CBO's SSI estimates are \$900 million lower due to an apparently lower estimate of the aged and disabled recipient population. CBO's EITC estimate is lower than the Budget's by \$470 million due both to the accounting differences discussed earlier and CBO's generally higher estimates of wages.

Net difference: +\$890 million.

##### B. OFFSETS INCLUDED IN THE BUDGET BUT NOT BY CBO

There are four offsets taken in the Budget but not taken by CBO.

The Budget assumes that the existence of the public jobs program in PBJI will eliminate the need for an extended unemployment insurance program. CBO has

assumed that the extended program will not be continued by the Congress through FY 1982 even without PBJI. CBO has similarly assumed that the CETA Title VI Program would expire by FY 1982 without PBJI and has not included that cost as an offset. The Budget counts CETA Title VI program costs as an offset because it represents a reduction of Federal expenditures in a related area that would no longer be necessary in 1982 as a consequence of welfare reform.

The Budget assumes that the passage of wellhead tax legislation and the subsequent distribution of those tax revenues to PBJI eligibles through the cash guarantee will be a further offset to costs. Finally, the Budget assumes that savings which are realized through reduced fraud in the Medicaid program will be applied to PBJI costs.

Net difference: —\$6.5 billion.

#### C. OFFSETS INCLUDED BY CBO BUT NOT IN THE BUDGET

CBO includes two offsets and one additional cost not included in the Budget. The single largest element is a \$650 million increase in Federal income tax revenues. These increased revenues appear again to be due to CBO's higher assumptions on wage growth.

CBO additionally includes a *negative* offset which is due to increased administrative costs in Medicaid. These costs are assumed to occur because of added complexities in integrating PBJI with the existing Medicaid Program. The Budget has assumed the Administration will propose health insurance reforms which will eliminate these costs.

Net difference: +\$460 million.

#### SUMMARY OF OFFSET DIFFERENCE

(In Billions of dollars)

	Budget	CBO	Difference
AFDC.....	7.61	8.97	+1.36
SSI.....	7.08	6.09	-.99
Food stamps.....	6.05	6.69	+.64
EITC.....	1.03	.56	-.47
Work incentive program.....	.37	.48	+.11
Increase in FICA taxes.....	.50	.48	-.02
Regular unemployment insurance.....	.30	.44	+.14
HUD.....	.60	.72	+.12
Included by the budget but not by CBO:			
Extended unemployment insurance.....	.60	-----	-.60
CETA public sector jobs.....	3.90	-----	-3.90
Reduced fraud in medicaid.....	.50	-----	-.50
Wellhead tax revenues.....	1.50	-----	-1.50
Included by CBO but not by the budget:			
Increased Federal income tax.....	-----	.65	+.65
Child nutrition.....	-----	.06	+.06
Medicaid.....	-----	-.25	-.25
<b>Total.....</b>	<b>30.04</b>	<b>24.89</b>	<b>-5.15</b>

#### DETAILED SUMMARY OF BUDGET AND CBO DIFFERENCES IN CASH AND JOBS PORTIONS

(In billions of dollars)

	Budget	CBO	Difference
<b>Cash program detail:</b>			
Basic Federal program (including State fee and Puerto Rico).....	22.60	24.36	+1.76
Federal share of State supplements.....	1.99	2.04	+.05
Hold harmless.....	.56	1.08	+.52
Emergency needs.....	.73	.63	-.10
Start-up costs.....	.07	-----	-.07
<b>Total.....</b>	<b>25.95</b>	<b>28.11</b>	<b>+2.16</b>
<b>Jobs program detail:</b>			
Wages and overhead.....	9.40	11.01	+1.61
Administration.....	.50	.50	-----
<b>Total.....</b>	<b>9.90</b>	<b>11.51</b>	<b>+1.61</b>

## FAMILY SPLITTING

Senator DOLE. You were talking about this with Senator Moynihan, but I wonder if family breakups are any fewer in States that have AFDC with an unemployed parent? In other words, is there a difference in States that offer aid to intact families and in States where they do not have such a program?

Are there any recent studies? As I understand it, about the time he left, Secretary Weinberg indicated that there was no difference.

Secretary CALIFANO. The difference, as I indicated to Senator Moynihan, was a difference in the reconciliation of families in AFDC-UF States, which were 100 percent higher when they had the UF program than where they did not. Senator Moynihan then indicated that that same study also displayed the fact that the desertion rates were about the same.

Senator DOLE. In family breakup, there was not any change?

Mr. AARON. It is a little puzzling. The evidence is not clear. There seem to be differences across races and I think that this is the kind of data, the kind of study which Senator Moynihan's earlier structures apply with particular force. There are a great many differences that characterize States with the unemployed father program that differentiates them from States that do not have those programs.

It is very hard to know whether the differences that may exist across those States of marital splitting are due to the presence or absence of the UF program.

Senator MOYNIHAN. The elemental question would be are there differences in these rates in the entire population between these States?

Senator DOLE. Thank you.

## FOOD STAMPS AND THE FARM PROGRAM

Senator MOYNIHAN. Senator Dole, before you leave, as you may have to do, may I suggest that you have raised a very serious question which I think the administration and this committee ought to address itself to, which is what will become of the farm program if food stamps are cashed out?

## NEED FOR CASHING OUT HOUSING ASSISTANCE

It would certainly be the worst possible example of bureaucracy in this city if that bureaucracy which did the generous and public-spirited thing, grievously lost its own bureaucratic interests in consequence. We have seen two rather striking examples of what I would think to be public spirited as against bureaucratic oriented behavior.

The Department of Housing and Urban Development beat OMB, beat the President, beat you all, by insisting that section 8 be kept as a separate program. How much do section 8 subsidies come to right now, do you know?

Secretary CALIFANO. When we were talking about it in those terms, it is about \$400 million.

Senator MOYNIHAN. About \$400 million. Not much for a big bureaucracy.



Secretary Romney. I believe, got that program, and there must be a good 4,000 bureaucrats who run it, and they are damned if, just for a lousy \$400 million of Government money, they are going to give up their jobs, right?

I mean, it is only money, and it is not theirs. Treasury hauls it in, and they are not going to give up their jobs. No, they said to the President.

In New York City, for example, some section 8 financial subsidies come to \$9,000 a year. No, said HUD. We will not give up a single GS-14, and the President be damned.

That is what they said, and they won.

Agriculture said, look, it makes sense. We have gone from commodities to stamps, and to make the logical next step to cash does make sense. This is what the President is trying to do. We will support him. The Secretary supported the President. And, in doing so, they did, in fact, risk losing that coalition of urban Congressmen who have been supporting the farm program because of the food stamp program.

I think it is incumbent upon us to make some general commitment that if this program goes through, as we hope that it does, the farm program remains. I think that is something—that is a claim that the agricultural interests and that the Department of Agriculture should do, if only to prove that doing the respectable and honest thing and helping the President is not always a mistake in Washington.

Senator Curtis?

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Secretary, I have a number of questions, and if any of them require a lengthy answer, why say so, and you can put it in the record.

#### OLD FOOD STAMPS DATA UTILIZED

The first, the data you cited upon participation in the food stamp program, now that is old data before the Congress did away with the purchase requirement, was it not?

Secretary CALIFANO. Yes; it is, Senator, but the—

Senator CURTIS. And it was expected that that would increase participation, was it not?

Secretary CALIFANO. To some extent, but it will not close the gap, because much of the reason why people do not participate in the program is because they have to go down and get the food stamps.

Senator CURTIS. Now, under existing law—

Secretary CALIFANO. Particularly for old people and disabled people.

#### MAINTAINING SSI BENEFIT LEVELS

Senator CURTIS. Under existing law, the aged, blind, and disabled who receive SSI benefits have their benefits annually indexed.

Secretary CALIFANO. That is correct.

Senator CURTIS. What about your proposal, for those groups?

Secretary CALIFANO. The President indicated in his message to Congress that he would take into account and maintain the real level of the income. He did not specify the way in which he would do it. The Corman subcommittee bill indexes all of these payments.

## METHOD USED IN COMPUTING DATA

Senator CURTIS. You use, as I understand it, a survey of income and education, or SIE, data from the Bureau of the Census, and I will have some questions for Mr. Plotkin this afternoon.

What, however, was the new computer model on which these data were run if it was not TRIM?

Secretary CALIFANO. We developed our own computer model. I might say, Senator, we have—and if you want to have your staff get into this in depth—we turned over all our software, everything, to the Congressional Budget Office. They have our entire model.

Senator CURTIS. You have a new model, then?

Secretary CALIFANO. Yes, sir.

Senator CURTIS. What is the proven reliability of this new model?

Secretary CALIFANO. Well, the best measure of reliability is our going back again and again, State by State, to check our assumptions and check our data against what the States have, and we have made many changes in response to the States doing their own computer run.

Senator CURTIS. I understand that the Congressional Budget Office has been furnished this model and that they are working to correct its defects. They have recently come out with estimates saying that the administration's welfare reform proposals will increase net Federal costs by \$14 billion if expressed in terms of 1978 dollars, and \$17 billion if expressed in terms of 1982 dollars.

Do you agree with these estimates?

Secretary CALIFANO. I will submit a reconciliation of the CBO comments on our estimates and the differing assumptions so that you can make a judgment on that.\* I would note that we have worked closely with the Congressional Budget Office and I think we are at a point now where the only differences between us depend on what kind of an assumption we make.

Senator CURTIS. Well, what is your answer? Do you agree—

Secretary CALIFANO. We do not agree.

Senator CURTIS [continuing]. On the \$14 billion and the \$17 billion?

Secretary CALIFANO. Well, we do not agree, Senator. If you take the gross costs of the two programs, our estimate was \$38.81 billion; the CBO estimate was \$42.25 billion, a difference of \$3.44 billion, a difference, as I noted, of less than 10 percent. That difference reflects some differences in assumptions.

## ASSUMPTIONS UNDERLYING HEW AND CBO ESTIMATES

Senator CURTIS. Now, Mr. Secretary, my next question, which is on my worksheet here as No. 6, is something that is very linked and I will have you submit it for the record to save time.

But what I am asking is to furnish this committee, in narrative form, all of the premises, hypotheses, equations, and assumptions that underlie your estimates and the program from which these estimates were derived.

Then I suggest you permit the committee to explore in particular the data, the methodology and rationale for the assumptions, any sen-

\* Previously submitted: See p. 86.

sitivity analysis done to judge the impact or possible variations in assumptions and so on, and then I say it should include, but not be limited to, and then I list some 18 points.

Senator MOYNIHAN. Would the Senator yield? I believe you said, and it was a slip of the tongue, you said the "mythology" of the program. I think you meant "methodology." They are almost synonymous, but sometimes a distinction is made in the world of computer programming.

Senator CURTIS. My prompter has it "methodology," but I am not sure what I had said.

At any rate, here is the question, and it will save considerable time, as well as, I think, that it will enable you to reflect on what it is so you can lay it out. And what we would like to do is have the picture, the facts before us, as to how you arrive at your figures, and then we can compare that with other estimates, pro and con, and we will know why they vary, and so on.\*\*

Now, I note that the administration has claimed as offsets (a) the discontinuance of CETA public service jobs program; (b) reduced fraud and medicaid; (c) the proposed crude oil equalization tax refund; and reduced payments for extended unemployment insurance, which the Congressional Budget Office has not.

Do you continue to claim these offsets, and, if so, why?

Secretary CALIFANO. Senator, that comes from an offset chart that I used when I originally briefed on this program in August and in September. I think that some distinctions have to be made among them.

The CETA program—it is not that we do not claim the discontinuance of the CETA program, we simply said that if unemployment levels were at the point at which the CEA and we projected they would be in 1981 when the program went into place since the counter-cyclical CETA is a program that comes into play with various levels of jobs depending on the unemployment rate, if that were down to where we thought it would be in 1981 that we would not need \$5.5 billion of CETA money.

So we intend to continue the CETA program. It is just that the unemployment rate would not have triggered it.

Second, with respect to medicaid fraud payments, that was \$400 million that I set as an offset against the program. Those are antifraud programs that I have introduced in the last few months that I think will result in reductions and I applied it to that program.

That was in the context of the President's command that I find the money, in effect, somewhere else to hold the cost of the program down.

Senator CURTIS. Well, we have medicaid for the poor and medicare for the elderly. Now, if we enact a program of medical assistance for people who are neither poor nor elderly, there will be more individuals that will be eligible to commit fraud if they so choose, will there not?

Secretary CALIFANO. Well, every time you have a program there is an opportunity for somebody to misuse the program. That is true of everything from the tax incentives for the investment tax credit for corporations to the medicaid program.

I have been struck—I will say that, as an administrator, I have been struck by the looseness with which many of these programs are being administered and the extent to which they are prone to error

\*\* Response appears in Part 2, Appendix A.

and fraud and abuse. That is one of the reasons why we are recommending so many of these changes.

I think we cannot ignore the fact that some of these programs have become enormously complicated, with regulations—Senator Moynihan held earlier hearings—we had photographs of stacks of regulations taller than a woman who was a secretary in the Los Angeles office. They came to over 5 feet tall in terms of the regulations that applied to the Los Angeles County welfare programs.

One of the hopes and objectives of the President's program is to get rid of that.

Senator CURTIS. Now, the Congressional Budget Office includes, as an offset, and you have not, the increased costs for medicaid eligibility determination. I thought you were excluding entirely medicaid when you were considering this new program.

Is that true? If so, can this be considered as an offset?

Secretary CALIFANO. I think they add that as an additional cost. I think on that we operate under different assumptions, and I would like to answer that question precisely for the record, if I might.

Senator CURTIS. Now, on these assumptions, the more optimistic you are, the lower the cost of this program; am I right?

Secretary CALIFANO. What we have tried to do, I think, is make accurate assumptions, Senator, and we have checked them. We have checked our assumptions about what States will do in the context of fiscal relief, what individuals will do, what State programs exist, general assistance programs, repeatedly to make them as accurate as we can.

Can I guarantee that every assumption we use is correct? No. Can the Congressional Budget Office guarantee that every assumption they use is correct? No.

There is no way, when we are dealing with human endeavors here, to—

#### MEDICAID ELIGIBILITY CRITERIA

Senator CURTIS. Well, now, in reference to medicaid, you said in your August 6 release that existing medicaid eligibility criteria will be preserved. And then you go on to say, "This will insure that the new eligibility rules under welfare reform do not automatically expand the medicare rolls."

Is that not somewhat of a contradiction?

Secretary CALIFANO. No, Senator. What I was saying there is that those which are categorically eligible today would remain categorically eligible for medicaid under the better jobs and income program. But those like many of the singles and childless couples, for example, that would be eligible for better jobs and income, would not, by reason of that, be eligible for medicaid.

What we have said is that we intend to make our recommendations about medicaid in the context of the recommendations we make about national health insurance so that we may have a consistent policy.

Senator CURTIS. Well, now, at the present time, medicaid eligibility criteria include automatic eligibility for all cash grant participants. How do you propose to differentiate between those cash grant recipients who get medicaid and those who do not?

Secretary CALIFANO. Well, we would have to make that differentiation in some simple way, if medicaid were not changed as part of this program. But let us remember that the effective date of this program

is in 1981 and, by that time, hopefully we will have our plans on the table for national health insurance and we will have our recommendations about medicaid vis-a-vis this program.

Senator CURTIS. And you and I may not be here.

Secretary CALIFANO. Well, that is possible.

Senator CURTIS. Well, I am sure I will not.

Secretary CALIFANO. We will miss you, Senator.

Senator CURTIS. Thank you.

As Secretaries of HEW go, you are most fortunate. I am sure that there have been at least four or five in the past who hoped that I would drop dead or retire from Congress, and you are going to live to see it happen.

#### COMPARING HOUSE PROPOSALS WITH ADMINISTRATION PROPOSALS

Last week, Mr. Ullman offered a measure which will make several changes in the welfare program which are different from yours. Do you support retention of the food stamp program, as he does?

Secretary CALIFANO. No; we do not, Senator. I would note that he does not support retention of the food stamp program for the SSI recipients. He supports the retention of the food stamp program only for the AFDC recipients.

Senator CURTIS. Do you support confining aid to present categorically eligible people, as he does, or do you think it should embrace singles, childless couples, and the working poor?

Secretary CALIFANO. Congressman Ullman's proposal, I think, would bring in additional people under the cash payments program. It is not limited to the people who are currently eligible, so essentially—

Senator CURTIS. But he does not include singles, childless couples or the working poor, does he?

Secretary CALIFANO. No; that is correct.

Senator CURTIS. You do?

Secretary CALIFANO. Yes; we do.

I should note that the working poor, the two elements about the working poor, I mean, most of the people on welfare work. They do something or other.

Senator CURTIS. Most of the people do not work.

Secretary CALIFANO. No; most of them work. They work at least part time. So we have been for years providing payments to the working poor.

Second, he retains food stamps for singles and childless couples, so that would be comparable to the cash payments we are making for singles and childless couples.

Senator CURTIS. Now, Mr. Ullman would continue State administration of AFDC, would he not?

Secretary CALIFANO. Yes; he would.

Senator CURTIS. But you would disagree with that?

Secretary CALIFANO. No; we leave a State option for the intake and eligibility determination. States can make their own option.

The reason we came to that conclusion was that I literally met, personally, with all of the Governors, one afternoon, and took them through the administrative problems, and they opted—they urged us to give them the option either to let the whole program be federalized or to let them continue with the intake and eligibility functions.

And I think that different States will make different decisions about that.

What we do need, in terms of getting rid of the fraud, getting the error and abuses out, is that we make the cash payments and the computations and we do that in a compatible computer system throughout the country.

Senator CURTIS. The House Ad Hoc Committee on Welfare Reform has made several critical changes in the administration's bill. Among the more important are these: indexing benefits permanently.

Do you support that?

Secretary CALIFANO. We have indicated that—I guess I would have to say that we are not certain whether we support that method of doing it or not. The President did indicate in his message that he wanted to maintain the real level of benefits, but we were not, at that point in time, prepared to index all benefits.

Senator CURTIS. They also favored removing the cap on benefits for families of more than seven members. Do you support that?

Secretary CALIFANO. I think we would find that acceptable; yes.

Senator CURTIS. They also proposed dropping the proposed imputation of income to assets. Do you support that?

Secretary CALIFANO. We think our system of imputation is better than the system that the House subcommittee adopted and this committee will have to make the judgment, because we think it was more gradual.

We would prefer our legislation. What they did, you may recall, was to drop the level to \$2,500. We had had assets of \$5,000 and we imputed 15 percent income or all of it over \$500.

Senator CURTIS. They also had provisions resulting in much higher marginal tax rates. Do you support those?

Secretary CALIFANO. That is a matter of some concern to us. We laid our case out. We had a full opportunity to lay our case out, and the committee decided that they were willing to have those tax rates for some of the expected to work people, in order to permit the larger states—in order to permit the Federal Government to help bear the cost of higher subsidies from the larger States.

I would note that, as high as that benefit reduction rate is—it hits 70 percent, I guess, or higher—there are portions of the income range, critical portions around the \$7,000 level under Chairman Ullman's proposal in which the tax rate is 99 percent. So an individual would make 1 cent for every dollar he earned over roughly a \$300 or \$400 segment of that, and there are other portions in which the Ullman proposal is higher than the House subcommittee.

#### COST ESTIMATES OF CHANGES MADE BY HOUSE SUBCOMMITTEE

Senator CURTIS. How much more, in your judgment, will all of the committee's changes cost?

Secretary CALIFANO. We do not have a figure on that. The Congressional Budget Office has costed it out, as Chairman Moynihan noted earlier. I think he was using 1982.

We will be costing that out as we examine the bill. They just completed action on it last night.

Senator CURTIS. Would you supply the record for your best estimates?

Secretary CALIFANO. Yes, we will.\*

\* See Part 2, Appendix A.

### WHY INCREASED COSTS IN WELFARE REFORM?

Senator CURTIS. Mr. Secretary, can you explain to me why you have found it impossible to design a welfare reform program that does anything other than add over \$15 billion to our welfare program?

Secretary CALIFANO. Senator, what it adds—certainly we would not be in agreement on the \$15 billion figure, but I would note something that is very important for everyone to remember, which is \$8.8 billion of the administration's proposal is a jobs program. It is designed to get people off the welfare rolls and onto the working rolls, and that is the largest, single component of additional cost in the program. Indeed, it is the largest single component of cost.

And that is the critical and most decisive element of increased cost. And that was a judgment that we should try to get people working, that there is a value for people working and that it is important that they be given an opportunity to work.

Senator CURTIS. Well, I believe that the American people, when they hear the President talk about welfare reform, they believe that it will be fewer of their dollars, tax dollars required for it, and that there will be fewer people drawing welfare.

While you disagree as to the amount of increased costs, I take it you are agreed that the program you propose will reach some categories which are not now reached and that also it will cost more than the present program.

Secretary CALIFANO. Our estimate of increased costs, net Federal cost, was \$2.8 billion. But one must remember, Senator, that one of the major components of that is the fact that a decision was made to provide some fiscal relief to the States and to the cities, and that fiscal relief approaches \$2 billion of that added cost.

Well, that was a decision—and I might note that this committee, in connection with its consideration of the social security bill, had made a decision to provide some immediate interim fiscal relief, this year, and that, indeed, when Senator Moynihan and Senator Long proposed fiscal relief over the 3-year period, you yourself proposed, accepted it in effect, and wanted to use it as a method of helping reduce the error rates, and so geared the second 2 years of fiscal relief to that.

So I would think that the principle of fiscal relief is one on which there is a fairly broad, bipartisan consensus in the Congress right now.

Senator CURTIS. Well, now, do you want the record to stand that even with that the program that you are proposing will only increase costs by \$2.8 billion?

Secretary CALIFANO. That is the best judgment that we gave, but that includes the offsets I mentioned which the Congressional Budget Office—some of which the Congressional Budget Office—does not consider as offsets.

### URBAN INSTITUTE AND MATHEMATICA, INC. CONTRACTS

Senator CURTIS. Has the Urban Institute and Mathematica, Inc., received any contracts?

Secretary CALIFANO. From HEW? I would have to supply that for the record, Senator.

Senator CURTIS. You do not know?

Secretary CALIFANO. If I had to guess, I would guess that the Urban Institute has, but I will submit for the record whatever I have.

Senator MOYNIHAN. Mathematica carried out the New Jersey experiment, and the Urban Institute, about a third of its income comes—

Senator CURRIS. I would like to have you submit for the record the dollars that have been paid to each of those groups from 1965 on by HEW.

Secretary CALIFANO. I will, sir.

[The departmental response follows:]

Attached is a list of contracts and grants awarded to Mathematica, Inc. and the Urban Institute by the Department of Health, Education, and Welfare, Office of the Assistant Secretary for Planning and Evaluation (ASPE). We have only kept records on individual contracts through 1970. Since 1970, Mathematica, Inc. and the Urban Institute have been awarded a total of \$8.9 million in contracts and grants. Total ASPE expenditures in Evaluation and Policy Research Funds are approximately \$30-40 million a year.

MATHEMATICA, INC., AND URBAN INSTITUTE AWARDS FROM ASPE

[Key to symbols: C—Competitive contract won by contractor; S—Sole source contract; G—Grant award; M—Modification of existing contract]

Contract No.	Description	Amount	Type	Contractor
HEW-100-70-0149	VISTA volunteers evaluation.....	125,000	C	Mathematica.
HEW-1972	Effects of participation in income maintenance projects.....	37,047	S	Urban Institute.
HEW-1972	Transfer income microsimulation model.....	50,000	S	Do.
HEW-1973	Evaluation education TV programs in secondary education.....	53,520	C	Mathematica.
HEW-1973	Aid task force on welfare reform program.....	29,515	S	Do.
HEW-73-124	Technical assistance on income maintenance experiments.....	209,961	C	Urban Institute
HEW-1973	Report on human resources futures.....	4,995	S	Do.
HEW-OS-74-217	Urban experiment follow-on.....	41,827	C	Mathematica.
HEW-OS-73-124	Technical assistance income maintenance experiments.....	100,549	M	Urban Institute.
Grant 74-03	Structure of demand for unskilled labor.....	75,226	G	Do.
Grant 74-02	Poverty, dependency, family structure.....	206,333	G	Do.
HEW-OS-74-122	Welfare reform analyses.....	198,476	C	Mathematica.
HEW-OS-74-198	Analysis welfare coal/caseloads.....	85,533	S	Urban Institute.
HEW-OS-74-275	State cost/caseload.....	35,166	C	Mathematica.
Req. 435361	Alternative aging techniques.....	1,500	S	Do.
HEW-OS-74-113	Medi-Cal services.....	79,728	C	Urban Institute.
HEW-OS-73-124	Disability task force.....	17,810	M	Do.
HEW-OS-74-81	Disability task force support.....	198,233	S	Do.
Grant 74-01	Dynamic microsimulation model.....	391,472	G	Do.
HEW-OS-74-198	TRIM maintenance.....	24,990	M	Do.
Grant 75-01	Poverty, dependency, family structure.....	113,559	G	Do.
HEW-OS-74-81	Disability task force.....	88,000	M	Do.
Grant 75-01	Dynamic microsimulation model.....	383,811	G	Do.
HEW-100-75-0158	Study of relative measure of poverty.....	54,974	C	Mathematica.
HEW-100-76-0073	Analysis of Gary income maintenance experiment.....	2,657,000	C	Do.
HEW-100-76-0020	TRIM maintenance.....	325,137	S	Urban Institute.
Grant 76-01	Poverty, dependency, and family structure.....	40,415	G	Do.
Grant 76-01	Dynamic microsimulation model.....	217,831	G	Do.
HEW-100-76-0098	Analysis eligible populations for poverty programs.....	18,899	C	Mathematica.
HEW-OS-74-122	Welfare reform studies.....	154,893	M	Do.
HEW-100-76-0069	Nursing homes.....	246,000	C	Urban Institute.
HEW-100-76-0069	do.....	48,500	M	Do.
HEW-100-76-0073	Analysis of Gary income maintenance experiment.....	1,856,910	M	Mathematica.
HEW-100-76-0020	TRIM maintenance/development.....	190,531	M	Urban Institute
HEW-100-77-0007	Support in preparing title XX FIDCR appropriateness study.....	69,924	C	Mathematica.
Grant 77-01	Microsimulation model.....	194,539	G	Urban Institute.
HEW-100-77-0062	Evaluation of survey of income and education.....	24,293	S	Mathematica.
HEW-100-77-0025	MATH analytical support.....	32,962	S	Do.
HEW-100-77-0028	Rapid feedback evaluation.....	242,600	C	Urban Institute.
Total: 1				
Mathematica.....		5,354,859		
Urban Institute.....		3,572,800		

1 From total ASPE expenditures of approximately \$11,000,000 a year of evaluation, plus \$20,000,000 to \$30,000,000 of policy research funds.



Senator CURTIS. A staff member of the Urban Institute, which is now under contract with HEW, I believe, to do the estimate on the administration's plan, recently remarked, and I quote: "The reason this bill is so critical is that it gives the Congress, for the first time, the ability to redistribute income directly in this country."

Do you agree with this statement?

Secretary CALIFANO. I do not know what that statement means. The Congress has been redistributing income, and the greatest distribution of income that the Congress has ever enacted in its history was the social security bill last year.

Senator MOYNIHAN. I will tell you what it means, Senator Curtis, would you mind my intervening to tell you what it means?

Senator CURTIS. No, I would be happy to.

Senator MOYNIHAN. That means that was a pretty damned dumb member of the Urban Institute.

#### DEPENDENCY ON SOCIAL PROGRAMS

Senator CURTIS. Have you done any research on whether or not there has been a growth of dependency on government, both local and State and National, by reason of the operation of the various social programs that we now have on the books?

Secretary CALIFANO. Senator, that is a question that Chairman Moynihan also raised with us.\* We will submit some more detail of the data for the record. Let me make some general comments on that subject.

The fraction of eligible people who participate or receive benefits in these programs has risen sharply. In AFDC, the overall participation rate rose from 56 percent in 1967 to 78 percent in 1970. For the female-headed family portion of the caseload, participation rate increased from 63 percent to 91 percent.

We think that this has levelled off, based on the last couple of years. The reason for the increased participation was a whole variety of things: Much better outreach, much better advertising of these programs, the decision by the Congress to finance poverty lawyers, Legal Services Corp., pressing for eligibility.

Also, real benefits have risen over the years, and a point I can make with numbers in New York, which demonstrates this is that in 1955, New York was paying \$195, roughly, per year. In 1970, per month, I should say. In 1970, New York was paying, in real dollars, \$319, an increase of \$1,536.

So real benefits have been increasing as well. That is another thing.

#### INCLUSION OF SINGLE PEOPLE AND CHILDLESS COUPLES

Senator CURTIS. Now, at the present time, AFDC does nothing for childless couples, single people. Your program would take those in?

Secretary CALIFANO. Yes; the food stamp program presently is available to childless—

Senator CURTIS. Yes; the food stamp program—

Secretary CALIFANO [continuing]. Childless couples and single people.

\* See Part 2, Appendix A.

Senator CURTIS [continuing]. Is the stepping stone for your bill or its previous names of guaranteed annual income or FAP or all of the rest of them.

But, aside from the food stamp program, it will take in certain new categories. I mentioned the singles and the childless couples.

If we do that for 5 or 10 years, or for any period, will it not result in many of those people becoming dependent upon government who are not now dependent upon government at all?

Secretary CALIFANO. Senator, if they do not work, they do not get paid. The categories of people we are talking about, in a sense, you know, they have to work in order to get that basic benefit. They get that benefit during the period for which they look for a job, but if those categories, the singles and the childless couples do not work, they do not get paid.

Senator CURTIS. Well, if they work, why do they need it?

Secretary CALIFANO. Well, they will not need it if they work. What I am saying is—

Senator CURTIS. If they work, they will not need it, and they will not get it unless they work.

Secretary CALIFANO. No, no, if they refuse a job, Senator. The basic payment that a single or childless couple would get is available for a period of weeks while they are hunting for a job. If they are offered a job during that period of time and refuse to take it, they lose their payment.

If they are offered a job at a minimum wage level, then they are entitled to some—or a job that they would be entitled to retain some of their cash payment, they would retain it.

Senator CURTIS. Well, it seems to me that the object of all social legislation should be to make people self-sufficient.

Secretary CALIFANO. Precisely. That is the point that the President's—

Senator CURTIS. And I think that the record would indicate that it has done exactly the opposite. I think that the more we expand, the more it grows, the greater the demand.

I do not know how you would put that in a computer, but I believe that it is a fact.

That is all, Mr. Chairman.

Senator MOYNIHAN. Well, I thank you, Senator.

#### FAMILY SPLITTING INCENTIVES UNDER CURRENT PROGRAM

Mr. Secretary, let me be candid now to the edge of discourtesy to some of your colleagues; and I do not want to be that, but I am alarmed. You have here, despite the ignoramus at the Urban Institute, one of the most important pieces of social legislation in our history. I want it to pass, and I want to make the case in this Congress for it.

Sir, 32 days ago, we sent you a long and carefully drafted letter which set forth a series of questions. We began by saying—and this is Senator Curtis' inquiry—the President's message to Congress of August 6 stated that the current welfare system provides incentives for family breakup. If we are to make this case, it seems to me imperative that the available evidence be presented.

What is the data on family breakup and its relationship to public assistance over the past two decades? Have rates of divorce, separation, and desertion been higher among families receiving welfare than in the population generally? What if you control for income, for ethnicity, for education and other factors thought by some analysts to bear a relationship to dependency and family condition? Is family breakup more frequent in States with lenient welfare eligibility and high benefits than in other jurisdictions? Do families that get off welfare later reunite, or do they reunite and then get off welfare? Both, or neither?

Is there longitudinal evidence on the relationship between the receipt of public assistance and the condition of families?

And we went on for four pages, sir, and you come before this committee with no response to our questions at all. You were not supposed to do the digging, Mr. Secretary, but your bureaucracy was, and what you were reduced to saying, sir—and you have a lot of other things to do—was that commonsense suggests that the program makes sense.

And I say to you that commonsense suggests a lot of things, including that the existing programs that we have to change made commonsense when they were adopted. There is a difference between commonsense and research data, as weak as it is, as fallible as it is. There is such a thing as evidence. I must say, Dr. Aaron, I fear you cannot come before this committee and, in response to our requests for data from you, say, as you did, that it seemed to you the burden of those who oppose the program is to prove the assumptions of the program to be wrong.

Dr. Aaron, that is not a burden which will weigh heavily on the members of this committee. They will not think they must go out and disprove your data. They are, God bless them and let the Republic rejoice, they are not social scientists. They are busy men with other interests.

I suggest to you that your bureaucracy—in the old Navy, there used to be a very serious offense called dumb insolence, and God help the seaman and the bo'sun's mate who decided he was guilty of it, much less a first lieutenant.

Now, look, your bureaucracy stand in dumb insolence before this committee. The Children's Bureau, which was established in 1911, in the aftermath of the first White House Conference that Theodore Roosevelt held, what has it done to tell you about the condition of children and about growing dependency? Nothing.

They have drawn their salaries, and, as I say, grown pleasingly plump with their own self-regard, protecting the good name of the poor and doing not a damn thing to help this bill pass. Left and right on this committee, there are going to be people who are going to say to me, what evidence have you, and you have not brought any.

Now, sir, I do not mean to harangue you, but I would hope you will go back and find those people and say, we are sick of their telling us that we have to disprove their assumptions. What they have done is preside over a social disaster whilst denying it existed and being vicious and vitriolic about anybody who called attention to it or tried to do anything about it.

## ASSUMPTIONS USED IN HEW COST ESTIMATES

Now, sir, let me just say to you why you are going to have to get some more information. The chairman of the full committee was testifying before another committee, and he asked—and these have just come in—if I could ask these questions on his behalf, which I am happy to do for Senator Long.

I will read you the question. Some of it has been covered, but I want to suggest what the chairman of the Senate Finance Committee's concerns are.

Mr. Secretary, when your Department first attempted to design a welfare reform program, you were attempting to do it at no additional costs compared with present programs. When you actually submitted the program last Fall, you estimated an additional cost of \$6 billion. The President's Budget shows a full, first-year cost of \$13 billion in addition. The Congressional Budget Office, instead estimates a full-year additional cost of \$17 billion.

Cost estimates are based on assumptions. Please furnish for the record, Mr. Secretary, a detailed explanation of the assumptions on which your cost estimates are based. Be sure to include the details on the reductions in present programs that you estimate will result from enactment of your proposal.

That is a request that you would submit that for the record.

Secretary CALIFANO. Absolutely.

[The departmental response follows:]

The detailed assumptions behind the cost estimates for FY 82, the first year of full implementation of the cash assistance program, are as follows:

The unemployment rate is assumed to average 4.7% over the year. This projection is from the long-range economic assumptions used for the FY 79 Budget.

The percentage of potential benefits which will actually be claimed by recipients (or the "dollar participation rate") is assumed to be 86% overall. This rate is expected to differ by demographic group:

	Percent
Expected to work families.....	84
Not expected to work families.....	97
Singles and childless couples.....	74
Aged, blind, and disabled singles and childless couples.....	77

Simulations of the hours worked by potential recipients after the introduction of the new program are based on experimental evidence from the Seattle and Denver Income Maintenance Experiments (SIME-DIME).

Simulation of individuals' labor supply response requires knowledge of the private sector wage rate they could command. For those not observed to be working in the data source on which the simulations are based, this information is missing. The potential private sector wage rates for these individuals are imputed on the basis of their age, sex, education, and other demographic characteristics. These imputations are based on regressions done on the data from the Panel Study of Income Dynamics.

Decisions on the formation of filing units (e.g., whether "Uncle Harry" will join the unit or not) are simulated by the assumption that the family will form the unit in such a way as to maximize cash benefits.

Simulations of the choices of whether and how long to take a PSE job are made by assuming the unit acts to maximize disposable income given the unit's desired hours of work.

Tax revisions between the present and the time of implementation are assumed to raise tax entry points so that there is virtually no overlap of the cash assistance and tax systems for two-parent families, and only modest overlap for single-parent families.

States are assumed to supplement up to current benefit levels for aged, blind, and disabled recipients, and up to current benefit levels or the upper level of Federal subsidization of supplements, whichever is lower, for everyone else.

States are assumed to grandfather 100% of AFDC and SSI benefits. No grandfathering of General Assistance benefits is assumed.

National Health Insurance is assumed to be enacted soon enough so that provisions for separate eligibility determinations for Medicaid are never implemented.

A description of how the computer estimates are adjusted to put them in final form is contained in the accompanying paper, "Annotated Cost Estimate."

#### ANNOTATED COST ESTIMATE

The FY 82 cost estimate of the cash portion of the Program for Better Jobs and Income prepared for the 1979 Budget is presented below. Brief annotations describe the various adjustments which are made to the computer estimates to arrive at the final total.

The cost estimates are based on the output of a computerized micro-simulation model. The model currently operates on data from the Survey of Income and Education, a larger variant of the Current Population Survey with information for calendar year 1975. Largely because of the limitations of this data base, the model cannot capture all features of the Welfare Reform program. Consequently, a number of hand adjustments and additions to the "raw" computer estimates are required. Additional adjustments are necessary to prepare an estimate for some year other than CY 75, in order to reflect demographic and economic changes.

The following discussion is intended as an illustrative example of how the adjustments are applied. The appropriate values of the various adjustments may vary from run to run, and will change over time as estimates are improved. For all the calculations shown, "x" means that the preceding dollar amount is multiplied by the number following the sign to obtain the entry in that row (e.g., 18.33 = .95 (17.19)). "+" and "-" show addition and subtraction of an amount of dollars in billions.

#### Basic Federal program

[Dollars in billions]

Computer estimate	\$17.19
This "raw" estimate is for the costs of the basic Federal program, including tax reimbursement.	
Underreporting ( $\times 0.95$ )	16.33
The SIE, as most surveys, does not capture as much income as independent sources indicate people receive. Most of the difference appears in Unemployment Insurance, Social Security, and Workmen's Compensation, while wages and salaries are evidently well reported. Presumably, the welfare program would "find" more income than surveys do. As too little income is reported on the SIE, the model simulates higher benefits than people are likely to receive from the operating program, and our estimate must be reduced accordingly (by 5 percent).	
Accounting period ( $\times 1.02$ )	16.60
The SIE reports income on a calendar year basis, while PBJI calls for a 6-month accounting period. The shorter period allows more people to become eligible, and permits higher benefits. Consequently, the estimate must be increased. This adjustment is based on data on monthly incomes from the Seattle-Denver Income Maintenance Experiments.	
General population growth ( $\times 1.06$ )	17.66
The population as a whole will grow by 6% from 1975 to 1982. Taken by itself, this change is assumed to increase program costs by the same factor.	
More aged, blind, and disabled ( $+ 0.56$ )	18.22
The population of aged, blind, and disabled individuals is growing faster than the population as a whole, because of the changing age structure of the population and an increase in the incidence of disability. There will thus be more people potentially eligible for relatively high benefits.	
More single parent families ( $+ 0.20$ )	18.42
Similarly, single parent families are growing at a higher than average rate, and receive higher than average benefits.	
Real growth ( $- 1.28$ )	17.14
Real growth in wages and salaries will lower real benefits and move some recipients above the breakeven. This adjustment reflects real growth per employed worker, and is thus distinct from the unemployment rate adjustment discussed below.	

*Basic Federal program*

(Dollars in billions)

Inflation ( $\times 1.436$ )	-----	\$24.61
All the numbers above have been expressed in 1975 dollars, and this multiplier moves the estimate to 1982 dollars. Included in this factor are both pre- and post-implementation indexing of benefit levels.		
Unemployment rate change ( $- 2.49$ )	-----	22.12
The unemployment rate in OY75 was 8.5%, while the rate projected for FY82 is 4.7%. A 1% change is estimated to reduce cash assistance costs by \$660 million in FY82.		
Participation rate ( $\times 0.86$ )	-----	19.02
This factor is a 'dollar participation rate;' its value represents an average across several demographic groups of the assumed percentages of potential benefits which will actually be received. The rates vary from 70% (singles and childless couples) to 95% (not expected to work units).		
Institutionalized ( $+ 0.57$ )	-----	19.59
The program covers individuals in institutions, but they are not represented in the data. An independent estimate of .47 in FY78 was inflated to arrive at 0.57 in FY82. (This estimate was subsequently revised downward.)		
Informal foster care ( $+ 0.24$ )	-----	19.83
The data do not permit the model to identify situations where the bill's provisions for informal foster care would be applicable. Consequently, an independent estimate (FY78 inflated to FY82) has been added to account for the benefits going to such units.		
Error rate ( $\times 1.04$ )	-----	20.62
The model, in effect, simulates a perfectly operating program. Fraud and error in the actual program will increase costs.		
Too frequent \$800 reduction ( $+ 0.12$ )	-----	20.74
The model applies the \$800 benefit reduction for living in another's house more frequently than experience in SSI indicates is appropriate, even given different rules.		
Vocational rehabilitation ( $+ 0.04$ )	-----	20.78
This item represents retention of the vocational rehabilitation program for ABD's.		
SSI grandfathering ( $+ 0.28$ )	-----	21.06
This addition is an estimate of the costs of grandfathering the Federal benefits of pre-implementation SSI recipients.		
Administration ( $+ 2.73$ )	-----	23.79
This is an inflated FY78 estimate of the costs of administering a fully-implemented program.		
Total, basic Federal program	-----	23.79

*Federal Share of State Supplements*

The following calculations mirror those used for the basic Federal program:

(Dollars in billions)

Computer estimate	-----	\$1.88
Underreporting (times 0.95)	-----	1.31
Accounting period (times 1.02)	-----	1.34
General population growth (times 1.06)	-----	1.42
More ABD's (plus 0.05)	-----	1.47
More single parent families (plus 0.02)	-----	1.49
Inflation (times 1.436)	-----	2.14
Participation rate (times 0.86)	-----	1.84
Institutionalized and Informal foster care (times 1.04)	-----	1.91
This adjustment produces an increase in State supp expenses which is proportional to the increase in basic cash expenses.		
Error (times 1.04)	-----	1.99
Total, State supplements	-----	1.99

Real growth and unemployment adjustments are not included in this sequence because singles and childless couples do not receive supplements and the effect of these variables on the remaining population is small.

The outlay figures shown in the budget were then derived as follows:

[Dollars in billions]

Basic Federal program.....	23.79
Federal share of State supplements.....	1.99
Hold harmless.....	.56
State share of Federal program.....	-1.80
Puerto Rico.....	.61
Emergency needs.....	.73
Startup costs.....	.07
Cash total.....	25.95
Jobs and training program.....	<sup>1</sup> 9.90
Earned income tax credit (EITC).....	2.95
(Present EITC).....	(1.03)
(New EITC for those eligible for cash assistance).....	(.62)
(New EITC for those ineligible for cash assistance).....	(1.31)
Total gross costs.....	38.81
Total gross costs, excluding the EITC for those ineligible for cash assistance.....	(37.50)

<sup>1</sup> The phase-in of the Jobs program will start in 1980 and will not be complete until the end of FY82. This figure represents 89% of the costs a fully implemented program.

*Offsets*

	[Dollars in billions]
Programs replaced:	
Aid for families with dependent children.....	7.61
Supplemental security income.....	7.08
Food stamps.....	6.05
Work incentive program.....	.37
Earned income tax credit.....	1.03
Other offsets:	
Increase in FICA tax receipts.....	0.50
Decrease in regular unemployment insurance.....	.80
Decrease in housing program expenditures.....	.60
Extended unemployment insurance.....	.60
CETA public sector jobs.....	8.90
Wellhead tax revenues.....	1.50
Reduced fraud in medicaid.....	.50
Total, offsets.....	30.04

*Summary*

Total gross costs.....	38.81
Total gross costs excluding the EITC for those ineligible for cash assistance.....	(37.50)
Offsets.....	30.04
Net costs.....	8.77
Net costs excluding the EITC for those ineligible for cash assistance.....	(7.46)

Senator MOYNIHAN. The next question—there are only three, and we will get you out of this, I assure you.

Mr. Chairman, we have read the first of your questions. Would you like to ask the second and third on your own?

Senator LONG. Thank you.

**REDUCTION OF WORK EFFORT**

Mr. Secretary, experiments that the Department has conducted have shown that families reduce their work effort, measured in terms of hours worked per week, when a guaranteed minimum income is avail-

able to them. Will you furnish for the record the conclusion of those experiments on reduction of work effort? Also, for the purposes of estimating the cost of your welfare proposals, to what extent do you assume that work effort will be reduced?

I would like to have you supply the details for the record.

Secretary CALIFANO. I will, Mr. Chairman.

[The departmental response follows:]

For the purpose of estimating the impact of changes in work effort on the costs of the welfare reform proposal, we have used a set of behavioral equations that were estimated using the Seattle-Denver Income Maintenance Experimental data. These response functions allow us to predict the change in hours of work that a recipient would experience if he/she would receive a benefit payment. The parameters of these functions are shown in the table below:

TABLE 1.—LABOR SUPPLY PARAMETERS: CHANGE IN HOURS EQUATIONS (TOBIT)

	Husbands	Wives	Female heads
$\left[ \frac{1}{\text{New net wage rate}} \right] - \left[ \frac{1}{\text{Old net wage rate}} \right]$ .....	-178.06	-145.54	-129.18
Standard errors.....	(69.14)	(69.63)	(57.74)
Change in disposable income (thousands).....	-45.92	-156.10	-111.15
Standard errors.....	(24.76)	(41.07)	(37.16)

These parameters were estimated using a statistical method known as TOBIT. The equations are non-linear which permits a larger labor response the higher the tax rate.

Example (using these parameters): A husband of a family of four who is working pre-reform full-time at a minimum wage job (2080 hours per year) and was not previously receiving assistance, would receive a Federal benefit of \$1444 after reform if he does not change his work effort. On the basis of the parameters shown above, we would predict that he would reduce his hours of work by 123 hours over the year and receive \$164 more in benefits.

### FAMILY BREAKUP

Senator LONG. Also, Mr. Secretary, the Department supported a study by the Stanford Research Institute which showed that providing a guaranteed minimum income to families tended to increase family breakup.

I ask unanimous consent that excerpts from the article on this subject, called "Income and Marital Status, Evidence from an Income Maintenance Experience," appear in the record at this point.

[From the American Journal of Sociology, Vol. 1, No. 6]

#### INCOME AND MARITAL EVENTS: EVIDENCE FROM AN INCOME-MAINTENANCE EXPERIMENT<sup>1</sup>

(By Michael T. Hannan, and Nancy Brandon Tuma, Stanford University and Lyle P. Groeneveld, Stanford Research Institute)

In this paper we report estimates of the impacts of the Seattle and Denver Income-Maintenance Experiments on marital dissolution and remarriage. To assess the experimental impacts, we use a stochastic model of rare events in which the rate at which an event occurs is assumed to depend log linearly on

<sup>1</sup> The research reported here was performed under contracts to the Stanford Research Institute with the states of Colorado and Washington, prime contractors to the U.S. Department of Health, Education, and Welfare. The opinions expressed in this paper are those of the authors. Mordecai Kurtz, Robert Spiegelman, Richard West, Philip Robins, and Michael Keeley all made valuable contributions to this research.



a set of exogenous variables. Overall, income maintenance raises the rate of marital dissolution. For black, white, and Chicana women, the greatest increase occurs at the support levels closest to the control situation. The impact of income maintenance on remarriage differs by race-ethnicity. For Chicanas, the rate of remarriage decreases as the level of support increases. For blacks and whites, income maintenance has no discernible impact on the rate of remarriage. The results provide empirical evidence that a change in economic situation does affect marital events in low-income populations.

Widespread interest in replacing the current system of public welfare with a comprehensive system of income maintenance has reopened interest in the effects of welfare policy on marriage (see Cutright and Scanzoni 1973; Ross and Sawhill 1975). It is widely believed that the AFDC program has increased the number of female-headed families in the lower class and thereby increased the cost of welfare. Whether or not this is so, it is clear that one cannot accurately estimate the most of any income-supplement program without considering its possible impact on rates of marriage and rates of marital dissolution. The discussion of such impact makes plain how fragmentary is our understanding of fundamental issues in the sociology of marriage. In particular, we have very little evidence that income fluctuations per se (as distinguished from social-class origins, culture, etc.) affect decisions to marry or to dissolve a marriage. Unless we can settle this matter, we cannot form any clear judgments as to the effects of changes in welfare policy on marriage.

Four large-scale experiments have been conducted to estimate the impact of various income-maintenance programs on labor supply and on marital events. These experimental manipulations of income provide a unique opportunity not only to address the policy questions but also to eliminate some of the ambiguity in sociological treatments of the impact of socioeconomic status on marriage and marital-dissolution decisions. Here we report initial experimental results from the largest of the four experiments, the Seattle and Denver Income-Maintenance Experiments (hereafter referred to as SIME/DIME).<sup>2</sup>

\* \* \* \* \*

## VI. DISCUSSION

Since the findings just presented are in an unfamiliar form, we transform them before discussing their implications. We use the estimated effects of background variables and of experimental treatments to calculate the probability that each woman in our sample would undergo a marital dissolution (if married) or would marry (if single) in a one-year period, if she were a control or had one of the three experimental guarantees. Thus we compute eight probabilities for each woman (for two marital statuses and four experimental treatments.) Table 4 contains the mean of these probabilities for each group.

The results in table 4 indicate that the impact of income maintenance is extremely large. Consider first the impact on the probability of a dissolution. Our findings imply that, if the entire sample were enrolled in an income-maintenance program with a low support level, the annual probability of marital dissolution would increase 63% for blacks, 194% for whites, and 83% for Chicanas over what it would be in the control situation. For blacks the medium level of support has the highest estimated impact. For all three groups, the high-support level has the smallest impact of any of the experimental treatments.

Regarding remarriage, we see that the impact for black women and Chicanas is also considerable. For the group on the medium support, the annual probability of remarriage is approximately 67% higher than it would be under the control condition. For Chicanas the probability of remarriage declines by about 86% with the high-support treatment. For whites, as we have seen above, the impact is slight.

So not only are many of the differences between the control and experimental conditions statistically significant; they are also remarkably large in absolute terms. While the magnitude of the impact may be overstated, due to some feature of the method of estimation, and may be larger than the long-term response, there seems to be little doubt that the experiment reveals that marital decisions respond to short-term changes in socio-economic conditions.

<sup>2</sup> For the more complete report on the research reported here, see Hannan, Tuma, and Groeneveld (1976). That report contains a number of data errors that have been corrected in this paper.

TABLE 4.—AVERAGE ANNUAL PROBABILITIES OF MARITAL STATUS CHANGE PREDICTED FOR EACH EXPERIMENTAL CONDITION

Condition	Blacks	Whites	Chicanas
<b>Marital dissolution:</b>			
Control.....	0.121	0.062	0.093
\$3,800 support.....	.197	.176	.174
\$4,800 support.....	.224	.125	.084
\$5,600 support.....	.172	.099	.051
<b>Remarriage</b>			
Control.....	.081	.136	.213
\$3,800 support.....	.094	.144	.112
\$4,800 support.....	.135	.128	.069
\$5,600 support.....	.105	.111	.029

There are at least three reasons why we cannot extrapolate from the experimental results reported here to the long-run impact of a national income-maintenance program. First, the impact depends on characteristics of women, and the sample is not representative of the national population. Second, there may be macro effects of a national program that cannot be detected through the experimental design, for example, alteration in norms governing marital roles. Third, the present analysis ignores the dependence of rates of marital dissolution and remarriage on experimental time.

Nevertheless, it is useful to examine the long-run implications of our analysis for the experimental sample. The long-run impact of a program that raises both rates of dissolution and remarriage is quite different from one that raises the rate of dissolution but leaves the rate of remarriage unchanged. This can be seen through the following simple model. Under the assumptions used to motivate our stochastic model (first-order Markov property, time stationary but non-homogeneous rates as in eq. [5]), the probability that a woman is unmarried,  $p$ , depends on the dissolution rate,  $\delta$ , and the remarriage rate,  $\mu$ , as follows:

$$\frac{dp}{dt} = -\mu p + \delta(1-p).$$

The equilibrium probability that a woman is unmarried is

$$p^* = \frac{\delta}{\delta + \mu}.$$

The estimated effects in tables 2, and 3 were used to predict  $\mu$ ,  $\beta$ , and  $p^*$  for each woman in our sample, assuming that she was on each of the four experimental treatments. Table 5 gives the average of the predicted  $p^*$  for all women in our sample, that is, the expected proportion unmarried. These values are an approximation of the long-run impact of income maintenance for populations resembling our sample.

TABLE 5.—EXPECTED PROPORTION OF WOMEN IN THE SAMPLE WHO ARE UNMARRIED AT EQUILIBRIUM ASSUMING NONHOMOGENEOUS STATIONARY MARKOV MODEL

	Blacks	Whites	Chicanas
Control.....	0.602	0.332	0.370
\$3,800 support.....	.679	.564	.648
\$4,800 support.....	.630	.510	.600
\$5,600 support.....	.623	.486	.674

For all three groups, the equilibrium proportion of female headed families is increased by the low support. The percentages of increases are 13, 70, and 75 for blacks, whites, and Chicanas, respectively. For all three groups, this proportion then declines for the medium level of support. For blacks and whites, it declines again for high support. For whites the equilibrium proportion under the high support condition exceeds that under the control conditions by approximately 46 percent. But for blacks in the high and medium-support situation the proportion of female-headed families in equilibrium differs little from what it would be in the control situation (4 percent higher). However, due to the strong impact on remarriage, the equilibrium proportion unmarried for Chicanas is highest on the

high-support treatment. Although these figures must not be interpreted without reservations, they are valuable both for highlighting the importance of considering the impacts of income maintenance on dissolution and remarriage jointly and for indicating the very large net impacts implied by our results.

This report is intended to establish the existence of income-maintenance impact rather than to explain observed impact; nonetheless, we feel obliged to comment on the strong and persistent pattern of impact on the rate of dissolution. Our discussion of the competing income and independence effects should have prepared the reader for the possibility of a nonmonotonic pattern of impact. Since the hypothesized income and independence effects differ in direction, the experimental impact will change direction over a range of support levels whenever one effect dominates over one portion of the range and the other effect dominates over other portions. In particular, if the independence effect dominates at lower levels of support and the income effect dominates at higher support levels, the pattern of experimental impact will be as we have observed.

In a sense the problem remains. The low-support treatment does not differ substantially in financial terms from the combination of AFDC and food stamps (Hall 1976). Why then should there be a strong independence effect for low-support income-maintenance treatments? To answer this, we must consider the nonpecuniary differences between financial-treatment situations and control (AFDC and food stamp) situations:

1. Income maintenance presumably involves much less stigma than welfare (e.g., AFDC). Women who refuse to enroll in welfare programs because of their distaste for adopting the role of the "disreputable poor" are unlikely to have such objections to income maintenance. For such women, the addition of income maintenance to the control environment constitutes an important change in their dependence on existing marriages.

2. Income-maintenance guarantees are explained to all families in the experiment. Welfare programs are not outlined for all those eligible for benefits. Presumably some women with no welfare experience are unaware either of the fact that they would be eligible for welfare were their marriage to end or of the levels of support available. We took pains to explain that income-maintenance guarantees apply outside marriage. Therefore, while the two programs might differ little with full and correct information, the introduction of income-maintenance treatment changes the environment for women having less than full information about their welfare rights.

3. The informational content of income-maintenance programs may have another effect, that of introducing a shock to the preexperimental equilibrium. The literature on marriage indicates that many unhappy and unfulfilling marriages are stable for long periods of time because the partners reach some kind of accommodation. The introduction of an income-maintenance program into such a situation may focus attention on the problems in the marriage. That is, when we explain to heads of households that the guarantee applies outside the existing marriage, we may focus attention on their current situation and heighten their sense of dissatisfaction with the existing marriage. Of course the sudden and obtrusive announcement to the family that AFDC has the same properties would have the same shock effect. We doubt that many families received such announcements during the period we studied, however.

4. Income maintenance entails lower transaction costs than do AFDC and other welfare programs. Compared with the welfare situation, income maintenance makes minimal demands on the participants.

Each of these differences increases the independence of women on an experimental treatment financially similar to welfare. At least one important difference between the two programs, however, may not have such an effect.

5. Benefits of income maintenance and of welfare may differ with regard to the certainty of their continuation. Enrolled women may not believe (and therefore may discount) income-maintenance guarantees. But because of the reimbursement of the positive tax, most families on financial treatments receive some cash transfers from income maintenance. This ought to increase the credibility of income maintenance. Nonetheless, some women may not believe that their benefits will continue if they leave their marriages.

It stigma and information considerations are important, a great deal of the independence effect of income maintenance may be relatively constant across support levels. In other words, the availability of a known, nonstigmatizing alternative to marriage may be critical, in the sense that the program effect dominates the guarantee or independence effect. Differences in independence be-

tween a woman on the low-support treatment and one on the high-support treatment may be small relative to the difference of either from a woman in the control situation. Under these circumstances, even a linear income effect could produce a nonmonotonic pattern of experimental impacts.

Our work in progress deals more systematically with separating income and independence effects and with specifying the nature of the income-maintenance impact. This research should clarify the nature of the effects of current socio-economic situation on marital events. But we do not need such clarification to answer the broad question posed here: Are there any systematic effects of current situation net of social origins? Our analysis of the effects of a relatively short-term experiment indicates unambiguously that such effects exist. Moreover, these situational effects are much stronger than we (or, we believe, other social scientists) anticipated.

#### ADMINISTRATION RESPONSE

Senator LONG. To what extent, Mr. Secretary, have you assumed a greater degree of family breakup if your guaranteed income is enacted? We would like to have this information provided for the record, and we would like to also have any studies that you have on marital breakup under present welfare programs.

Secretary CALIFANO. I will, Mr. Chairman.

[The departmental responses follow:]

No greater degree of family break-up resulting from the Administration's proposal is assumed. Although we believe the overall effect of the proposal will be to strengthen family life, we have made no adjustments to the census data to assume that people marry or divorce or otherwise change their place of residence.

Enclosed are the following studies on marital breakup under present welfare programs:

Caldwell, S. and K. Moore, "Out-of-Wedlock Pregnancy and Childbearing". Working Paper 992-02, The Urban Institute, September, 1976.

Caldwell, S., C. Jones, G. Peabody, and I. Sawhill. "Income Transfers and Family Structure". Urban Institute Paper 979-03, September, 1975.

Cherlin, A. "Employment Income and Family Life: The Case of Marital Dissolution". Paper presented at the Secretary of Labor's invitational conference on National Longitudinal Surveys of Mature Women, January, 1978.

Cutright, P. "Illegitimacy and Income Supplements". In *JEC-Studies in Public Welfare*, volume 12, November 1973.

Cutright, P. and J. Scanzoni. "Income Supplements and the American Family". In *JEC-Studies in Public Welfare*, volume 12, November, 1973.

Durbin, E. "Work and Welfare: The Case of Aid to Families With Dependent Children". In *The Journal of Human Resources*, volume VII, supplement, 1973.

Furstenberg, F. Jr. "Work Experience and Family Life", from *Work and the Quality of Life*. Edited by J. O'Toole, Massachusetts Institute of Technology Press, 1974.

Hannan, M., N. Tuma, and L. Groeneveld. "Income Maintenance and Marriage: An Overview of results From the Seattle/Denver Income Maintenance Experiments". SRI International, January, 1978.

Holmes, J. and S. Hoffman. "Husbands and Wives and Divorce". From *5000 American Families-Patterns of Economic Progress*, volume 4, University of Michigan, 1976.

Honig, M. "AFDC Income, Recipient Rates, and Family Dissolution". In *The Journal of Human Resources*, 1974.

Honig, M. "AFDC Income, Recipient Rates, and Family Dissolution: A Comment". In *The Journal of Human Resources*, Spring, 1976.

Honig, M. "The Impact of Welfare Payment Levels on Family Stability". In *JEC-Studies in Public Welfare*, volume 12, November, 1973.

Wiseman, M. "Change and Turnover in a Welfare Population". Working Paper 92-06, The Urban Institute, September, 1977.

Wiseman, M. "Change and Turnover in a Welfare Population." Working Paper no. 70, Institute of Business and Economic Research, Department of Economics, University of California, Berkeley, August, 1976.

Wolf, D. "The Impact of Income Maintenance on Marital Dissolution". From *Follow-Up Studies Using Data Generated by the New Jersey Negative Income Tax Experiment*, Mathematica Policy Research, 1976.

Wolf, D. "Income Maintenance, Labor Supply, and Family Stability: An Empirical Analysis of Marital Dissolution". PhD Dissertation, University of Pennsylvania, 1977.

The following list includes further studies of interest on marital instability under present welfare programs. These studies are not included because we do not have copies of them.

Hutchens, R. *State Policy Parameters and Recipient Behavior in the Aid to Families With Dependent Children Transfer System*. PhD dissertation, University of Wisconsin, 1976.

Hutchins, R. "The Impact of AFDC Transfers on Remarriage". Unpublished manuscript, Cornell University, 1977.

MacDonald, M., T. McDonald and I. Garfinkel, "AFDC and Family Dissolution: A Sceptical Comment". Unpublished manuscript, Institute for Research on Poverty, undated (cited in McDonald and Sawhill, "Welfare Policy and the Family", which is included).

Middleton, R. and L. Hass. "Marital Dissolution and Family Interaction." (See summary of this paper in *Summary Report: Rural Income Maintenance Experiment*, which is included in our response to the Subcommittee's request for conclusions of the Income Maintenance Experiments on reduction of work effort.)

Rieschauer, R. *The Impact of the Welfare System on Black on Black Migration and Marital Stability*. PhD dissertation, Columbia University, 1971.

Ross, H. and I. Sawhill. *Time of Transition*. The Urban Institute, 1975.

Also, see the studies of family stability in the Seattle and Denver Income Maintenance Experiment (included in our response to the request for conclusions of the Income Maintenance Experiments concerning work effort):

Hannan, M., N. Tuma and L. Groeneveld. "The Impact of Income Maintenance on the Making and Breaking of Marital Unions: Interim Report". SRI Research Memo 28.

\_\_\_\_\_. "First Dissolutions and Marriages: Impacts in 24 Months of the Seattle and Denver Income Maintenance Experiments". SRI Research Memo 35.

\_\_\_\_\_. "Variations Over Time in the Impact of the Seattle and Denver Income Maintenance Experiments on the Making and Breaking of Marriages". SRI Research Memo 43.

\_\_\_\_\_. "A Model of the Effect of Income Maintenance on Rates of Marital Dissolutions: Evidence From the Seattle and Denver Income Maintenance Experiments". SRI Research Memo 44.

### CHILD SUPPORT PROGRAM

Senator LONG. There is one other matter I want to ask you about, Mr. Secretary, and perhaps we can go into greater detail later on.

It would appear to me that the final regulations your Department published in the Federal Register in January with regard to child support make it very easy for a mother to decline to cooperate in identifying the father for support purposes. I think that those regulations suggest that if the mother, in seeking to be added to the welfare rolls, merely states that it might create some distress for her, that she might be afraid of the father or something of that sort, that this would be an adequate excuse for failing to identify the father.

Are you familiar with those final regulations?

Secretary CALIFANO. Yes, Mr. Chairman, I think I have—the regulations, as they came to me were, in my judgment, too vague in that area and other areas. I believe I tightened them. I do not think that will hold.

I, as I think you know, I believe that is a very important program, not simply because of the financial benefits that can accrue to the States and the Federal Government but because it establishes a very important, and supports a very important fundamental principle of society; namely, that individuals should be held responsible for their acts.

We have recently taken steps to strengthen this program by filling 125 positions and increasing the program audit capability.

So I do not believe that the regulations, as I signed them, were that vague. I think I tightened that and I tightened other portions of them up, but I will go back and doublecheck that.

Senator LONG. It was my purpose in pressing for child support legislation, to require the mother to cooperate in seeking support from the father if she is going to receive welfare payments.

I was a poverty lawyer long before the Government started paying people to be poverty lawyers. I know what it is to represent a woman who is entitled to some sort of support from a father. I did that back before the Government started picking up the tab for all of this.

Sure, there are some bad people who might beat the mother or threaten her, but what you ought to do is go down and put them under a peace bond, and if they do it again, put them in jail for it. Now, we ought to be paying these poverty lawyers to do something more than load cheaters on these welfare rolls. The poverty lawyers ought to be out there representing those mothers and making those fathers pay something to support their children.

I do not think you and I, so far, have a basic disagreement about this matter.

It would seem to me that if a woman comes in and wants the Government to support her and her children, she should tell us who the father is. Maybe she honestly does not know who that father is—maybe she was intoxicated when she got pregnant or goodness knows what. If she wants to say she does not know who the father was, it seems to me that that ought to be her privilege. If she just does not know, we will have to take her word for it.

But when she says that, she gives up a valuable right. She gives up the right at some future date to sue that man for support if he shows up with a substantial amount of resources. And she gives up any resource that she might have against that man at some point in the future.

Now as I construe this, what is proposed by the Department right now, is to permit her to have her cake and eat it, too; namely, to decline to identify the father, decline to say where he is, and decline to cooperate with the Government—and at the same time, live on the taxpayer while she is doing all of that. And it looks to me as though those regulations put the welfare departments, which never have wanted to ask the first question whether the welfare money really was necessary, in a position to completely frustrate what the child support agencies would be doing in trying to obtain support if the mother did not feel like cooperating.

I have had people tell me from welfare offices that if a mother comes in applying to go on welfare, they have to say to her that under the new law, we must ask your cooperation and we must make every effort to see if support can be obtained from the father. Now, I have heard at least of one case, and I am sure there may be more, where the mother said, "Well, if I have got to fool around with all of that, just forget about it." In a case like that, that person probably has support available or is already being supported the way it is now.

I commend you for what you have done to try to take cheaters and chislers off these welfare rolls. Mr. Secretary. I want to be your part-

ner in that. But I think that we can do more than just have a Project Match to check for cheating on the basis of social security numbers. We ought to follow some of these other things on through.

I have had people tell me of going in the welfare office and having seen a man drive up in a good automobile and drop a lady off and a child off, and the child would call the man "Father" or "Papa," and then they would go in the building and fill out an application to go on the welfare rolls and say they do not know who the father is.

The welfare worker said to the woman, was that not you I saw down below with that man who dropped you off in that new automobile and sent you into this building, and did the child not just refer to that man you were with there as "Father"? Maybe you will deny it and say that was not the case, but that is a case that is going to have to be carefully investigated because that is what I saw.

Those types of things cause the public to be resentful, because they feel that they are being ripped off. I do not think that we ought to make it completely optional to somebody to come in here and be able to use a standing excuse for putting people on the rolls when the father is fully capable of supporting those children, Mr. Secretary, by saying I am afraid of him, he might come beat me up.

What is your view about that?

Secretary CALIFANO. I will go back and recheck the regulations. My view is, you know, where there is a threat to the safety of the child that is real, that we obviously have to accommodate to that threat. But the presumption and the overriding threat should be to find the fathers, get them to pay the money that they should be paying, that they are responsible for those children.

I have, I think, I have doubled this program in a year. I have pressed very hard to have people do it, and a lot of people have begun to go to work on it. As I said, I have substantially increased the staff at the Federal level for the coming year, but I will have to—I am happy to go take a look at that regulation. I just signed it a couple of months ago.

Senator LONG. Up to now, Mr. Secretary, I have had the impression that you were the only person in that Department who agreed with me about child support. I hope that you will continue to agree with me. You have not had much support from the bureaucracy over there in the child support area, but I have no doubt that the great majority of the American people believe that we should not be paying for child support where there is a father making plenty of money whose income is available to support those children.

Secretary CALIFANO. I agree, Senator, and I have also put in a new management tracking system and I have made this one of the major initiatives under that system, to continue to increase in identifying father and in getting them to—

#### PROJECT MATCH

Senator MOYNIHAN. Mr. Chairman, I was going to suggest that you might be interested to hear the results of a Project Match enterprise that the Secretary announced to us at the opening of his testimony. It was very encouraging.

Senator LONG. I am all for Project Match, Mr. Secretary. I will certainly read that and follow it, because I believe that you and I are partners in that, Mr. Secretary. I think that what you are trying to do is something that I have been advocating for a long time, that we try to find ways to identify individuals and then, having identified them, if we find somebody who is on the rolls under more than one name, that we take them off.

One to a customer is enough as far as a welfare check is concerned. I applaud you for what you have done about that in the past, and I would be glad to see what you have just done and are doing now.

Secretary CALIFANO. I just noted at the beginning of the hearing, Mr. Chairman, that last night we have run the welfare rolls of 24 States and the District of Columbia against each other and we have discovered 13,584 welfare recipients who are on the welfare rolls in more than one State, using their same social security number, with no attempt to disguise it at all.

Senator LONG. How many is that, Mr. Secretary, did you say?

Secretary CALIFANO. 13,584.

Now, those are individuals with no attempt to disguise it. They use the same social security number in both States.

Senator MOYNIHAN. That might be \$40 million in that State.

#### CHILD SUPPORT PROGRAM

Senator LONG. I think that is progress. We will save a lot more than that with the child support program, though, Mr. Secretary. It seems to me that when we get to the point where people find that they just cannot get away without making a contribution to their children if they are able to do so, we will drastically reduce both the cost and the number of people on the welfare rolls.

The child support program, according to your press release here, brought in over 2 years total collections of \$1,422 million at a cost of \$401 million. That sounds like a good investment to me.

I am also in favor of the part of the child support law where you assist a mother who is not on welfare. She can call upon you to help make the father make a contribution to keep the family off the welfare rolls. I also think that helps to establish that it is expected that fathers contribute, it is something that they have to do. When the word gets around that fathers are going to have to support their children, things are going to change. Every man that you made do his duty is just one more person that you have on your side when you go after the character who is costing you money, because the taxpayer is having to support his children since he won't.

I appreciate everything you have done and applaud it. I am just worried about the people in the welfare departments who think that they are doing good when they put somebody on the rolls who does not belong on.

Someone told me from Michigan, that they have a very effective child support program, but that in some of these areas they were so drastically reducing the rolls that the welfare administrators were afraid that they were going to have to lay some of their caseworkers off. They therefore were passing the word around quietly to put just



anybody on those rolls, because they were afraid that some of the caseworkers might be reduced off the payrolls because the caseload had been reduced.

I hope we are not going to have large numbers of people on the welfare rolls, who should not be there just to justify more caseworkers than would otherwise be the case. I am sure that you would not want to do that. That is an expensive way to hire caseworkers, if we have to provide them with a welfare load just to keep the caseworker on the payroll.

Secretary CALIFANO. It would be cheaper to put them on welfare.

Senator LONG. Thank you, very much, Mr. Secretary.

Secretary CALIFANO. Thank you, Mr. Chairman.

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

### FISCAL RELIEF

Mr. Secretary, I have one final question of very large concern to some of our States. As you said on page 10, the administration supports interim fiscal relief, and we were very grateful for your support last year. As you said, Senator Long agreed to it, and we have half of the first installment in the social security bill. We will get the other half on H.R. 7200.

But then comes fiscal 1979 when, as you say, there is \$500 million in fiscal relief, and that is going to help pull this legislation through the Congress, you know, because there is something in it for us right now. But we cannot find that \$500 million in the President's budget.

Secretary CALIFANO. Mr. Chairman, there are lots of things that are not in the President's budget that we are committed to.

Senator MOYNIHAN. What? It is not in the budget?

Secretary CALIFANO. Because under the appropriations procedures we put money in the budget when we get the law passed. The money will be there, believe me. It will come in the supplemental in this case.

Senator MOYNIHAN. Is there nothing in the President's budget for any bill he expects? The President's budget only includes laws that are now in existence?

Secretary CALIFANO. That budget that identifies—I cannot remember the full extent of the contingency fund and whether or not that is in there, but we will get that money promptly.

Senator MOYNIHAN. Mr. Secretary, I do not doubt you, but I am pleased to hear you say it.

We thank you very much. Mr. Marcus, we thank you. Dr. Aaron, we thank you, sir. We have kept you a long time. You have been most gracious and helpful.

Secretary CALIFANO. Mr. Chairman, thank you very much.

Senator MOYNIHAN. The subcommittee will resume at 2:30. In the meantime, I would like to note that Senator Curtis has some questions that he would like to introduce into the record.\*

[Thereupon, at 12:40 p.m. the subcommittee recessed, to reconvene at 2:30 p.m. this same day.]

\*See part 2, appendix A.

## AFTER RECESS

Senator MOYNIHAN. Good afternoon to those of the audience who survived this morning's experience. I would like to welcome Mr. Manuel Plotkin who is, of course, the Director of the Bureau of the Census. Mr. Levine is with him and Mr. Herriot. Mr. Greene, if you would like to join the table, you would be very welcome to do so.

## HEW PRESENTATION OF PROGRAM SEEN LACKING

Before you begin with your testimony may I say, sir, that we have hopes this afternoon that we are going to hear some serious data presented to us. We had a disappointing morning in that the Department of HEW had been asked to come to these hearings to speak to some of the large assertions about the nature of the President's proposal, which this subcommittee chairman certainly supports very much, and yet we hoped that we would learn something. We hoped to have the argument reinforced and spelled out, and demonstrated. It was not.

We were told that commonsense suggests that this program is a good idea. It is a proposal to add 1 percent of GNP to our expenditure in the area, and an Assistant Secretary of HEW said that he thought the burden of proof was on the Members of Congress who had to disprove what the President would seem to think is the case. I suggested to him that the Senators, at least, would not let this burden weigh too heavily on them, that if they were not persuaded of the President's argument, they would simply not enact his legislation.

But we are not, in the end, discouraged. We are going to keep pressing, and there are those of us who very much feel that the President's proposal for a better jobs and income program, as I said, addresses a large and certainly pressing social issue, which is family policy in the United States. We very much welcome you, sir, to this committee and to the fellowship of welfare reformers.

STATEMENT OF MANUEL D. PLOTKIN, DIRECTOR, BUREAU OF THE  
CENSUS, U.S. DEPARTMENT OF COMMERCE

## INCOME AND POVERTY CONCEPTS USED BY CENSUS

Mr. PLOTKIN. Thank you, Senator.

Mr. Chairman, I, of course, welcome this opportunity to testify before this committee and am hopeful that the Bureau's data can shed some light on the complex issues surrounding welfare reform. I was specifically asked to discuss the relationship between changes in poverty and family structure over time. Before I begin the analysis, I would like to briefly discuss the income and poverty concepts used by the Bureau of the Census.

Since 1947, the Census Bureau has collected annual data on money income received by individuals and families as part of the Current Population Survey. The poverty definition used by the Census Bureau is based on an index developed in 1964 by Mollie Orshansky of the

Social Security Administration and revised by a Federal Interagency Committee in 1969.

In that year, the Bureau of the Budget established the Census Bureau's statistics on poverty as the standard data series to be used by all Federal agencies.

Poverty data have been tabulated from 1959, the earliest year for which the necessary data were available. The dollar levels below which persons are counted as poor varies by size of family, number of children, age, sex, and farm-nonfarm residence.

The poverty level in 1976 for a nonfarm family of four was \$5,815. It should be noted that nonmoney income is not considered in determination of poverty status. Receipts from nonmoney sources, such as food stamps, have recently become an increasingly important element in the economic well-being of low-income persons.

Turning now to the data, there were 25 million persons below the poverty level in 1976, comprising 12 percent of the U.S. population. The period between 1959 and 1969 saw a substantial decrease in the poverty population, with the number of poor persons declining by about 15 million, from 39 million to 24 million. In contrast, during the 1969-76 period, there was no significant change in the number of poor.

Overall, the proportion of poor persons who were not family members increased between 1959 and 1976. These unrelated individuals comprised 12 percent of the poverty population in 1959, increasing to 21 percent in 1976.

This change, however, largely reflects their increased number in the total population.

Between 1959 and 1976, the number of families, as opposed to single, unrelated individuals—the number of families in poverty declined substantially from 8.3 million to 5.3 million. During this period, however, poverty became increasingly associated with families with children. In 1959, about two-thirds of the families in poverty had related children under 18 years old. By 1976, this proportion had risen to three-fourths of all poor families.

To understand the change in the number of families with children in poverty during this period, one needs to be aware of changes in various components which underlie the overall change. Since only 10 percent of single parent families are headed by men, I will expedite the following analysis by focusing on only families headed by women.

To highlight the important trends and to aid understanding, some graphs have been prepared which show data for three points in time: 1959, 1969, and 1976. The year 1969 was chosen because it is about the time that the poverty rates ceased to decline.

Tables showing the data for all of the years from 1959 to 1976, of course, have been prepared and can be made available to your staff for further analysis.

Senator MOYNIHAN. Would you do that, sir, and we will make this a part of the record.

Mr. PLOTKIN. We would be pleased to.

As shown in chart 1, figure A, the number of families with related children under 18 years of age increased from 27 million in 1959 to 31 million in 1976, about 16 percent. During this same period, figure B

shows that the proportion of such families headed by women nearly doubled, rising from about 9 percent to 17 percent. Most of this change has occurred since 1969. These two factors have been exerting an upward pressure on the number of families in poverty.

During this period the poverty rates for these families have declined significantly as is shown in figure C.

The poverty rate for families with children headed by men dropped from 16 percent in 1959 to about 7 percent in 1976. For families with children headed by women, the poverty rate dropped from about 60 percent to 44 percent.

During the period 1959-69, the first part of that period, the effect of falling poverty rates dominated, resulting in a substantial reduction in the number of families with children in poverty from 5.4 million to 3.2 million, as is shown in figure D. All of this change, however, was in husband-wife families and single-parent, male-headed poverty families. For families headed by women, their increased numbers in the total population offset the drop in their poverty rate, resulting in no change in the number of such families in poverty.

Since 1969, however, poverty rates for families headed by both men and women have shown erratic movements resulting in little or no change. Without substantial decreases in the poverty rates for families with children headed by women, their growing numbers in the general population have resulted in substantial increases in their number in poverty; that is, from 1.5 million in 1969 to 2.3 million in 1976. This has caused corresponding increases in the total number of poverty families with children during this period, as shown in figure D.

In your letter asking me to testify, you inquired if we could separate out the influence of the changes in family composition and speculate what might have happened to the poverty population if these changes had not occurred. This is shown in figures E and F which reflect the results of statistically holding the influence of composition change constant and examining the effect.

The solid lines show what actually occurred according to the surveys. The dashed lines allow the number of families and the poverty rates for families with children headed by both men and women to change as measured, but hold the sex of head ratio constant within each racial group. That is, the percent of such families headed by women is held at 1959 levels.

As you can see, between 1959 and 1969, the solid and dashed lines remain fairly close because the proportion of families headed by women did not change by much, as is shown in figure B. However, since 1969 the lines diverge sharply.

The solid lines, which show what actually happened, turn upward, reflecting the fact that families headed by women, which have much higher poverty rates than families headed by men, are increasing at a substantial rate. The dashed lines show that if the family composition is held constant, the overall poverty rate, as shown in figure E, does not increase significantly, and the number of families with children in poverty, as shown in figure F, increases by a smaller amount than the actual number.

In summary, the analysis shows that most of the potential decrease in the number of poverty families with children from 1959 to 1969 was realized while family composition change was not sub-

stantial. Virtually all of the increase of these poverty families during the 1969 to 1976 period was a result of composition change.

However, if the poverty rates were to have continued to decline at their 1959-69 rates, the poverty population would have continued to decline in spite of the composition change.

Additional charts are available which show the same data by race of the family head. The underlying patterns of change are similar regardless of race. The effects are somewhat more pronounced for black and other races, however, because there have been larger changes in family composition. Charts are also available for all families which show similar patterns to those having children.

The survey data can also shed some light on the factor underlying the changes in the poverty rates and family composition changes. The large drop in the poverty rates from 1959 to 1969 was largely associated with economic conditions. During this period, the economy was strong with moderate inflation and falling unemployment. This produced substantial increases in income, as real median family income increased by 38 percent.

The working poor benefited from this economic growth and the poverty rates for families with working heads decreased from 15 percent in 1959 to 6 percent in 1969. Since 1969 there have been no significant change in the poverty rates for the working poor.

Due to increases in Government transfer payments, the poverty rates for families with no earners have decreased throughout most of the entire 1959-76 period, decreasing from almost 60 percent in 1959, to 31 percent in 1976.

Another factor contributing to lower poverty rates is that the population has completed more years of schooling and thus commands greater income. The proportion of family heads with less than 12 years of education has steadily declined and most of the decline has been in the 8 years or less category.

Overall, the proportion of family heads which had 8 or less years of education fell from 39 percent in 1959 to 19 percent in 1976.

The reduction in the incidence and the number of families in poverty has been most pronounced in the South. Although the poverty rates for families in the South are still 50 percent higher than the rest of the country, they have decreased dramatically from 30 percent in 1959 to 12 percent in 1976.

Senator MOYNIHAN. Could you help me, sir? That is 12 percent of all families in the South?

Mr. PLOTKIN. Yes, sir.

Senator MOYNIHAN. Is that very far off from the national proportion?

Mr. PLOTKIN. That is considerably higher than the national proportion, which is 9 percent.

Senator MOYNIHAN. So that 30 percent factor is, that—

Mr. PLOTKIN. That makes it about 50 percent higher in the South than in that national.

Senator MOYNIHAN. Right.

Mr. PLOTKIN. The numbers underlying the trends in family composition indicate dramatic changes. Between 1970 and 1977, the number of divorced mother-child families increased by more than

200 percent, and the increase for separated mothers was almost 50 percent.

These changes resulted from large increases in the number of divorced and separated women and in proportion of such women who have children.

The rates of increase in the number of divorced and separated women were greatest among women 25 to 34 years old. If the proportion of women 20 to 34 years old in each marital status category had not changed after 1970, there would have been about 2.5 million, or 37 percent, fewer divorced, separated or never-married women in that age range in 1977.

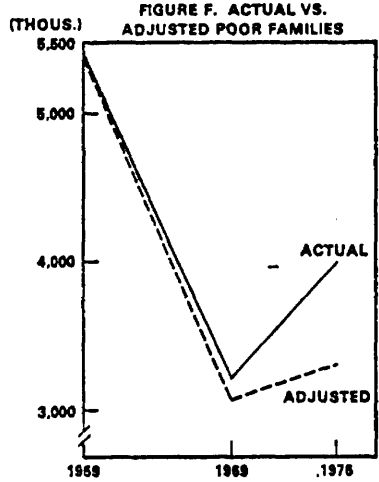
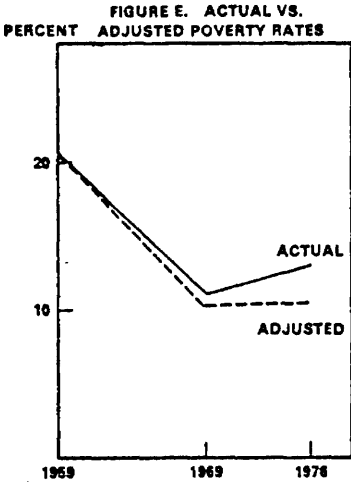
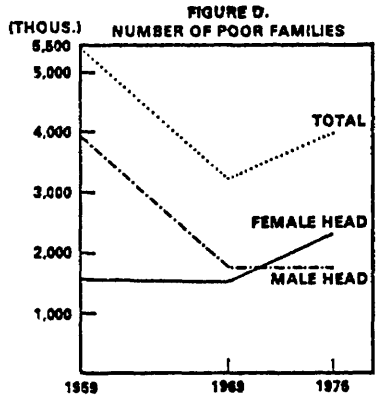
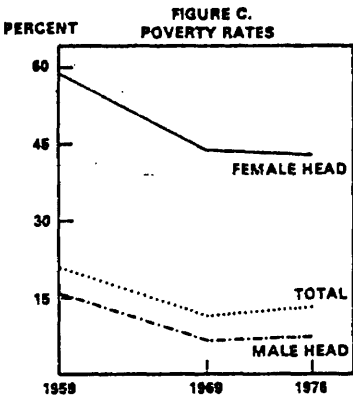
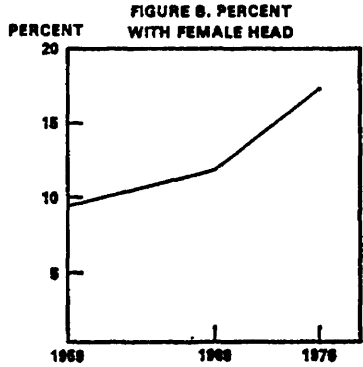
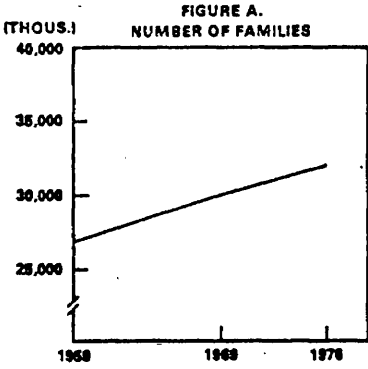
In conclusion, this analysis indicates that during the 1960's, a strong economy and increasing transfer payments resulted in substantial declines in poverty rates and the number of persons in poverty.

During the 1970's, on the other hand, problems beset the economy, and poverty rates ceased to decline. Large increases have been observed since 1970 in the incidence of divorce and separation, particularly among women with children, which have resulted in an increased proportion of families headed by women and hence increases in the number of poor.

That completes my testimony, Mr. Chairman. Of course, we would be delighted to try to answer any questions that you may have.

[The attachments to the statement of Mr. Plotkin follow. Oral testing continues on p. 76.]

CHART 1. FAMILIES WITH RELATED CHILDREN UNDER 18 YEARS — TOTAL



## CHART 2. FAMILIES BY AGE OF HEAD

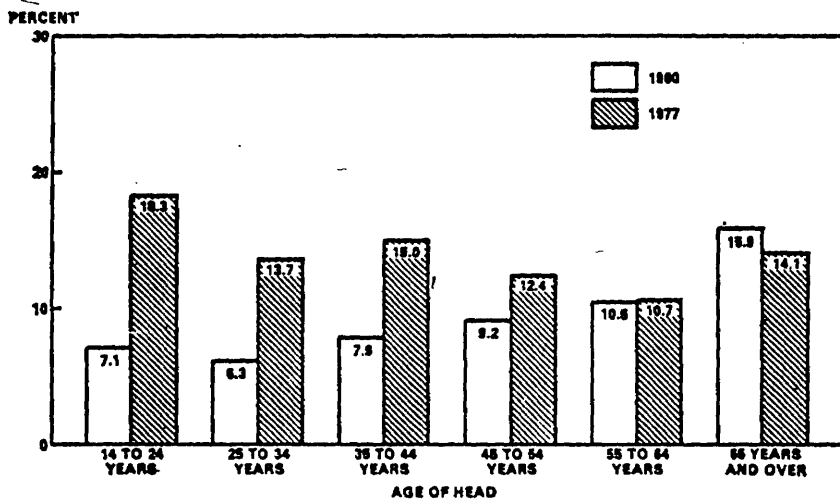
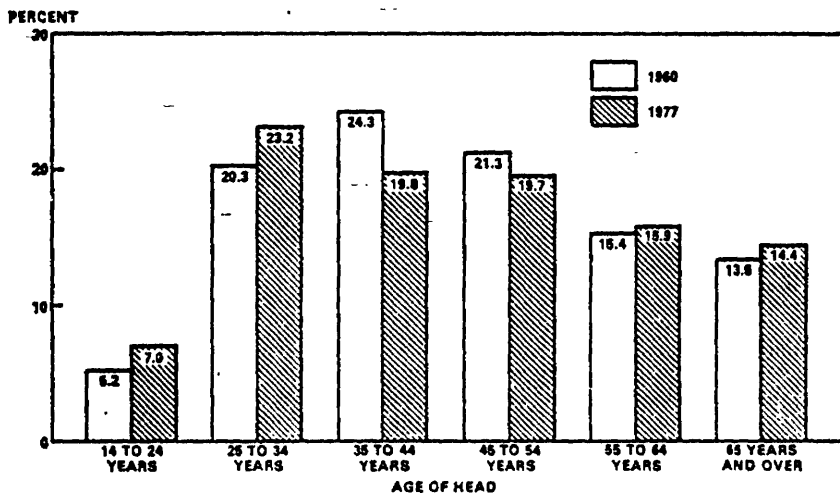
FIGURE A. FEMALE HEADS AS A PERCENT OF ALL FAMILIES, BY AGE OF HEAD:  
MARCH 1977 CPS AND 1960 CENSUSFIGURE B. PERCENT DISTRIBUTION OF ALL FAMILIES BY AGE OF HEAD:  
MARCH 1977 CPS AND 1960 CENSUS



TABLE A.—ALL FAMILIES AND FAMILIES WITH RELATED CHILDREN UNDER 18 YR—NUMBER OF FAMILIES AND NUMBER AND PERCENT OF FAMILIES BELOW THE POVERTY LEVEL IN 1959, 1969, AND 1976, ACTUAL AND ADJUSTED WITH 1959 COMPOSITION, BY RACE OF HEAD

Year and race	Actual		Adjusted (1959 composition)		
	Total families (thousands)	Family poverty rate	Families in poverty (thousands)	Family poverty rate	Families in poverty (thousands)
<b>ALL FAMILIES</b>					
All races:					
1959.....	45,111	18.5	8,320	18.5	8,320
1969 <sup>1</sup> .....	51,486	9.7	5,008	9.5	4,909
1976.....	56,710	9.4	5,311	8.5	4,814
White:					
1959.....	40,820	15.2	6,185	15.2	6,185
1969.....	46,261	7.7	3,575	7.7	3,562
1976.....	50,083	7.1	3,560	6.7	3,356
Black and other races:					
1959.....	4,234	50.4	2,135	50.4	2,135
1969.....	5,326	26.9	1,433	25.3	1,347
1976.....	6,627	26.4	1,751	22.0	1,458
<b>FAMILIES WITH RELATED CHILDREN UNDER 18 YR</b>					
All races:					
1959.....	26,992	20.2	5,443	20.2	5,443
1969 <sup>1</sup> .....	29,995	10.8	3,226	10.2	3,073
1976.....	31,434	12.9	4,060	10.5	3,307
White:					
1959.....	24,146	15.8	3,812	15.8	3,812
1969.....	26,307	7.9	2,089	7.7	2,026
1976.....	26,812	9.6	2,566	7.9	2,118
Black and other races:					
1959.....	2,846	57.3	1,631	57.3	1,631
1969.....	3,687	30.8	1,137	28.4	1,047
1976.....	4,622	32.3	1,494	25.7	1,188

<sup>1</sup> Revised using population controls based on 1970 census. Such controls not available by race.

TABLE B.—NUMBER OF WOMEN IN 1970, PERCENT WITH OWN CHILDREN IN 1970 AND 1977, AND PERCENT CHANGE, BY MARITAL STATUS

Marital status	Number 1970 (millions)	Percent change (1970 to 1977)	Percent with own children		Percent change in number with own children
			1970	1977	
All women <sup>1</sup> .....	70.2	11	42	39	
Married, husband present.....	45.4	6	57	52	-3
Married, husband absent:					
Not separated.....	1.0	-25	41	37	-33
Separated.....	1.7	35	55	59	46
Divorced.....	2.7	79	25	46	231
Widowed.....	9.7	3	11	7	-38
Never married.....	9.6	27	3	6	217

<sup>1</sup> Excludes women in institutions and never-married girls under 18 yr with no own children

### EFFICIENCY SEEN AT CENSUS BUREAU

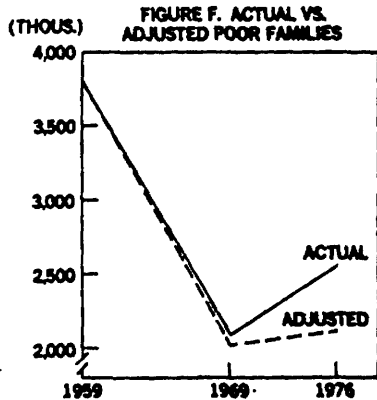
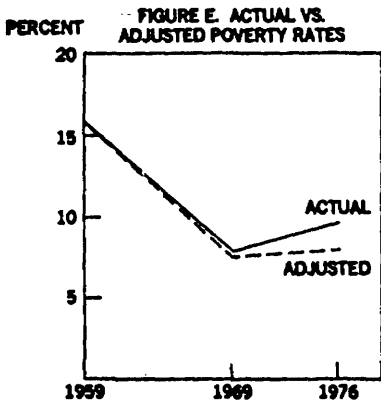
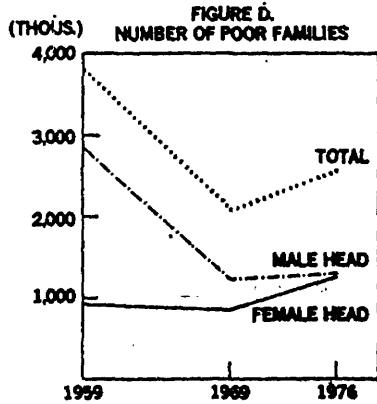
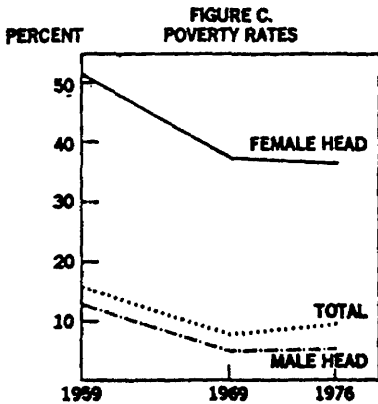
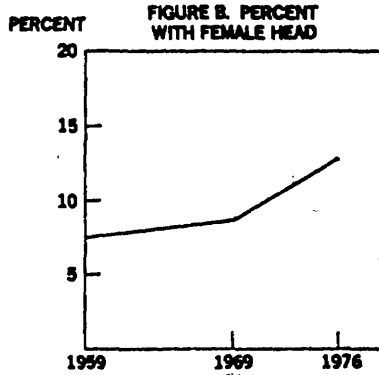
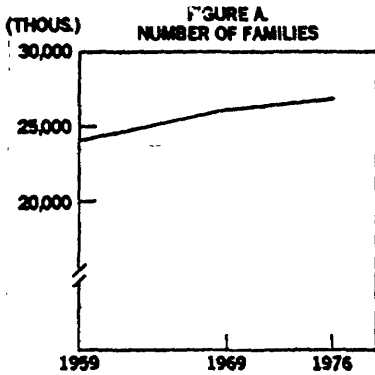
Senator MOYNIHAN. Well, sir, may I say this in the presence of our revered ranking member of the minority, we had 3 hours of HEW this morning, and we learned one-third as much as we have done in 23 minutes from the Census Bureau this afternoon. Let that stand as a measure of comparative effectiveness. I suppose that there is a direct correlation between size of bureau and quantity of product, or something such.

I would like to defer to Senator Curtis, who might have some questions, but first let me thank you for a very clear statement. We would like those further tables and charts, as you have them, to be made a part of the record since we are trying to produce a record here. You

have told us some essential information, and I think it is the most illuminating demographic information that we have about why it is—and we have not responded to this question since 1969—that whatever the natural courses are in the economy, they are not taking care of this problem. To the contrary.

[The following was subsequently supplied for the record. Oral testimony continues on p. 96.]

**CHART 3. FAMILIES WITH RELATED CHILDREN UNDER 18 YEARS — WHITE**



**CHART 4. FAMILIES WITH RELATED CHILDREN UNDER 18 YEARS — BLACK AND OTHER RACES**

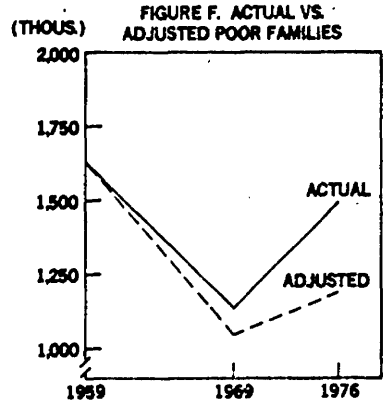
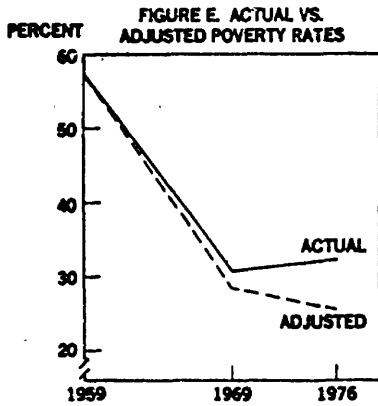
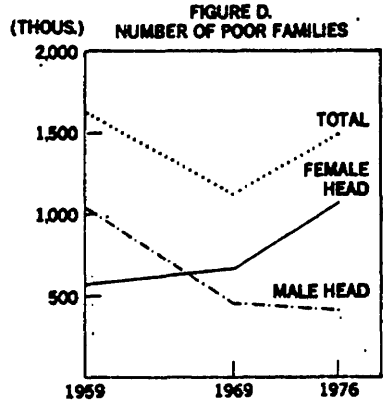
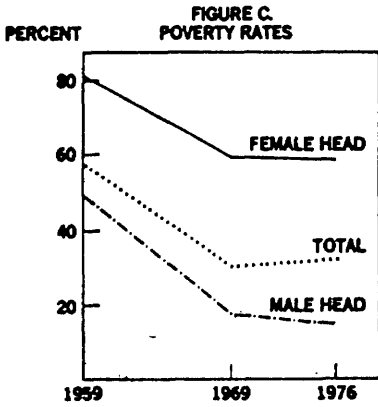
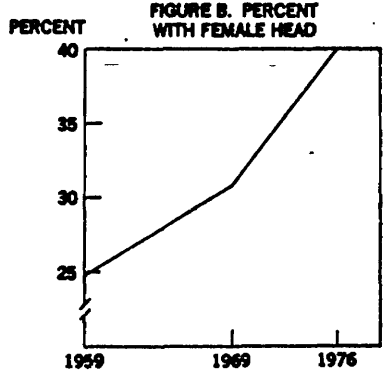
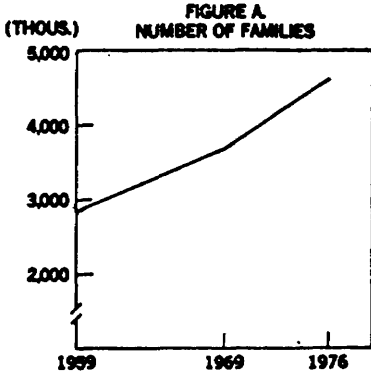


CHART 5. ALL FAMILIES — TOTAL

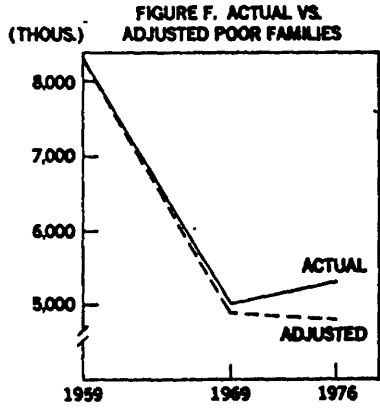
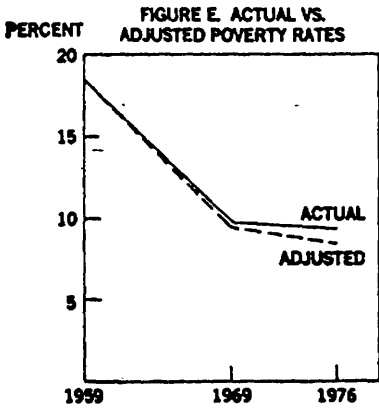
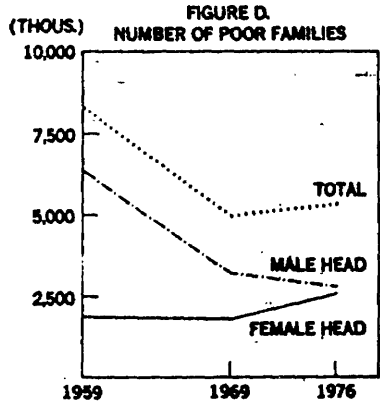
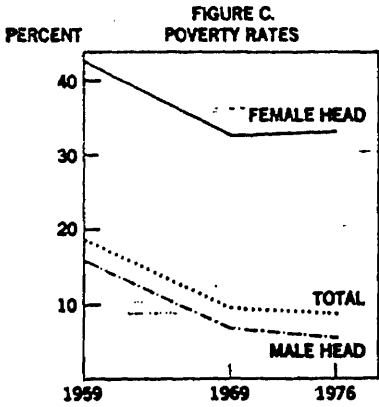
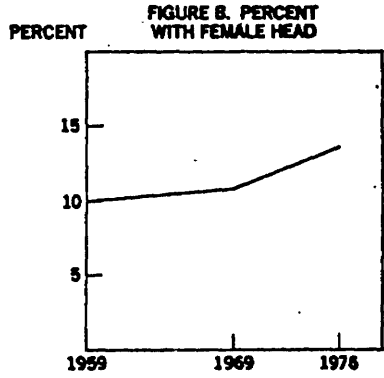
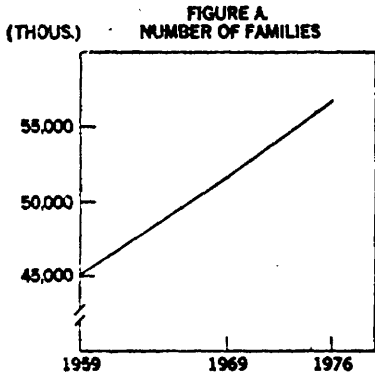


CHART 6. ALL FAMILIES — WHITE

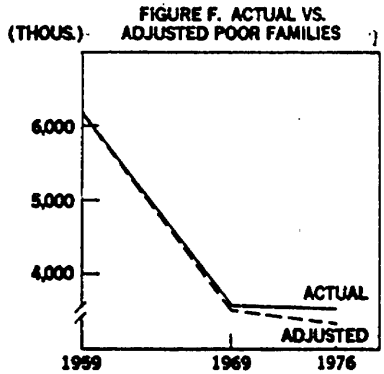
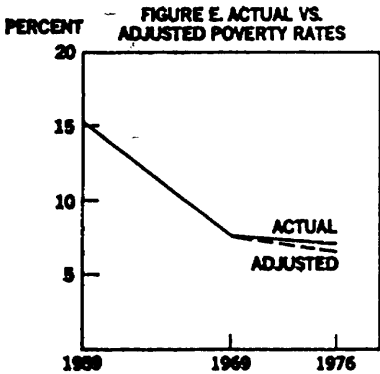
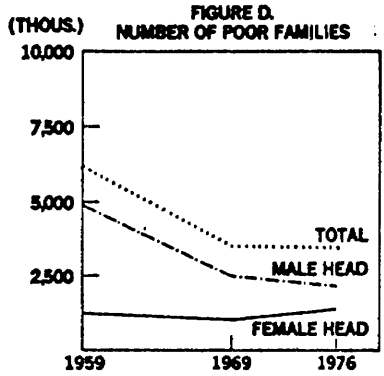
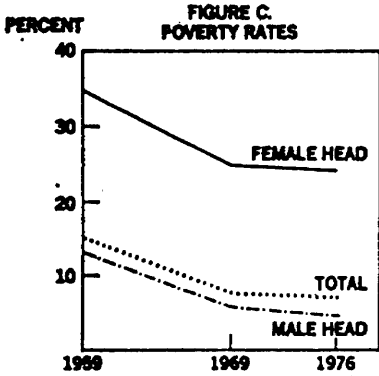
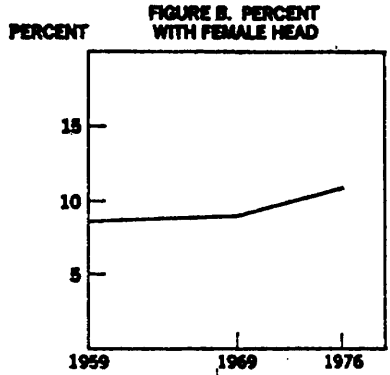
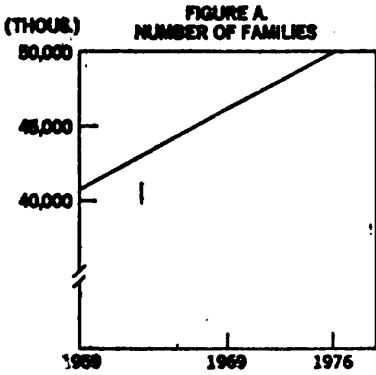
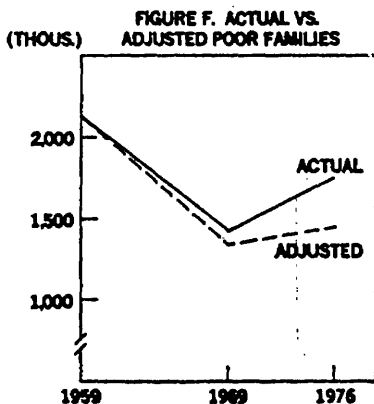
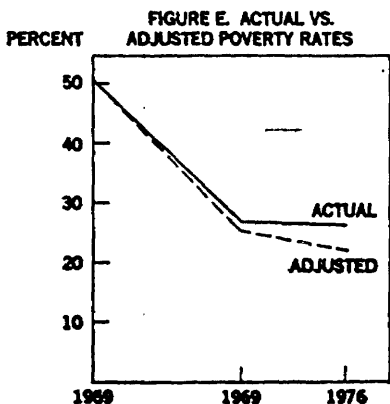
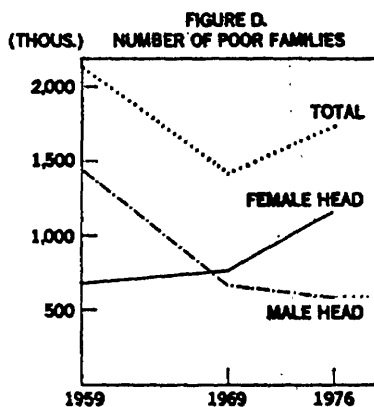
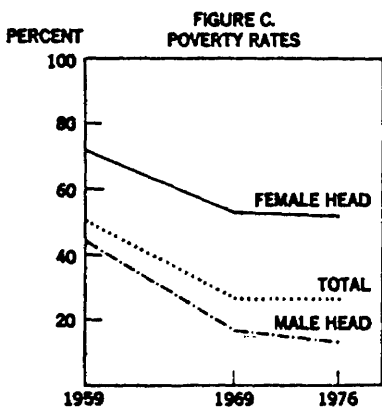
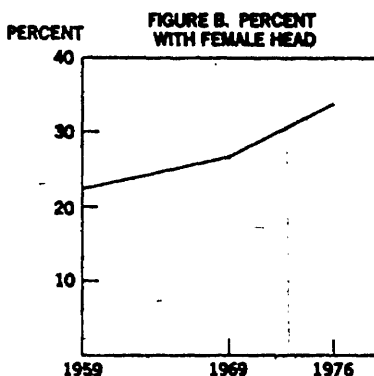
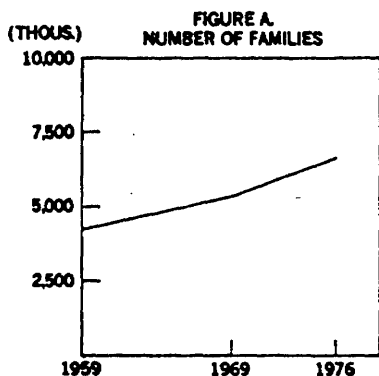


CHART 7. ALL FAMILIES — BLACK AND OTHER RACES



## U.S. DEPARTMENT OF COMMERCE, BUREAU OF THE CENSUS

TABLE 1.—PERCENT DISTRIBUTION OF ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL, BY SEX AND RACE OF HEAD: 1959 TO 1976

Year	Number of families (thousands)	All races			White			Black and other races		
		Total	Male head	Female head	Total	Male head	Female head	Total	Male head	Female head
<b>All income levels:</b>										
1976	56,710	100.0	86.4	13.6	88.3	78.7	9.6	11.7	7.7	4.0
1975	56,245	100.0	86.7	13.3	88.7	79.1	9.6	11.3	7.6	3.7
1974 <sup>1</sup>	55,698	100.0	87.0	13.0	88.8	79.4	9.4	11.2	7.6	3.6
1974	55,712	100.0	87.0	13.0	88.8	79.4	9.4	11.2	7.6	3.6
1973	55,053	100.0	87.6	12.4	88.9	80.0	8.8	11.1	7.6	3.5
1972	54,373	100.0	87.8	12.2	89.2	80.6	8.6	10.8	7.3	3.6
1971	53,296	100.0	88.4	11.6	89.4	81.0	8.4	10.6	7.4	3.2
1970 <sup>1</sup>	52,227	100.0	88.5	11.5	89.2	80.8	8.4	10.6	7.5	3.1
1969 <sup>1</sup>	51,586	100.0	89.2	10.8	89.7	81.6	8.1	10.3	7.6	2.8
1968	50,823	100.0	89.2	10.8	89.4	81.4	8.0	10.0	7.3	2.7
1967	50,111	100.0	89.3	10.7	89.4	81.4	8.0	10.0	7.4	2.6
1966 <sup>1</sup>	49,214	100.0	89.4	10.6	89.6	81.4	8.2	10.1	7.7	2.4
1966	48,922	100.0	89.4	10.6	90.0	81.8	8.2	10.0	7.7	2.4
1965	48,509	100.0	89.7	10.3	89.7	81.7	8.0	9.9	7.5	2.3
1964	47,956	100.0	89.5	10.5	89.8	81.7	8.1	9.9	7.6	2.3
1963	47,540	100.0	89.7	10.3	89.7	81.8	8.0	10.0	7.8	2.3
1962	47,059	100.0	89.9	10.1	90.2	82.5	7.7	9.7	7.3	2.4
1961	46,418	100.0	90.0	10.0	90.2	82.4	7.8	9.6	7.4	2.1
1960	48,539	100.0	98.8	10.2	90.3	82.2	8.1	9.5	7.5	2.1
1959	45,111	100.0	90.0	10.0	90.5	82.6	7.9	9.4	7.3	2.2
<b>Below poverty level:</b>										
1976	5,311	100.0	52.1	47.9	67.0	41.1	26.0	33.0	11.1	21.9
1975	5,450	100.0	55.4	44.6	70.4	44.8	25.6	29.6	10.6	19.0
1974 <sup>1</sup>	4,922	100.0	52.8	47.2	68.1	41.9	26.2	31.9	10.9	21.0
1974	5,109	100.0	54.0	46.0	68.2	42.8	25.4	31.8	11.2	20.6
1973	4,828	100.0	54.6	45.4	66.7	42.0	24.6	33.3	12.6	20.8
1972	5,075	100.0	57.5	42.5	67.8	45.4	22.4	32.2	12.0	20.2
1971	5,303	100.0	60.4	39.6	70.7	48.3	22.5	29.3	12.1	17.1
1970 <sup>1</sup>	5,260	100.0	62.9	37.1	70.5	49.5	21.0	29.5	13.3	16.2
1969 <sup>1</sup>	5,008	100.0	63.5	36.5	71.4	50.0	21.3	28.6	13.5	15.1
1968	5,047	100.0	65.2	34.8	71.6	51.4	20.2	28.4	13.8	14.5
1967	5,667	100.0	68.7	31.3	71.6	53.3	18.3	28.4	15.4	13.0
1966 <sup>1</sup>	5,784	100.0	70.2	29.8	71.0	53.1	17.9	29.0	17.2	11.8
1966	6,200	100.0	70.7	29.3	72.3	54.3	18.0	27.7	16.4	11.3
1965	6,721	100.0	71.5	28.5	71.8	54.0	17.8	28.2	17.5	10.7
1964	7,160	100.0	74.6	25.4	73.4	57.7	15.7	26.6	16.8	9.7
1963	7,554	100.0	73.9	26.1	72.4	56.6	15.8	27.6	17.3	10.3
1962	8,077	100.0	74.8	25.2	72.9	57.7	15.2	27.1	17.2	10.0
1961	8,391	100.0	76.7	23.3	73.9	59.6	14.4	26.1	17.2	8.9
1960	8,243	100.0	76.3	23.7	74.2	59.0	15.2	25.8	17.3	8.5
1959	8,320	100.0	77.0	23.0	74.3	59.5	14.8	25.7	17.5	8.2
<b>Poverty rate:</b>										
1976	( <sup>2</sup> )	9.4	5.6	33.0	7.1	4.9	25.2	26.4	13.4	51.8
1975	( <sup>2</sup> )	9.7	6.2	32.5	7.7	5.5	25.9	25.3	13.5	49.3
1974 <sup>1</sup>	( <sup>2</sup> )	8.8	5.4	32.1	6.8	4.7	24.8	25.1	12.6	51.2
1974	( <sup>2</sup> )	9.2	5.7	32.5	7.0	4.9	24.9	26.0	13.5	51.9
1973	( <sup>2</sup> )	8.8	5.5	32.2	6.6	4.6	24.5	26.2	14.5	51.4
1972	( <sup>2</sup> )	9.3	6.1	32.7	7.1	5.3	24.3	27.7	15.4	52.9
1971	( <sup>2</sup> )	10.0	6.8	33.9	7.9	5.9	26.5	27.4	16.3	53.3
1970 <sup>1</sup>	( <sup>2</sup> )	10.1	7.2	32.5	8.0	6.2	25.0	28.1	17.8	53.4
1969 <sup>1</sup>	( <sup>2</sup> )	9.7	6.9	32.7	7.7	6.0	25.7	26.9	17.3	53.1
1968	( <sup>2</sup> )	10.0	7.3	32.3	8.0	6.3	25.2	28.2	18.9	52.9
1967	( <sup>2</sup> )	11.4	8.7	33.3	9.0	7.4	25.9	32.1	23.6	55.7
1966 <sup>1</sup>	( <sup>2</sup> )	11.8	9.2	33.1	9.3	7.7	25.7	33.9	26.2	58.5
1966	( <sup>2</sup> )	12.7	10.0	35.1	10.2	8.4	27.8	35.0	27.2	60.2
1965	( <sup>2</sup> )	13.9	11.0	38.4	11.1	9.2	31.0	39.7	32.2	63.6
1964	( <sup>2</sup> )	15.0	12.4	36.4	12.2	10.5	29.0	40.0	33.2	61.9
1963	( <sup>2</sup> )	15.9	13.1	40.4	12.8	11.0	31.4	43.7	35.4	72.0
1962	( <sup>2</sup> )	17.2	14.3	42.9	13.9	12.0	33.9	48.0	40.2	72.1
1961	( <sup>2</sup> )	18.1	15.4	42.1	14.8	13.1	33.5	49.0	42.1	72.0
1960	( <sup>2</sup> )	18.1	15.4	42.4	14.9	13.0	34.0	49.0	41.9	75.1
1959	( <sup>2</sup> )	18.5	15.8	42.6	15.2	13.3	34.8	50.4	44.2	72.0

<sup>1</sup> Revised.<sup>2</sup> Revised using population controls based on 1970 census. Such controls not available by race.<sup>3</sup> Not applicable.

Source: March Current Population Survey.

TABLE Ia.—PERCENT DISTRIBUTION OF ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL, BY SEX AND RACE OF HEAD: 1959 TO 1976

[Each racial group=100 percent]

Year	All races			White			Black and other races		
	Number of families (thousands)	Percent		Number of families (thousands)	Percent		Number of families (thousands)	Percent	
		Male head	Female head		Male head	Female head		Male head	Female head
<b>All income levels:</b>									
1976	56,710	86.4	13.6	50,083	89.1	10.9	6,627	66.1	33.9
1975	57,245	86.7	13.3	49,873	89.2	10.8	6,372	67.0	33.0
1974 <sup>1</sup>	55,698	87.0	13.0	49,440	89.5	10.5	6,258	67.7	32.3
1974	55,712	87.0	13.0	49,451	98.5	10.5	6,261	67.6	32.4
1973	55,053	87.6	12.4	48,919	90.1	9.9	6,134	68.2	31.8
1972	54,373	87.8	12.2	48,477	90.4	9.6	5,896	67.2	32.8
1971	53,296	88.4	11.6	47,641	90.6	9.4	5,655	69.9	30.1
1970 <sup>1</sup>	52,227	88.5	11.5	46,596	90.5	9.5	5,523	71.1	28.9
1969 <sup>1</sup>	51,586	89.2	10.8	46,261	91.0	9.0	5,326	73.2	26.8
1968	50,823	89.2	10.8	45,437	91.1	8.9	5,074	72.7	27.3
1967	50,111	89.3	10.7	44,813	91.1	8.9	5,020	73.6	26.4
1966 <sup>1</sup>	49,214	89.4	10.6	44,110	90.9	9.1	4,956	76.4	23.6
1966	48,922	89.4	10.6	44,017	90.9	9.1	4,955	76.3	23.7
1965	48,509	89.7	10.3	43,496	91.1	8.9	4,782	76.3	23.7
1964	47,956	89.5	10.5	43,081	91.0	9.0	4,754	76.3	23.7
1963	47,540	89.7	10.3	42,663	91.1	8.9	4,773	77.3	22.7
1962	47,059	89.9	10.1	42,436	91.5	8.5	4,561	75.6	24.4
1961	46,418	90.0	10.0	41,875	91.4	8.6	4,457	76.8	23.2
1960	45,539	89.8	10.2	41,101	91.1	8.9	4,340	78.4	21.6
1959	45,111	90.0	10.0	40,820	91.3	8.7	4,234	77.6	22.4
<b>Below poverty level:</b>									
1976	5,311	52.1	47.9	3,560	61.3	38.7	1,751	33.5	66.5
1975	5,450	55.4	44.6	3,838	63.7	36.3	1,612	35.7	64.3
1974 <sup>1</sup>	4,922	52.8	47.2	3,352	61.5	38.5	1,570	34.1	65.9
1974	5,109	54.0	46.0	3,482	62.8	37.2	1,627	35.2	64.8
1973	4,828	54.6	45.4	3,219	63.0	37.0	1,609	37.7	62.3
1972	5,075	57.5	42.5	3,441	67.0	33.0	1,634	37.4	62.6
1971	5,303	60.4	39.6	3,751	68.2	31.8	1,552	41.5	58.5
1970 <sup>1</sup>	5,260	62.9	37.1	3,708	70.3	29.7	1,552	45.2	54.8
1969 <sup>1</sup>	5,008	63.5	36.5	3,575	70.1	29.9	1,443	47.1	52.9
1968	5,047	65.2	34.8	3,616	71.8	28.2	1,431	48.7	51.3
1967	5,667	68.7	31.3	4,056	74.4	25.6	1,611	54.3	45.7
1966 <sup>1</sup>	5,784	70.2	29.8	4,106	74.8	25.2	1,678	59.2	40.8
1966	6,200	70.7	29.3	4,481	75.1	24.9	1,719	59.3	40.7
1965	6,721	71.5	28.5	4,824	75.2	24.8	1,897	62.0	38.0
1964	7,160	74.6	25.4	5,258	78.6	21.4	1,902	63.4	36.6
1963	7,554	73.9	26.1	5,466	78.2	21.8	2,038	62.6	37.4
1962	8,077	74.8	25.2	5,887	79.1	20.9	2,190	63.3	36.7
1961	8,391	76.7	23.3	6,205	80.5	19.5	2,186	65.9	34.1
1960	8,243	76.3	23.7	6,115	79.5	20.5	2,128	67.0	33.0
1959	8,320	77.0	23.0	6,185	80.1	19.9	2,135	68.0	32.0

<sup>1</sup> Revised.<sup>2</sup> Revised using population controls based on 1970 Census. Such controls not available by race.

Source: March Current Population Survey.



TABLE 2.—PERCENT DISTRIBUTION OF ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL WITH RELATED CHILDREN UNDER 18 YEARS OLD, BY SEX AND RACE OF HEAD: 1959 TO 1976

Year	Number of families with children (thousands)	All Races			White			Black and other races		
		Total	Male head	Female head	Total	Male head	Female head	Total	Male head	Female head
<b>All income levels:</b>										
1976	31,434	100.0	83.1	16.9	85.3	74.3	11.0	14.7	8.8	5.9
1975	31,377	100.0	83.7	16.3	86.0	75.1	10.9	14.0	8.5	5.5
1974	31,319	100.0	84.3	15.7	85.9	75.5	10.4	14.1	8.8	5.3
1974 <sup>1</sup>	31,331	100.0	84.3	15.7	85.9	75.6	10.3	14.1	8.7	5.4
1973	30,977	100.0	85.2	14.8	86.2	76.6	9.6	13.8	8.6	5.2
1972	30,807	100.0	86.0	14.0	86.9	78.0	8.9	13.1	8.0	5.1
1971	30,725	100.0	86.7	13.3	87.0	78.3	8.7	13.0	8.4	4.6
1970	30,070	100.0	87.2	12.8	87.3	78.9	8.4	12.7	8.3	4.4
1969 <sup>1</sup>	29,995	100.0	88.7	11.3	87.7	80.2	7.5	12.3	8.5	3.8
1968	29,325	100.0	88.8	11.2	88.0	80.5	7.5	12.0	8.3	3.7
1967	29,032	100.0	89.0	11.0	87.9	80.5	7.4	12.1	8.5	3.6
1966 <sup>1</sup>	28,623	100.0	89.6	10.4	88.2	80.9	7.3	11.8	8.7	3.1
1966	28,593	100.0	89.6	10.4	88.3	81.0	7.3	11.7	8.6	3.1
1965	28,101	100.0	89.8	10.2	88.4	81.3	7.1	11.6	8.5	3.1
1964	28,276	100.0	89.8	10.2	88.6	81.5	7.1	11.4	8.3	3.1
1963	28,317	100.0	90.0	10.0	88.5	81.6	6.9	11.5	8.4	3.1
1962	28,172	100.0	90.4	9.6	88.7	82.1	6.6	11.3	8.3	3.0
1961	27,598	100.0	90.3	9.7	89.1	82.1	7.0	10.9	8.1	2.8
1960	27,103	100.0	90.3	9.7	89.3	82.2	7.1	10.7	8.1	2.6
1959	26,992	100.0	90.6	9.4	89.5	82.7	6.8	10.5	7.9	2.6
<b>Below poverty level:</b>										
1976	4,060	100.0	42.3	57.7	63.2	32.2	31.0	36.8	10.1	26.7
1975	4,172	100.0	46.0	54.0	66.5	36.0	30.5	33.5	10.0	23.5
1974	3,789	100.0	43.3	56.7	64.1	33.0	31.1	35.9	10.3	25.5
1974 <sup>1</sup>	3,875	100.0	44.3	55.7	63.7	33.3	30.4	36.3	11.0	25.3
1973	3,520	100.0	43.6	56.4	61.8	31.9	29.9	38.2	11.6	26.5
1972	3,621	100.0	46.8	53.2	61.8	35.0	26.8	38.2	11.8	26.4
1971	3,683	100.0	50.3	49.7	64.4	35.7	26.7	35.6	12.6	23.0
1970	3,491	100.0	51.9	48.1	63.6	38.0	25.5	36.4	13.8	22.6
1969 <sup>1</sup>	3,226	100.0	52.9	47.1	64.8	38.6	26.1	35.2	14.3	21.0
1968	3,347	100.0	56.4	43.6	65.0	41.4	23.6	35.0	15.0	19.9
1967	3,586	100.0	60.5	39.5	63.5	42.6	20.9	36.5	17.9	18.7
1966 <sup>1</sup>	3,734	100.0	62.2	37.8	64.3	42.8	21.5	35.7	19.5	16.3
1966	3,954	100.0	62.6	37.4	65.2	43.6	21.6	34.8	19.0	15.8
1965	4,379	100.0	65.8	34.2	65.3	45.5	19.8	34.7	20.3	14.4
1964	4,771	100.0	69.8	30.2	67.2	50.1	17.1	32.8	19.7	13.1
1963	4,991	100.0	68.4	31.6	66.7	49.0	17.7	33.3	19.4	13.9
1962	5,460	100.0	70.5	29.5	67.3	50.6	16.6	32.7	19.8	12.9
1961	5,500	100.0	72.6	27.4	68.8	52.6	16.2	31.2	20.0	11.1
1960	5,328	100.0	72.3	27.7	69.3	52.3	17.0	30.7	20.0	10.7
1959	5,443	100.0	72.0	28.0	70.0	52.6	17.4	30.0	19.4	10.6
<b>Poverty rate:</b>										
1976	( <sup>2</sup> )	12.9	-6.6	44.1	9.6	5.6	36.4	32.3	14.8	58.4
1975	( <sup>2</sup> )	13.3	7.3	44.0	10.3	6.4	37.3	31.7	15.5	57.2
1974	( <sup>1</sup> )	12.1	6.2	43.7	9.0	5.3	36.4	31.8	14.2	57.8
1974 <sup>1</sup>	( <sup>1</sup> )	12.4	6.5	43.8	9.2	5.5	36.3	31.8	15.5	58.4
1973	( <sup>2</sup> )	11.4	5.8	43.2	8.2	4.7	35.2	31.4	15.3	58.0
1972	( <sup>2</sup> )	11.8	6.4	44.5	8.4	5.3	35.3	34.2	17.3	60.7
1971	( <sup>2</sup> )	12.0	7.0	44.9	8.9	5.8	36.9	32.9	18.0	60.0
1970	( <sup>2</sup> )	11.6	6.9	43.8	8.5	5.6	35.3	33.4	19.3	60.1
1969 <sup>1</sup>	( <sup>2</sup> )	10.8	6.4	44.9	7.9	5.2	37.5	30.8	18.0	59.6
1968	( <sup>2</sup> )	11.6	7.2	44.6	8.4	5.9	36.1	33.2	20.6	61.9
1967	( <sup>2</sup> )	12.4	8.4	44.5	8.9	6.5	34.9	37.4	26.0	64.2
1966 <sup>1</sup>	( <sup>2</sup> )	13.0	9.1	47.1	9.5	6.9	38.3	39.5	29.3	67.7
1966	( <sup>2</sup> )	13.8	9.7	50.0	10.2	7.4	41.3	41.2	30.6	70.3
1965	( <sup>2</sup> )	15.6	11.4	52.2	11.5	8.7	43.2	46.8	37.3	72.9
1964	( <sup>2</sup> )	16.9	13.1	49.7	12.8	10.4	40.3	48.6	40.1	71.3
1963	( <sup>2</sup> )	17.6	13.4	55.7	13.3	10.6	45.0	51.0	40.5	80.0
1962	( <sup>2</sup> )	19.4	15.1	59.7	14.7	11.9	49.2	56.1	46.4	82.6
1961	( <sup>2</sup> )	19.9	16.0	56.0	15.4	12.8	46.4	56.9	49.0	80.1
1960	( <sup>2</sup> )	19.7	15.7	56.3	15.3	12.5	47.1	56.3	48.3	81.7
1959	( <sup>2</sup> )	20.2	16.0	59.9	15.8	12.8	51.6	57.3	48.3	81.5

<sup>1</sup> Revised.

<sup>2</sup> Not applicable.

Source: March Current Population Survey.

TABLE 2a.—PERCENT DISTRIBUTION OF ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL WITH RELATED CHILDREN UNDER 18 YRS OLD, BY SEX AND RACE OF HEAD; 1959 TO 1976

[Each racial group-100 percent]

Year	All races			White			Black and other races		
	Number of families with children (thousands)	Percent		Number of families with children (thousands)	Percent		Number of families with children (thousands)	Percent	
		Male head	Female head		Male head	Female head		Male head	Female head
<b>All income levels:</b>									
1976.....	31,434	83.1	16.9	26,812	87.1	12.9	4,622	59.9	40.1
1975.....	31,377	83.7	16.3	26,975	87.4	12.6	4,402	61.1	38.9
1974 <sup>1</sup> .....	31,319	84.3	15.7	26,890	87.9	12.1	4,429	62.2	37.8
1973.....	31,331	84.3	15.7	26,900	87.9	12.1	4,431	62.1	37.9
1972.....	30,977	85.2	14.8	26,694	88.8	11.2	4,283	62.4	37.6
1971.....	30,807	86.0	14.0	26,763	89.7	10.3	4,044	61.1	38.9
1970 <sup>1</sup> .....	30,725	86.7	13.3	26,745	90.0	10.0	3,980	64.5	35.5
1969 <sup>1</sup> .....	30,070	87.2	12.8	26,256	90.4	9.6	3,814	65.5	34.5
1968.....	29,995	88.7	11.3	26,307	91.4	8.6	3,687	69.2	30.8
1967.....	29,325	88.8	11.2	25,802	91.5	8.5	3,523	69.4	30.6
1966 <sup>1</sup> .....	29,032	89.0	11.0	25,531	91.6	8.4	3,501	70.2	29.8
1965.....	28,623	89.6	10.4	25,244	91.7	8.3	3,378	73.4	26.6
1964.....	28,593	89.6	10.4	25,256	91.8	8.2	3,338	73.4	26.6
1963.....	28,101	89.8	10.2	24,850	91.9	8.1	3,250	73.3	26.7
1962.....	28,276	89.8	10.2	25,053	91.9	8.1	3,223	72.8	27.2
1961.....	28,317	90.0	10.0	25,056	92.2	7.8	3,260	73.3	26.7
1960.....	28,172	90.4	9.6	24,986	92.6	7.4	3,186	73.2	26.8
1959.....	27,598	90.3	9.7	24,584	92.2	7.8	3,013	74.6	25.4
1958.....	27,103	90.3	9.7	24,193	92.1	7.9	2,909	76.0	24.0
1957.....	26,992	90.6	9.4	24,146	92.4	7.6	2,846	75.1	24.9
<b>Below poverty level:</b>									
1976.....	4,060	42.3	57.7	2,566	50.9	49.1	1,494	27.5	72.5
1975.....	4,172	46.0	54.0	2,776	54.2	45.8	1,396	29.8	70.2
1974 <sup>1</sup> .....	3,789	43.3	56.7	2,430	51.4	48.6	1,359	28.8	71.2
1973.....	3,875	44.3	55.7	2,467	52.3	47.7	1,408	30.3	69.7
1972.....	3,520	43.6	56.4	2,177	51.6	48.4	1,343	30.5	69.5
1971.....	3,621	46.8	53.2	2,238	56.7	43.3	1,383	30.9	69.1
1970 <sup>1</sup> .....	3,683	50.3	49.7	2,372	58.6	41.4	1,311	35.3	64.7
1969 <sup>1</sup> .....	3,491	51.9	48.1	2,219	59.8	40.2	1,272	37.9	62.1
1968.....	3,226	52.9	47.1	2,089	59.6	40.4	1,137	40.5	59.5
1967.....	3,347	56.4	43.6	2,176	63.6	36.4	1,171	43.0	57.0
1966 <sup>1</sup> .....	3,586	60.5	39.5	2,276	67.1	32.9	1,310	48.9	51.1
1965.....	3,734	62.2	37.8	2,400	66.5	33.5	1,334	54.5	45.5
1964.....	3,954	62.6	37.4	2,579	66.8	33.2	1,375	54.6	45.4
1963.....	4,379	65.8	34.2	2,858	69.7	30.3	1,521	58.4	41.6
1962.....	4,771	69.8	30.2	3,305	74.6	25.4	1,566	60.1	39.9
1961.....	4,991	68.4	31.6	3,327	73.5	26.5	1,663	58.1	41.9
1960.....	5,460	70.5	29.5	3,673	75.3	24.7	1,787	60.5	39.5
1959.....	5,500	72.6	27.4	3,785	76.5	23.5	1,715	64.3	35.7
1958.....	5,328	72.3	27.7	3,690	75.5	24.5	1,638	65.1	34.9
1957.....	5,443	72.0	28.0	3,812	75.1	24.9	1,631	64.6	35.4

<sup>1</sup>Revised.

Source: March Current Population Survey.

TABLE 3.—EDUCATIONAL ATTAINMENT: PERCENT DISTRIBUTION OF ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL, BY SEX AND RACE OF HEAD, 1959 AND 1965 TO 1976

Year	All families			Families with male head			Families with female head					
	Number (thousands)	Under 12 yr		Number (thousands)	Under 12 yr		Number (thousands)	Under 12 yr				
		Total	8 or less		12 yr or more	Total		8 or less	12 yr or more	Total	8 or less	12 yr or more
<b>ALL RACES</b>												
<b>All income levels:</b>												
1976	56,710	34.7	18.8	65.3	48,997	33.1	18.4	66.9	7,713	45.2	21.6	54.8
1975	56,245	35.1	19.5	64.9	48,763	33.6	18.9	66.4	7,482	45.3	23.3	54.7
1974 <sup>1</sup>	56,698	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	48,468	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	7,230	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1974	55,712	36.3	20.6	63.7	48,470	43.7	19.9	65.3	7,242	47.1	25.0	52.9
1973	55,053	37.9	21.8	62.1	48,249	36.2	21.0	63.8	6,804	49.8	27.2	50.2
1972	54,373	39.0	22.4	61.0	47,766	37.5	21.8	62.5	6,607	49.7	26.9	50.3
1971	53,296	40.6	23.7	59.4	47,105	39.2	23.0	60.8	6,191	51.8	29.1	48.3
1970	51,953	41.6	24.8	58.4	46,003	40.2	24.0	59.8	5,950	52.8	30.7	47.2
1969 <sup>1</sup>	51,239	42.8	25.6	57.2	45,658	41.4	24.8	58.6	5,580	54.5	31.9	45.6
1968	50,516	44.3	27.0	55.7	45,076	42.9	26.1	57.1	5,439	55.9	33.9	44.1
1967	49,834	46.0	28.1	54.0	44,501	44.5	27.2	55.5	5,333	58.2	35.9	41.8
1966 <sup>1</sup>	49,066	47.5	29.1	52.5	43,864	46.1	28.3	53.9	5,202	59.6	36.0	40.2
1959	45,149	59.0	39.2	41.0	40,953	58.1	38.4	41.9	4,196	67.8	47.2	32.2
<b>Below poverty level:</b>												
1976	5,311	62.5	34.6	37.5	2,768	63.8	41.8	36.3	2,543	61.3	26.9	38.7
1975	5,450	64.0	37.1	36.0	3,020	65.3	44.0	34.7	2,430	62.3	28.3	37.6
1974 <sup>1</sup>	4,922	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	2,598	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	2,324	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1974	5,109	64.2	39.0	35.9	2,757	65.0	46.4	35.0	2,351	63.2	30.3	36.9
1973	4,828	66.2	41.4	33.8	2,635	68.9	49.8	31.1	2,193	63.1	31.3	36.9
1972	5,075	67.0	41.9	33.0	2,917	68.8	49.4	31.1	2,158	64.5	31.6	35.5
1971	5,303	68.5	45.5	31.5	3,203	70.2	52.1	29.8	2,100	66.0	35.6	34.0
1970	5,214	70.5	48.7	29.5	3,280	72.0	54.8	28.1	1,934	68.1	38.4	31.9
1969 <sup>1</sup>	4,948	71.2	49.6	28.8	3,145	72.2	56.1	27.8	1,803	69.4	38.4	30.5
1968	5,045	73.0	52.6	27.0	3,292	75.4	58.7	24.6	1,753	68.5	41.2	31.5
1967	5,668	75.0	54.7	25.0	3,894	75.9	59.4	24.1	1,774	73.0	44.5	27.0
1966 <sup>1</sup>	5,784	75.7	55.1	24.4	4,063	77.1	60.9	22.9	1,721	72.2	41.2	27.8
<b>WHITE</b>												
<b>All income levels:</b>												
1976	50,083	32.6	17.7	67.4	44,616	31.6	17.3	68.4	5,467	41.1	20.5	58.9
1975	49,873	33.1	18.3	66.9	44,493	32.1	17.8	67.9	5,380	41.4	22.3	58.7
1974 <sup>1</sup>	49,440	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	44,232	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	5,208	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1974	49,451	34.2	19.4	65.8	44,238	33.2	18.9	66.8	5,212	43.0	24.3	57.0
1973	48,919	35.7	20.5	64.3	44,066	34.6	19.8	65.4	4,853	45.0	26.2	55.0
1972	48,477	36.9	21.3	63.1	43,805	36.1	20.8	63.9	4,672	45.2	27.9	54.8
1971	47,641	38.4	22.3	61.6	43,152	37.4	21.8	62.6	4,489	47.1	27.6	52.9
1970	46,540	39.3	23.2	60.7	42,154	38.4	22.7	61.6	4,386	47.7	28.6	52.2
1969 <sup>1</sup>	46,024	40.5	24.0	59.5	41,839	39.7	23.5	60.3	4,185	49.1	29.6	50.9
1968	45,440	42.0	25.3	58.0	41,837	41.1	24.7	58.9	4,053	50.6	31.2	49.4
1967	44,814	43.6	26.4	56.4	40,806	42.7	25.7	57.3	4,008	53.3	33.8	46.7
1966 <sup>1</sup>	44,110	45.2	27.3	54.8	40,078	44.2	26.6	55.8	4,032	55.5	34.4	44.5
<b>Below poverty level:</b>												
1976	3,560	60.1	34.2	39.9	2,182	62.1	39.1	37.9	1,379	57.0	26.4	43.0
1975	3,838	61.9	37.6	38.1	2,444	64.0	42.4	36.1	1,394	58.3	29.3	41.6
1974 <sup>1</sup>	3,352	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	2,063	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	1,289	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1974	3,482	61.4	39.6	38.6	2,185	61.8	43.8	38.1	1,297	60.7	32.5	39.3
1973	3,219	62.4	40.6	37.6	2,028	65.7	46.7	34.3	1,190	57.0	30.4	43.2
1972	3,441	64.5	42.3	35.5	2,306	66.7	47.9	33.3	1,135	60.1	31.0	39.8
1971	3,751	65.7	45.1	34.3	2,560	67.4	49.3	32.6	1,191	62.1	36.2	37.9
1970	3,701	66.4	47.0	33.6	2,604	69.4	52.1	30.6	1,097	59.4	35.1	40.5
1969 <sup>1</sup>	3,553	67.2	48.4	32.8	2,490	69.6	54.2	30.4	1,063	61.6	35.0	38.5
1968	3,614	70.0	51.6	30.0	2,595	73.0	56.5	27.0	1,019	62.0	38.9	37.9
1967	4,056	71.3	52.9	28.7	3,020	72.7	56.5	27.3	1,037	66.9	42.3	33.0
1966 <sup>1</sup>	4,106	72.4	53.5	27.6	3,069	74.5	58.5	25.5	1,037	66.2	38.9	33.8

TABLE 3.—EDUCATIONAL ATTAINMENT: PERCENT DISTRIBUTION OF ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL, BY SEX AND RACE OF HEAD, 1959 AND 1966 TO 1976—Continued

Year	All families			Families with male head			Families with female head					
	Number (thou- sands)	Under 12 yr		Number (thou- sands)	Under 12 yr		Number (thou- sands)	Under 12 yr		12 yr or more		
		Total	8 or less		12 yr or more	Total		8 or less	12 yr or more		Total	8 or less
<b>BLACK</b>												
<b>All income levels:</b>												
1976	5,804	53.2	28.8	46.8	3,653	51.8	31.5	43.2	2,151	55.5	24.2	44.6
1975	5,586	54.5	30.8	45.4	3,581	53.8	33.6	46.2	2,004	56.0	25.8	44.0
1974 <sup>1</sup>	5,491	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	3,557	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	1,933	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1974	5,498	56.0	31.5	44.0	3,558	54.8	34.2	45.2	1,940	58.5	26.8	41.6
1973	5,440	58.8	34.0	41.2	3,581	57.1	36.4	42.9	1,849	62.2	29.5	37.8
1972	5,265	58.6	33.4	41.4	3,443	57.2	35.5	42.8	1,822	61.4	29.6	38.6
1971	5,157	62.1	36.8	37.9	3,516	61.0	38.7	39.0	1,642	64.4	32.9	52.5
1970	4,928	64.3	39.3	35.7	3,422	62.9	40.3	37.1	1,506	67.5	37.1	33.6
1969 <sup>1</sup>	4,774	65.2	40.0	34.9	3,425	62.9	40.4	37.1	1,349	70.7	38.9	29.2
1968	4,648	67.7	43.4	32.3	3,321	66.0	43.9	34.0	1,327	72.1	42.3	28.0
1967	4,589	69.3	44.9	30.7	3,316	67.6	45.8	32.4	1,272	74.0	42.5	26.1
1966 <sup>1</sup>	4,560	70.7	47.1	29.3	3,422	69.5	48.8	30.5	1,138	74.3	42.2	25.8
<b>Below poverty level:</b>												
1976	1,617	68.5	35.0	31.5	495	72.9	52.3	27.1	1,122	66.5	27.5	33.5
1975	1,513	70.3	36.2	29.7	509	75.2	54.6	24.6	1,004	67.7	26.9	32.2
1974 <sup>1</sup>	1,479	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	469	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	1,010	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1974	1,530	71.1	37.8	28.9	506	79.6	58.1	20.2	1,024	66.9	27.6	33.0
1973	1,527	74.3	43.0	25.7	553	81.2	61.5	18.8	874	70.4	32.5	29.6
1972	1,529	73.3	41.6	26.7	558	79.7	57.9	20.3	872	69.7	32.2	30.3
1971	1,484	76.4	47.1	23.7	605	82.6	64.1	17.4	879	72.0	35.3	28.0
1970	1,445	81.5	53.1	18.5	625	83.8	66.2	16.0	820	79.6	43.2	20.4
1969 <sup>1</sup>	1,326	82.7	53.1	17.3	609	84.2	64.7	15.9	718	81.5	43.3	18.5
1968	1,366	81.7	55.7	18.3	660	86.1	67.7	13.9	706	77.6	44.5	22.4
1967	1,555	85.0	59.3	15.0	839	87.5	69.4	12.4	716	81.8	47.3	18.2
1966 <sup>1</sup>	1,620	84.6	59.4	13.4	947	86.6	69.4	13.3	674	81.6	45.1	18.2

<sup>1</sup> Revised.<sup>2</sup> Not available.

Source: March current population survey.

TABLE 4.—REGIONS—ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL, BY SEX AND RACE OF HEAD: 1959 AND 1969 TO 1976

[Numbers in thousands]

Year, race, and sex of head	All income levels					Below poverty level					Percent below poverty level							
	North and West					North and West					North and West							
	Total	Total	North-east	North Central	West	South	Total	Total	North-east	North Central	West	South	Total	Total	North-east	North Central	West	South
<b>ALL FAMILIES</b>																		
<b>All races:</b>																		
1976	56,710	38,317	12,853	15,256	10,209	18,393	5,311	3,108	1,063	1,171	873	2,203	9.4	8.1	8.3	7.7	8.6	12.0
1975	56,245	37,805	12,670	15,023	10,111	18,440	5,450	3,107	1,014	1,152	941	2,343	9.7	8.2	8.0	7.7	8.6	12.7
1974	55,698	37,597	12,562	15,030	10,006	18,101	4,922	2,705	886	1,017	802	2,217	8.8	7.2	7.1	6.8	8.0	12.2
1974	55,712	37,613	12,588	15,019	10,006	18,099	5,109	2,790	919	1,020	852	2,319	9.2	7.4	7.3	6.8	8.5	12.8
1973	55,053	37,410	12,774	14,866	9,770	17,643	4,828	2,685	877	1,005	803	2,143	8.8	7.2	6.9	6.8	8.2	12.1
1972	54,373	37,098	12,700	14,856	9,542	17,275	5,075	2,761	838	1,079	843	2,314	9.3	7.4	6.6	7.3	8.8	13.4
1971	53,296	36,541	12,575	14,678	9,288	16,755	5,303	2,947	916	1,191	840	2,356	10.0	8.1	7.3	8.1	9.0	14.1
1970	52,125	36,034	12,410	14,593	9,031	16,090	5,260	2,852	869	1,174	809	2,408	10.1	7.9	7.0	8.0	9.0	15.0
1969	51,588	35,403	12,317	14,381	8,705	16,185	5,008	2,632	833	1,077	721	2,376	9.7	7.4	6.8	7.5	8.3	14.7
1959	45,004	31,543	11,473	13,089	6,981	13,461	7,974	3,945	1,184	1,954	807	4,029	17.7	12.5	10.3	14.9	11.6	29.9
<b>White:</b>																		
1976	50,083	34,806	11,701	13,967	9,137	15,277	3,560	2,273	772	849	652	1,288	7.1	6.5	6.6	6.1	7.1	8.4
75	49,873	34,438	11,505	13,816	9,117	15,435	3,838	2,440	780	881	779	1,398	7.7	7.1	6.8	6.4	8.5	9.1
1974	49,440	34,286	11,421	13,842	9,023	15,154	3,352	2,036	648	740	647	1,316	6.8	5.9	5.7	5.3	7.2	8.1
1974	49,451	34,303	11,447	13,827	9,029	15,147	3,482	2,106	667	741	698	1,376	7.0	6.1	5.8	5.4	7.7	9.1
1973	48,919	34,242	11,661	13,724	8,857	14,677	3,219	2,015	616	745	655	1,204	6.6	5.9	5.3	5.4	7.4	8.2
1972	48,477	33,968	11,599	13,708	8,661	14,508	3,441	2,091	593	820	678	1,350	7.1	6.2	5.1	6.0	7.8	9.3
1971	47,641	33,544	11,447	13,582	8,515	14,097	3,751	2,332	680	945	706	1,419	7.9	7.0	5.9	7.0	8.3	10.1
1970	46,601	33,189	11,398	13,501	8,291	13,412	3,708	2,301	693	913	695	1,407	8.0	6.9	6.1	6.8	8.4	10.5
1969	46,261	32,674	11,303	13,367	8,004	13,367	3,575	2,123	634	876	613	1,452	7.7	6.5	5.6	6.6	7.7	10.7
1959	40,831	29,656	10,791	12,324	6,541	11,175	6,027	3,415	1,008	1,724	683	2,612	14.8	11.5	9.3	14.0	10.4	23.4
<b>Black and other races:</b>																		
1976	6,627	3,511	1,152	1,289	1,072	3,116	1,751	835	291	322	221	915	26.4	23.8	25.3	25.0	20.6	29.4
1975	6,372	3,367	1,165	1,207	994	3,005	1,612	667	234	271	162	945	25.3	19.8	20.1	22.5	16.3	31.4
1974	6,258	3,311	1,141	1,188	983	2,947	1,570	669	238	277	155	901	25.1	20.2	20.9	23.3	15.8	30.6
1974	6,262	3,310	1,141	1,192	977	2,952	1,627	684	251	279	154	943	26.0	20.7	22.0	22.4	15.7	31.9
1973	6,134	3,168	1,113	1,142	913	2,966	1,609	670	261	260	148	939	26.2	21.1	23.5	22.8	16.2	31.7
1972	5,896	3,130	1,101	1,148	881	2,767	1,634	670	245	259	165	964	27.7	21.4	22.3	22.6	18.7	34.8
1971	5,655	2,997	1,128	1,096	773	2,658	1,552	615	236	246	134	937	27.4	20.5	20.9	22.4	17.3	35.3
1970	5,523	2,845	1,013	1,092	740	2,679	1,552	551	176	261	114	1,001	28.1	19.4	17.4	23.9	15.3	37.4
1969	5,326	2,728	1,013	1,014	701	2,598	1,433	508	199	201	109	924	26.9	18.6	19.6	19.8	15.6	35.6
1959	4,173	1,887	682	765	440	2,286	1,947	530	176	230	124	1,417	46.7	28.1	25.8	30.1	28.2	62.0

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FAMILIES WITH MALE HEAD

All races:																		
1976	48,997	33,174	10,947	13,358	8,869	15,823	2,768	1,546	479	602	465	1,222	5.6	4.7	4.4	4.5	5.2	7.7
1975	48,763	32,888	10,908	13,242	8,738	15,874	3,020	1,609	494	625	500	1,411	6.2	4.9	4.4	4.7	5.7	8.9
1974	48,468	32,802	10,783	13,276	8,743	15,666	2,598	1,294	360	511	423	1,305	5.4	3.9	3.3	3.8	4.8	8.3
1974 <sup>1</sup>	48,470	32,810	10,799	13,265	8,746	15,660	2,757	1,388	395	533	461	1,369	5.7	4.2	3.7	4.0	5.3	8.7
1973	48,249	32,894	11,051	13,296	8,647	15,355	2,635	1,331	393	544	394	1,304	5.5	4.0	3.6	4.1	4.6	8.5
1972	47,766	32,722	11,011	13,282	8,429	15,045	2,917	1,461	378	618	465	1,457	6.1	4.5	3.4	4.7	5.5	9.7
1971	47,105	32,383	10,945	13,182	8,257	14,721	3,203	1,711	469	739	504	1,492	6.8	5.3	4.3	5.6	6.1	10.1
1970	46,123	32,008	10,756	13,164	8,088	14,115	3,309	1,720	468	740	512	1,589	7.2	5.4	4.4	5.6	6.3	11.3
1969 <sup>1</sup>	45,995	31,700	10,765	13,091	7,843	14,295	3,181	1,619	458	722	439	1,561	6.9	5.1	4.3	5.5	5.6	10.9
1959 <sup>2</sup>	40,829	28,812	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	12,017	6,415	3,150	( <sup>1</sup> )	( <sup>1</sup> )	3,265	15.7	10.9	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	27.2
White:																		
1976	44,616	30,873	10,253	12,568	8,052	13,744	2,182	1,296	401	525	370	886	4.9	4.2	3.9	4.2	4.6	6.4
1975	44,493	30,597	10,146	12,485	7,966	13,896	2,444	1,419	418	577	424	1,026	5.5	4.6	4.1	4.6	5.3	7.4
1974	44,232	30,547	10,082	12,505	7,960	13,684	2,063	1,114	313	455	347	948	4.7	3.6	3.1	3.6	4.4	6.9
1974 <sup>1</sup>	44,238	30,563	10,107	12,491	7,966	13,675	2,185	1,188	332	468	388	996	4.9	3.9	3.3	3.7	4.9	7.3
1973	44,066	30,771	10,382	12,530	7,859	13,295	2,028	1,158	340	482	335	871	4.6	3.8	3.3	3.9	4.3	6.5
1972	43,805	30,610	10,337	12,511	7,762	13,195	2,307	1,284	327	553	403	1,023	5.3	4.2	3.2	4.4	5.2	7.8
1971	43,152	30,314	10,233	12,423	7,658	12,838	2,560	1,527	409	668	451	1,032	5.9	5.0	4.0	5.4	5.9	8.0
1970	42,193	29,995	10,100	12,398	7,497	12,198	2,606	1,531	413	654	464	1,075	6.2	5.1	4.1	5.3	6.2	8.8
1969 <sup>1</sup>	42,097	29,705	10,097	12,334	7,274	12,392	2,506	1,442	405	647	390	1,064	6.0	4.9	4.0	5.2	5.4	8.6
1959 <sup>2</sup>	37,534	27,299	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	10,235	5,037	2,809	( <sup>1</sup> )	( <sup>1</sup> )	2,228	13.4	10.3	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	21.8
Black and other races:																		
1976	4,381	2,301	694	790	817	2,079	586	250	78	77	95	336	13.4	10.9	11.2	9.7	11.6	16.2
1975	4,270	2,291	762	757	772	1,978	576	190	66	48	76	385	13.5	8.3	8.7	6.3	9.8	19.5
1974	4,236	2,255	701	771	783	1,982	535	180	47	56	76	357	12.6	8.0	6.7	7.3	9.7	18.0
1974 <sup>1</sup>	4,232	2,246	693	774	779	1,986	573	200	63	65	72	372	13.5	8.9	9.1	8.4	9.3	18.8
1973	4,183	2,123	669	766	689	2,060	607	174	53	61	59	433	14.5	8.2	7.9	8.0	8.6	21.0
1972	3,961	2,113	674	771	667	1,850	611	177	51	65	62	435	15.4	8.4	7.6	8.4	9.3	23.5
1971	3,953	2,070	712	759	599	1,883	644	184	60	71	53	460	16.3	8.9	8.4	9.3	8.8	24.4
1970	3,930	2,013	656	767	590	1,916	703	189	56	86	47	514	17.9	9.4	8.5	11.2	8.0	26.8
1969 <sup>1</sup>	3,898	1,995	668	757	569	1,903	674	177	53	75	49	497	17.3	8.9	7.9	9.9	8.7	26.1
1959 <sup>2</sup>	3,295	1,513	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	1,782	1,378	341	( <sup>1</sup> )	( <sup>1</sup> )	1,037	41.8	22.5	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	58.2

FAMILIES WITH FEMALE HEADS

All races:																		
1976	7,713	5,143	1,906	1,898	1,339	2,570	2,543	1,562	584	569	408	981	33.0	30.4	30.6	30.0	30.5	38.2
1975	7,482	4,916	1,762	1,782	1,373	2,566	2,430	1,497	531	526	440	932	32.5	30.5	30.1	29.5	32.1	36.3
1974	7,230	4,795	1,779	1,754	1,262	2,435	2,324	1,411	526	506	379	912	32.1	29.4	29.6	28.9	30.0	37.5
1974 <sup>1</sup>	7,242	4,803	1,788	1,754	1,260	2,439	2,351	1,401	524	487	391	950	32.5	29.2	29.3	27.7	31.0	38.9
1973	6,804	4,516	1,724	1,570	1,222	2,288	2,193	1,354	484	461	409	839	32.2	30.0	28.1	29.4	33.4	36.7
1972	6,607	4,376	1,689	1,574	1,113	2,230	2,158	1,300	460	461	379	858	32.7	29.7	27.2	29.3	34.1	38.5
1971	6,191	4,158	1,631	1,496	1,031	2,034	2,100	1,236	447	452	337	864	33.9	29.7	27.4	30.2	32.7	42.5
1970	6,002	4,026	1,654	1,428	943	1,976	1,951	1,132	400	434	297	819	32.5	28.1	24.2	30.4	31.5	41.5
1969 <sup>1</sup>	5,593	3,703	1,551	1,290	861	1,890	1,827	1,012	375	356	282	815	32.7	27.3	24.2	27.6	32.7	43.1
1959 <sup>2</sup>	4,175	2,731	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	1,444	1,559	795	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	764	37.3	29.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	52.9

See footnotes at end of table.

TABLE 4.—REGIONS—ALL FAMILIES AND FAMILIES BELOW THE POVERTY LEVEL, BY SEX AND RACE OF HEAD: 1959 AND 1969 TO 1976—Continued

[Numbers in thousands]

Year, race, and sex of head	All income levels						Below poverty level						Percent below poverty level					
	North and West						North and West						North and West					
	Total	Total	North-east	North-Central	West	South	Total	Total	North-east	North-Central	West	South	Total	Total	North-east	North-Central	West	South
<b>White:</b>																		
1976	5,467	3,933	1,448	1,399	1,086	1,533	1,379	977	371	324	282	401	25.2	24.8	25.6	23.2	25.9	26.2
1975	5,380	3,840	1,358	1,331	1,151	1,540	1,394	1,022	362	305	355	372	25.9	26.6	26.6	22.9	30.9	24.2
1974 <sup>1</sup>	5,208	3,739	1,339	1,337	1,063	1,469	1,289	921	336	285	300	368	24.8	24.6	25.1	21.3	28.2	25.1
1974	5,212	3,740	1,340	1,337	1,063	1,472	1,297	918	335	273	309	380	24.9	24.5	25.0	20.4	29.1	25.8
1973	4,853	3,471	1,279	1,194	996	1,382	1,190	857	275	262	320	333	24.5	24.7	21.5	22.0	32.0	24.1
1972	4,672	3,359	1,262	1,197	900	1,313	1,135	807	265	266	274	328	24.3	24.0	21.1	22.2	30.4	25.0
1971	4,489	3,230	1,214	1,159	857	1,259	1,191	804	271	278	256	387	26.5	24.9	22.3	23.9	29.8	30.7
1970	4,408	3,195	1,298	1,103	794	1,214	1,102	770	280	259	231	331	25.0	24.1	21.6	23.5	29.1	27.3
1969 <sup>1</sup>	4,165	2,969	1,206	1,033	730	1,196	1,069	681	229	230	223	388	25.7	22.9	19.0	22.2	30.5	32.4
1959 <sup>2</sup>	3,297	2,357	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	940	990	606	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	384	30.0	25.7	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	40.9
<b>Black and other races:</b>																		
1976	2,246	1,210	458	499	253	1,037	1,164	585	213	245	126	580	51.8	48.3	46.5	49.1	49.8	55.9
1975	2,102	1,076	404	451	222	1,026	1,036	475	169	221	85	560	49.3	44.1	41.8	49.0	38.3	54.6
1974 <sup>1</sup>	2,022	1,056	440	417	199	966	1,035	490	190	221	79	544	51.2	46.4	43.2	53.0	39.7	56.3
1974	2,030	1,063	448	418	197	966	1,054	484	188	214	82	570	51.9	45.5	42.0	51.2	41.4	59.0
1973	1,951	1,045	445	376	224	906	1,002	497	209	199	89	506	51.4	47.5	46.9	53.0	39.6	55.8
1972	1,935	1,016	427	377	213	917	1,023	493	194	195	104	530	52.9	48.5	45.4	51.7	48.8	57.8
1971	1,702	927	417	337	174	775	908	432	176	175	81	476	53.4	46.6	42.2	52.0	46.7	61.5
1970	1,594	832	357	325	150	762	850	362	120	175	66	488	53.3	43.5	33.7	53.9	44.3	64.0
1969 <sup>1</sup>	1,428	734	345	257	132	695	758	331	146	126	59	427	53.1	45.2	42.3	49.0	45.1	61.5
1959 <sup>2</sup>	878	374	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	504	569	189	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	380	64.8	50.5	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	75.4

<sup>1</sup> Revised.

<sup>2</sup> Based on 1-in-1,000 sample of 1960 census.

<sup>3</sup> Not available.

Source: March Current Population Survey.

TABLE 4a.—REGIONS—PERCENT OF ALL FAMILIES WITH FEMALE HEAD BY POVERTY STATUS AND RACE OF HEAD:  
1959 AND 1969-76

Year and race of head	All income levels					Below poverty level						
	North and West					North and West						
	Total	Total	North- east	North Central	West	South	Total	Total	North- east	North Central	West	South
<b>All races:</b>												
1976	13.6	13.4	14.8	12.4	13.1	14.0	47.9	50.3	54.9	48.6	46.7	44.5
1975	13.3	13.0	13.9	11.9	13.6	13.9	44.6	48.2	52.4	45.7	46.8	39.8
1974 <sup>1</sup>	13.0	12.8	14.2	11.7	12.6	13.5	47.2	52.2	59.4	49.8	47.3	41.1
1974	13.0	12.8	14.2	11.7	12.6	13.5	46.0	50.2	57.0	47.7	45.9	41.0
1973	12.4	12.1	13.5	10.6	12.5	13.0	45.4	50.4	55.2	45.9	50.9	39.2
1972	12.2	11.8	13.3	10.6	11.7	12.9	42.5	47.1	54.9	42.7	45.0	37.1
1971	11.6	11.4	13.0	10.2	11.1	12.1	39.6	41.9	48.8	38.0	40.1	36.7
1970	11.5	11.2	13.3	9.8	10.4	12.3	37.1	39.7	46.0	37.0	36.7	34.0
1969 <sup>1</sup>	10.8	10.5	12.6	9.0	9.9	11.7	36.5	38.4	45.0	33.1	39.1	34.3
1959 <sup>2</sup>	9.3	8.7	(*)	(*)	(*)	10.7	19.6	20.2	(*)	(*)	(*)	19.0
<b>White:</b>												
1976	10.9	11.3	12.4	10.0	11.9	10.0	38.7	43.0	48.1	38.2	43.3	31.1
1975	10.8	11.2	11.8	9.6	12.6	10.0	36.3	41.9	46.4	34.6	45.6	26.6
1974 <sup>1</sup>	10.5	10.9	11.7	9.7	11.8	9.7	38.5	45.2	51.9	38.5	46.4	28.0
1974	10.5	10.9	11.7	9.7	11.8	9.7	37.2	43.6	50.2	36.8	44.3	27.6
1973	9.9	10.1	11.0	8.7	11.3	9.4	37.0	42.5	44.6	35.2	48.9	27.7
1972	9.6	9.9	10.9	8.7	10.4	9.1	33.0	38.6	44.9	32.4	40.4	24.3
1971	9.4	9.6	10.6	8.5	10.1	8.9	31.8	34.5	39.9	29.4	36.3	27.3
1970	9.5	9.6	11.4	8.2	9.6	9.1	29.7	33.5	40.4	28.4	33.2	23.5
1969 <sup>1</sup>	9.0	9.1	10.7	7.7	9.1	8.8	29.9	32.1	36.1	26.3	36.4	26.7
1959 <sup>2</sup>	8.1	7.9	(*)	(*)	(*)	8.4	16.4	17.7	(*)	(*)	(*)	14.7
<b>Black and other races:</b>												
1976	33.9	34.5	39.8	38.7	23.6	33.3	66.5	70.1	73.2	76.1	57.0	63.4
1975	33.0	32.0	34.7	37.4	22.3	34.1	64.3	71.2	72.2	81.5	52.5	59.3
1974 <sup>1</sup>	32.3	31.9	38.6	35.1	20.2	32.8	65.9	73.2	79.8	79.8	51.0	60.4
1974	32.4	32.1	39.3	35.1	20.2	32.7	64.8	70.8	74.9	76.7	53.2	60.4
1973	31.8	33.0	40.0	32.9	24.5	30.5	62.3	74.2	80.1	76.5	60.1	53.9
1972	32.8	32.5	38.8	32.8	24.2	33.1	62.6	73.6	79.2	75.3	63.0	55.0
1971	30.1	30.9	37.0	30.7	22.5	29.2	58.5	70.2	74.6	71.1	60.4	50.8
1970	28.9	29.2	35.2	29.8	20.3	28.4	54.8	65.7	68.2	67.0	57.9	48.8
1969 <sup>1</sup>	26.8	26.9	34.1	15.3	18.8	26.8	52.9	65.0	73.4	62.7	54.6	46.2
1959 <sup>2</sup>	21.0	19.8	(*)	(*)	(*)	22.0	29.2	35.7	(*)	(*)	(*)	26.8

<sup>1</sup> Revised.

<sup>2</sup> Based on 1-in-1,000 sample of 1970 census.

<sup>3</sup> Not available.

Source: March Current Population Survey.



TABLE 5.—NUMBER OF ALL FAMILIES AND FAMILIES WITH FEMALE HEAD, NO HUSBAND PRESENT AND PERCENT OF FEMALE HEAD, NO HUSBAND PRESENT TO ALL FAMILIES, BY RACE AND AGE OF HEAD

Age of head	[Numbers in thousands]								
	All races			White			Black <sup>1</sup>		
	March 1977 CPS	March 1970 CPS	1960 census	March 1977 CPS	March 1970 CPS	1960 census	March 1977 CPS	March 1970 CPS	1960 census
<b>ALL FAMILIES</b>									
Total.....	56,710	51,237	45,149	50,083	46,022	40,887	5,804	4,774	4,262
14 to 24 yr.....	3,964	3,524	2,356	3,356	3,056	2,114	576	443	242
25 to 34 yr.....	13,180	10,608	9,152	11,505	9,381	8,199	1,442	1,116	953
35 to 44 yr.....	11,221	10,884	10,953	9,723	9,752	9,886	1,290	1,044	1,067
45 to 54 yr.....	11,170	10,829	9,612	9,944	9,803	8,721	1,054	936	890
55 to 64 yr.....	9,035	8,314	6,973	8,193	7,516	6,358	748	729	615
65 yr and over.....	8,141	7,078	6,103	7,362	6,515	5,608	695	507	495
<b>FEMALE HEAD, NO HUSBAND PRESENT</b>									
Total.....	7,713	5,580	4,196	5,467	4,185	3,306	2,151	1,349	890
14 to 24 yr.....	725	437	167	404	283	112	314	150	55
25 to 34 yr.....	1,807	920	579	1,200	588	378	579	324	201
35 to 44 yr.....	1,682	1,075	861	1,165	749	645	501	319	216
45 to 54 yr.....	1,384	1,115	887	1,033	870	718	324	237	169
55 to 64 yr.....	969	917	730	747	744	604	215	164	126
65 yr and over.....	1,147	1,115	973	919	951	850	218	155	123
<b>PERCENT OF FEMALE HEAD, NO HUSBAND PRESENT TO ALL FAMILIES</b>									
Total.....	13.6	10.9	9.3	10.9	9.1	8.1	37.1	28.3	20.9
14 to 24 yr.....	18.3	12.4	7.1	12.0	9.3	5.3	54.5	33.9	22.6
25 to 34 yr.....	13.7	8.7	6.3	10.4	6.3	4.6	40.2	29.0	21.2
35 to 44 yr.....	15.0	9.9	7.9	12.0	7.7	5.5	38.8	30.6	20.3
45 to 54 yr.....	12.4	10.3	9.2	10.4	8.9	8.2	30.7	25.3	18.9
55 to 64 yr.....	10.7	11.0	10.5	9.1	9.9	9.5	28.7	22.5	20.4
65 yr and over.....	14.1	15.8	15.9	12.5	14.6	15.1	31.4	30.6	25.0

<sup>1</sup> In the 1960 census, data are for black and other races.

Source: March Current Population Survey and 1960 census.

TABLE 6.—NUMBER AND PERCENT DISTRIBUTION OF FEMALES 14 YR OLD AND OVER, BY AGE AND RACE

Age	[Numbers in thousands]								
	All races			White			Black <sup>1</sup>		
	March 1977 CPS	March 1970 CPS	1960 census	March 1977 CPS	March 1970 CPS	1960 census	March 1977 CPS	March 1970 CPS	1960 census
<b>NUMBER</b>									
Total.....	86,153	76,277	64,914	75,239	67,680	58,060	9,484	7,841	6,853
14 to 24 yr.....	22,200	19,576	13,464	18,805	16,927	11,769	2,992	2,437	1,695
25 to 34 yr.....	16,421	12,576	11,639	14,161	11,021	10,204	1,881	1,394	1,435
35 to 44 yr.....	11,917	11,717	12,325	10,299	10,293	11,000	1,383	1,260	1,326
45 to 54 yr.....	12,047	11,972	10,393	10,638	10,734	9,364	1,211	1,137	1,023
55 to 64 yr.....	10,690	9,599	8,096	9,554	8,716	7,327	942	826	709
65 yr and over.....	12,968	10,837	9,056	11,782	9,989	8,396	1,076	786	661
<b>PERCENT DISTRIBUTION</b>									
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
14 to 24 yr.....	25.8	25.7	20.7	25.0	25.0	20.3	31.5	31.1	24.7
25 to 34 yr.....	19.1	16.5	17.9	18.8	16.3	17.6	19.8	17.8	20.9
35 to 44 yr.....	13.8	15.4	19.0	13.7	15.2	18.9	14.6	16.1	19.3
45 to 54 yr.....	14.0	15.7	16.0	14.1	15.9	16.1	12.8	14.5	15.0
55 to 64 yr.....	12.3	12.6	12.4	12.7	12.9	12.6	9.9	10.5	10.3
65 yr and over.....	15.1	14.2	14.0	15.7	14.8	14.5	11.3	10.0	9.6

<sup>1</sup> In the 1960 census, data are for black and other races.

Source: March Current Population Survey and 1960 census.

TABLE 7.—MARITAL STATUS OF MEN AND OF WOMEN BY AGE, FOR THE UNITED STATES, MARCH 1977 AND MARCH 1970

(Numbers in thousands)

Year, sex, and age	Total	Married, spouse absent					Never married
		Married, spouse present	Not separated	Separated	Divorced	Widowed	
1977							
All men 14 and over.....	78,782	48,002	586	1,353	3,172	1,897	23,782
Percent (men).....	100.0	60.9	.7	1.7	4.0	2.4	30.2
All women 14 and over.....	86,153	48,002	758	2,355	4,863	10,024	20,150
14 to 17 yr.....	8,206	166	23	14	4	1	7,998
18 and 19 yr.....	4,190	729	56	46	35	2	3,322
20 to 24 yr.....	9,804	4,591	119	319	316	21	4,438
25 to 34 yr.....	16,421	12,101	151	729	1,367	114	1,960
35 to 44 yr.....	11,917	9,312	98	499	1,132	278	599
45 to 54 yr.....	12,047	9,214	113	373	999	837	512
55 to 64 yr.....	10,600	7,093	102	239	652	2,023	492
65 yr and over.....	12,968	4,797	96	136	358	6,750	831
Percent (women).....	100.0	55.7	.9	2.7	5.6	11.6	23.4
14 to 17 yr.....	100.0	2.0	.3	.2	-----	-----	97.5
18 and 19 yr.....	100.0	17.4	1.3	1.1	.8	-----	79.3
20 to 24 yr.....	100.0	46.8	1.2	3.3	3.2	.2	45.3
25 to 34 yr.....	100.0	73.7	.9	4.4	8.3	.7	11.9
35 to 44 yr.....	100.0	78.1	.8	4.2	9.5	2.3	5.0
45 to 54 yr.....	100.0	76.5	.9	3.1	8.3	6.9	4.2
55 to 64 yr.....	100.0	66.9	1.0	2.3	6.2	19.1	4.6
65 yr old and over.....	100.0	37.0	.7	1.0	2.8	51.2	6.4
1970							
All men 14 and over.....	70,559	45,396	781	933	1,567	2,051	19,832
Percent (men).....	100.0	64.3	1.1	1.3	2.2	2.9	28.1
All women 14 and over.....	77,766	45,397	1,008	1,743	2,717	9,734	17,167
14 to 17 yr.....	7,772	176	23	8	2	1	7,562
18 and 19 yr.....	3,660	757	87	35	15	1	2,765
20 to 24 yr.....	8,409	4,728	241	210	191	26	3,013
25 to 34 yr.....	12,670	10,339	173	435	575	66	1,080
35 to 44 yr.....	11,879	9,841	143	350	632	297	615
35 to 54 yr.....	12,029	9,390	133	357	585	980	584
55 to 64 yr.....	9,807	6,258	110	246	448	2,083	662
65 yr old and over.....	11,539	3,907	98	102	268	6,279	885
Percent (women).....	100.0	58.4	1.3	2.2	3.5	12.5	22.1
14 to 17 yr.....	100.0	2.3	.3	.1	-----	-----	97.3
18 and 19 yr.....	100.0	20.7	2.4	1.0	.4	-----	75.6
20 to 24 yr.....	100.0	56.2	2.9	2.5	2.3	-----	35.8
25 to 34 yr.....	100.0	81.6	1.4	3.4	4.5	.5	8.5
35 to 44 yr.....	100.0	82.8	1.2	2.9	5.3	2.5	5.2
45 to 54 yr.....	100.0	78.1	1.1	3.0	4.9	8.1	4.9
55 to 64 yr.....	100.0	63.8	1.1	2.5	4.6	21.2	6.8
65 yr and over.....	100.0	33.9	.8	.9	2.3	54.4	7.7
PERCENT CHANGE, 1970-77							
All men 14 and over.....	11.7	5.7	-25.0	45.0	102.4	-8.0	19.9
All women 14 and over.....	10.8	5.7	-24.8	35.1	79.0	3.0	17.4
14 to 17 yr.....	5.6	-5.7	(1)	(1)	(1)	(1)	5.8
18 and 19 yr.....	14.5	-3.7	-35.6	(1)	(1)	(1)	20.1
20 to 24 yr.....	18.6	-2.9	-50.6	51.9	65.4	(1)	47.3
25 to 34 yr.....	29.6	17.0	-12.7	67.6	137.7	(1)	81.5
35 to 44 yr.....	.3	-5.4	-31.5	42.6	79.1	-6.4	-2.6
45 to 54 yr.....	.1	-1.9	-15.0	4.5	70.8	-14.6	-12.3
55 to 64 yr.....	8.1	13.3	-7.3	-2.8	45.5	-2.9	-25.7
65 yr and over.....	12.4	22.8	-2.0	33.3	33.6	7.5	-6.1

1 Base less than 75,000.

Source: U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 287, "Marital Status and Living Arrangement, March 1975," table 1, and unpublished Current Population Survey data.

TABLE 8.—MARITAL STATUS OF WOMEN BY PRESENCE OF OWN CHILDREN UNDER 18 YR OLD, FOR THE UNITED STATES, MARCH 1977 AND MARCH 1970

[Numbers in thousands]

Year and number of own children under 18 yr old	All women <sup>1</sup>	Married, husband present	Married, husband absent		Divorced	Widowed	Never married
			Not separated	Separated			
<b>1977</b>							
All women <sup>1</sup> .....	78,177	48,002	758	2,355	4,863	10,024	12,174
With no children.....	47,666	22,895	480	954	2,609	9,335	11,392
With 1+ own children.....	30,511	25,107	278	1,401	2,254	689	782
Percent across.....	100.0	61.4	1.0	3.0	6.2	12.8	15.6
With no own children.....	100.0	48.0	1.0	2.0	5.5	19.6	23.9
With 1+ own children.....	100.0	82.3	.9	4.6	7.4	2.3	2.6
Percent down.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
With no own children.....	61.0	47.7	63.3	40.5	53.7	93.1	93.6
With 1+ own children.....	39.0	52.3	36.7	59.5	46.3	6.9	6.4
<b>1970</b>							
All women <sup>1</sup> .....	70,215	45,397	1,008	1,743	2,717	9,734	9,616
With no own children.....	40,979	19,574	594	781	2,036	8,625	9,369
With 1+ own children.....	29,236	25,823	414	962	681	1,109	247
Percent across.....	100.0	64.7	1.4	2.5	3.9	13.9	13.7
With no own children.....	100.0	47.8	1.4	1.9	5.0	21.0	22.9
With 1+ own children.....	100.0	88.3	1.4	3.3	2.3	3.8	0.8
Percent down.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
With no own children.....	58.4	43.1	58.9	44.8	74.9	88.6	97.4
With 1+ own children.....	41.6	56.9	41.1	55.2	25.1	11.4	2.6
<b>PERCENT CHANGE, 1970-77</b>							
All women <sup>1</sup> .....	11.3	5.7	-24.8	35.1	79.0	3.0	26.6
With no own children.....	16.3	17.0	-19.2	22.2	28.1	8.2	21.6
With 1+ own children.....	4.4	-2.8	-32.9	45.6	231.0	-37.9	216.6

<sup>1</sup> Excludes women in institutions and never-married girls under 18 with no own children.

Source: U.S. Bureau of the Census, unpublished Current Population Survey data.

TABLE 9.—CHILDREN UNDER 18 YR OLD BY MARITAL STATUS OF PARENT(S) WITH WHOM THEY WERE LIVING FOR THE UNITED STATES, MARCH 1977 AND MARCH 1970

(Numbers in thousands)

Year and presence of parents	All children under 18 <sup>1</sup>	Marital status of parent(s)					Never married	
		Married, husband present	Married, husband absent			Divorced		Widowed
			Not separated	Separated	Divorced			
1977								
All children under 18.....	64,062	50,735	605	3,228	4,584	1,527	1,386	
Living with 2 parents.....	50,735	50,735						
Living with 1 parent.....	11,311		605	3,228	4,584	1,527	1,368	
Mother only.....	10,419		542	3,077	4,211	1,255	1,335	
Father only.....	892		63	151	373	272	33	
Living with neither parent.....	2,015							
Percent across.....	100.0	79.2	.9	5.0	7.2	2.4	2.1	
Living with 2 parents.....	100.0	100.0						
Living with 1 parent.....	100.0		5.3	28.5	40.5	13.5	12.1	
Mother only.....	100.0		5.2	29.5	40.4	12.0	12.8	
Father only.....	100.0		7.1	16.9	41.8	30.5	3.7	
Percent down.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Living with 2 parents.....	79.2	100.0						
Living with 1 parent.....	17.7		100.0	100.0	100.0	100.0	100.0	
Mother only.....	16.3		89.6	95.3	91.9	82.2	97.6	
Father only.....	1.4		10.4	4.7	8.1	17.8	2.4	
Living with neither parent.....	3.1							
1970								
All children under 18.....	69,162	58,939	1,036	2,484	2,473	1,649	557	
Living with 2 parents.....	58,939	58,939						
Living with 1 parent.....	8,199		1,036	2,484	2,473	1,649	557	
Mother only.....	7,452		903	2,332	2,296	1,395	527	
Father only.....	747		133	152	177	254	30	
Living with neither parent.....	2,024							
Percent across.....	100.0	85.2	1.5	3.6	3.6	2.4	.8	
Living with 2 parents.....	100.0	100.0						
Living with 1 parent.....	100.0		12.6	30.3	30.2	20.1	6.8	
Mother only.....	100.0		12.1	31.3	30.8	18.7	7.1	
Father only.....	100.0		17.8	20.3	23.7	34.0	4.0	
Percent down.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Living with 2 parents.....	85.2	100.0						
Living with 1 parent.....	11.9		100.0	100.0	100.0	100.0	100.0	
Mother only.....	10.8		87.2	93.9	92.8	84.6	94.6	
Father only.....	1.1		12.8	6.1	7.2	15.4	5.4	
Living with neither parent.....	2.9							
Percent change, 1970-77								
All children under 18.....	-7.4	-13.9	-41.6	30.0	85.4	-7.4	145.6	
Living with 2 parents.....	-13.9	-13.9						
Living with 1 parent.....	38.0		-41.6	30.0	85.4	-7.4	145.6	
Mother only.....	39.8		-40.0	31.9	83.4	-10.0	153.3	
Father only.....	19.4		-52.6	-7	110.7	7.1	(?)	
Living with neither parent.....	-4							

<sup>1</sup> Excludes children under 18 in institutions; the number in 1970 was 296,000. Includes children living with neither parent, not shown separately in the columns.

<sup>2</sup> Base less than 75,000.

Source: U.S. Bureau of the Census, unpublished Current Population Survey data.

Senator MOYNIHAN. Senator Curtis?

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Plotkin, I am sorry to be late here, but I was provided with a copy of your statement yesterday, and I have a few questions here that I would like to ask.

First, though, this morning I asked several questions of Secretary Califano concerning the estimates and the data upon which they were based. I will see that the staff gives you a copy of those questions and if you can give any assistance to HEW on those that fall within your domain, in preparation of the response, I would appreciate it very much.

#### SURVEY OF INCOME AND EDUCATION

Tell us about the survey of income and education, when it was done, what is the character and size of the survey sample. Was the data aged, say, to 1978, or 1982, or whatever. Would you tell us a little about that?

Mr. PLOTKIN. Very good. I have with me Mr. Daniel Levine who is Associate Director for Demographic Fields at the Census Bureau and is very knowledgeable in all of the details of that survey. I would like to ask Mr. Levine to answer that question.

Mr. LEVINE. I hope that I do not forget some of the salient details, because I did not know that you were going to ask that, Senator.

Senator MOYNIHAN. That is what we are here for, to ask you questions you do not expect.

Mr. LEVINE. Well, I hope to give you some of the answers that you do expect, though.

The survey of income and education was mandated by the Congress as part of the review of the Elementary and Secondary Education Act and it was designed to collect information on the number of children in poverty families by State to assist the Congress in deciding how to apportion some of the title I money which fall under that act.

The survey, as I recall, took place in 1976 and it consisted of a national sample of approximately 190,000 housing units in total, which was designed to provide specific reliability at the State level. The estimates were as of that date, Senator.

Now, I am not quite sure what additional detail you would like other than to say it did collect information on education, it collected information on family composition, and information on income, of course. It was tabulated in great detail and the detailed information has been provided, not only to the Congress, but also to HEW for its use in advising the Congress.

Senator CURTIS. Are there any general conclusions that can be drawn on the basis of that survey in reference to education and becoming a welfare recipient?

Mr. LEVINE. I do not recall the conclusions with regard to education. I think that primarily we were interested on the first level with regard to the impact of changes in the number of children in poverty families, and basically, as indicated in the Director's testimony, that survey shows significant drops since 1970 in poverty in the South. There was some evidence of an increase in the number of poor children in the Northeast, I believe, and little or no change in the number for

the other regions. We can provide more detail for you, if you would like, for the record.

Senator CURTIS. But the data was as of the year you took it?

Mr. LEVINE. The data was as of the year we are talking about.

Senator CURTIS. Which was in 1970?

Mr. LEVINE. The survey was in 1976 with 1975 income.

Senator CURTIS. And so it did not attempt to project to this year or to 1982?

Mr. LEVINE. We have not attempted to project it forward, however, there is some research underway to see if there are statistical techniques which would permit such a movement forward, a projection in effect, but we have not completed that. We are working with the HEW people, both at the Assistant Secretary of Policy and Evaluation level and also at the Office of Education.

Senator CURTIS. Now, if I ask some of these questions and you do not have some of the answers right there, they can be supplied for the record.

How many single people are there in the United States?

Mr. LEVINE. I do not have that data.

Senator CURTIS. That can be supplied?

Mr. LEVINE. I would have to provide that. We can supply that.\*

Senator CURTIS. And the same figure on childless couples, if you will supply that.

Mr. LEVINE. I will be more than happy to.

Senator CURTIS. And working, intact families, the total numbers of individuals involved in a family that is intact, and either one or more of them is working.

Mr. LEVINE. We can provide you with the number of families with one or more working members. I am not sure exactly what you mean by "intact." We do not know from any of our surveys whether one of the children may or may not be in the family or the household at that time.

Senator CURTIS. But as to the husband and wife, whether they are divorced?

Mr. LEVINE. That we certainly can tell you.

Senator CURTIS. That is what I meant by "intact."

Mr. LEVINE. We can provide that for you.

Senator CURTIS. Then, of those three categories, I would like to know how many have incomes below the eligibility level in the proposed welfare plan, and that may be supplied.

Mr. LEVINE. That may be a little more difficult, but we certainly will see what we can provide for the record.

#### ASSETS TEST

Senator CURTIS. All right. How many have both incomes and assets below the level of the plan?

Mr. LEVINE. The assets we do not have any data on. The only activity which has collected assets in recent years is the Consumer Expenditure Survey which was conducted in 1971 and 1972 by us for the Labor Department in order to update the Consumer Price Index

\* See information supplied at page 100.

weights, and that is really the last time that a national sample, to my knowledge—I may be incorrect, but at least that we have been involved in—a national sample that had assets and liability data, and that even in a very limited sense.

Senator CURTIS. Well, you had no asset data at all? Did that not handicap you in estimating whether or not they were in the poverty category?

Mr. LEVINE. No, because the definition of poverty does not take into account, at the moment, assets or nonmonetary returns on assets, in the sense of having a home and trying to capitalize it. The current poverty level is not a function of assets. Only cash income is used in the determination of poverty.

Senator CURTIS. It is becoming a troublesome factor in many areas of legislation. For instance, I have had called to my attention by school officials that the rural area machinery has gotten so expensive that there may be a tenant farmer who shows assets of \$100,000 in assets in machinery, but he may have experienced 2 or 3 bad years in farming and, at the same time, the mortgage on his property and his operating expenses have all gone up so that he has no income through which he can finance his children's education, but they are barred from Government programs because of the assets.

Mr. LEVINE. But under the Census Bureau's, or rather the official Government definition of poverty used by the Census Bureau in its surveys, if their cash income was below the poverty threshold for that size family group, the farmer, irrespective of his assets, would be counted by the Bureau as below the poverty level, or within the poverty group.

#### POVERTY INDEX DIFFERENCES

Senator CURTIS. Can you tell me why you and the Community Services Administration use two different poverty indices?

Mr. LEVINE. No, I cannot tell you why they use a different one. I can only note that there are many Government programs that, because of statutory requirements, use different "poverty" indices than does the official statistical index established by the Office of Management and Budget.

Different programs have different eligibility standards, either administratively based or based on legislative mandate. The Bureau uses the poverty definition established by the Office of Management and Budget.

Senator CURTIS. But there are two or three different poverty levels.

Mr. LEVINE. I would not necessarily call them poverty levels. I would call them eligibility levels for different programs, but they are different from the official statistical measurement. Part of the reason for the differences may be that, in some of the programs, administratively they do not collect the types of information which would allow them to make the determination in the manner that we do.

Senator CURTIS. For instance, in nonfarm families, with three in a family, the Census uses a level of \$4,540 and the Community Services Administration uses \$4,890, or a difference of \$350. In the family of two, it is a difference of \$219. In a family of four, it is a difference of \$35.

In most of them, the Community Services figure is a little higher. Which one was used in estimating the cost of the President's program for welfare reform?

Mr. LEVINE. I am sorry. I know very little about the President's proposals.

Senator CURTIS. Do you know which one the OMB uses?

Mr. LEVINE. I believe, in terms of its information to us, OMB has said the Census Bureau's statistics are the official measures of poverty. I cannot say that those are used in various program proposals, or otherwise. I am sorry.

Senator MOYNIHAN. May I interject to say, Senator Curtis, that I am strongly of the understanding that the official OMB standard is what HEW is using. If this is not the case, we will so inform you this afternoon and correct the record.

Senator CURTIS. Thank you, and I want to thank you for your appearance here, and do the best you can on supplying answers to the questions.

Mr. PLOTKIN. We will try to get it to you as quickly as possible.

Senator CURTIS. Thank you, Mr. Chairman.

[The following was subsequently supplied for the record:]

U.S. DEPARTMENT OF COMMERCE,  
BUREAU OF THE CENSUS,  
Washington, D.C., February 28, 1978.

HON. CARL T. CURTIS,  
U.S. Senate, Washington, D.C.

DEAR SENATOR CURTIS: This is in response to your request for additional data to supplement the information presented at the recent hearings of the Subcommittee on Public Assistance.

Enclosed are two tables containing the data you have requested. Table 1 shows: (1) number of persons by family status, (2) number of unmarried persons 14 years and over, and (3) number of families by presence of workers and children, by type of family; all of these data are presented by poverty status in 1976 and race. (Data for persons living in husband-wife families are not available separately; however, the data shown for persons in husband-wife or other families are a close substitute since only about 3 percent of these families do not represent husband-wife families.) Table 2 shows the marital status of families headed by females (with no husband present) by poverty status in 1976 and race.

In regard to your request for an estimate of the number of persons who would be eligible for benefits under the Administration's proposed welfare reform plan, we regret that the Bureau has not developed such data. It is our understanding that the only attempt made to provide such estimates is contained in a study entitled *Welfare Reform: Issues, Objectives, and Approaches* which was prepared by the Congressional Budget Office (CBO) in July 1977 (copy enclosed). It should be noted that the data presented in the CBO report have been statistically adjusted. For further details, see page 109 of the CBO report.

Some of the data in the enclosed tables are unpublished, but you may publish them if you wish. Should you do so, we would appreciate it if you would cite the Bureau of the Census as the source, and indicate that these data are from the Current Population Survey (CPS). As in all sample surveys, the data are subject to sampling variability and errors of response, including underreporting. Furthermore, data on income collected in the CPS are limited to money income received before payments for personal income taxes, and deductions for Social Security, Medicare, union dues, etc. It should be noted that from time to time changes are made to the processing system and the sample size which may affect the comparability of the data presented in the enclosed tables with those for previous years. For further details, see the enclosed copy of Current Population Reports, Series P-60, No. 106.

If we can be of further assistance, please let us know.

Sincerely,

MANUEL D. PLOTKIN,  
Director, Bureau of the Census.

Enclosures.



TABLE 1.—POVERTY STATUS IN 1976 OF PERSONS BY FAMILY STATUS, AND OF FAMILIES BY PRESENCE OF WORKERS AND CHILDREN, BY SEX OF HEAD AND RACE

[Numbers in thousands]

Characteristic	All races			White			Black		
	Total	Below poverty level		Total	Below poverty level		Total	Below poverty level	
		Num-ber	Percent of total		Num-ber	Percent of total		Num-ber	Percent of total
<b>PERSONS</b>									
Total.....	212, 303	24, 975	11. 8	184, 165	16, 713	9. 1	24, 399	7, 595	31. 3
Family members.....	190, 844	19, 632	10. 3	165, 571	12, 500	7. 5	21, 840	6, 576	30. 1
In families with female head, no spouse present.....	24, 204	9, 029	37. 3	15, 941	4, 463	28. 0	7, 926	4, 415	55. 7
In husband-wife or other families.....	166, 640	10, 603	6. 4	149, 630	8, 037	5. 4	13, 915	2, 161	15. 5
Unrelated individuals.....	21, 459	5, 344	24. 9	18, 594	4, 213	22. 7	2, 559	1, 019	39. 8
Male.....	9, 077	1, 787	19. 7	7, 629	1, 321	17. 3	1, 292	410	31. 7
Female.....	12, 383	3, 557	28. 7	10, 965	2, 892	26. 4	1, 266	609	48. 1
Unmarried, 14 yr and over.....	63, 878	10, 076	15. 8	53, 880	6, 805	12. 6	8, 910	3, 040	34. 1
Single.....	43, 932	5, 879	13. 4	36, 750	3, 623	9. 9	6, 311	2, 074	32. 9
Widowed.....	11, 911	2, 685	22. 6	10, 281	2, 025	19. 7	1, 498	644	43. 0
Divorced.....	8, 035	1, 502	18. 7	6, 849	1, 157	16. 9	1, 101	322	29. 2
<b>FAMILIES</b>									
Total.....	56, 710	5, 311	9. 4	50, 083	3, 560	7. 1	5, 804	1, 617	27. 9
Husband-wife.....	47, 497	2, 606	5. 5	43, 397	2, 071	4. 8	3, 406	450	13. 2
With 1 or more workers <sup>1</sup> .....	41, 846	1, 805	4. 3	38, 207	1, 417	3. 7	3, 018	321	10. 6
Without related children under 18 yr.....	21, 982	983	4. 5	20, 525	830	4. 0	1, 260	139	11. 0
Female head, no spouse present.....	7, 713	2, 543	33. 0	5, 467	1, 379	25. 2	2, 151	1, 122	52. 2
With 1 or more workers <sup>1</sup> .....	5, 676	1, 181	20. 8	4, 180	654	15. 6	1, 429	511	35. 8
Without related children under 18 yr.....	2, 403	200	8. 3	2, 010	119	5. 9	371	79	21. 2
Male head, no spouse present.....	1, 500	162	10. 8	1, 219	111	9. 1	246	45	18. 2
With 1 or more workers <sup>1</sup> .....	1, 274	94	7. 4	1, 033	63	6. 1	211	27	12. 8
Without related children under 18 yr.....	890	68	7. 7	736	46	6. 3	126	17	13. 3

<sup>1</sup> Restricted to families with civilian head.

Source: March 1977 Current Population Survey.

TABLE 2.—MARITAL STATUS OF FEMALE FAMILY HEADS BY POVERTY STATUS IN 1976 AND RACE OF HEAD

[Numbers in thousands]

Marital status	All races			White			Black		
	Total	Below poverty level		Total	Below poverty level		Total	Below poverty level	
		Num-ber	Percent of total		Num-ber	Percent of total		Num-ber	Percent of total
Total.....	7, 713	2, 543	33. 0	5, 467	1, 379	25. 2	2, 151	1, 122	52. 2
Single.....	1, 037	464	44. 8	530	148	27. 9	486	305	62. 8
Married, spouse absent.....	1, 734	945	54. 5	1, 007	508	50. 4	705	422	59. 9
Separated.....	1, 448	818	56. 5	792	410	51. 7	638	394	61. 9
Other.....	286	127	44. 5	215	98	45. 6	67	27	41. 0
Widowed.....	2, 380	427	17. 9	1, 850	212	11. 5	502	208	41. 6
Divorced.....	2, 563	706	27. 6	2, 078	510	24. 5	459	187	40. 7

Source: March 1977 Current Population Survey.

Senator MOYNIHAN. Thank you, Senator.

## POVERTY LEVEL AND NONCASH BENEFITS

Well, sir, I have a number of matters which I would just like to press a little further. One is of perhaps large consequences. First, just for the record, the Orshansky poverty level measure was based

upon a multiple of the Department of Agriculture's family food needs, was it not? I remember that. I remember Mollie. Is she still working? I hope so.

Mr. PLOTKIN. Yes, she is still with the Social Security Administration.

Senator MOYNIHAN. Indomitable.

The interesting thing about it is that we were back at a physiological measurement of poverty not very different from the English Poor Laws, you know, one pound of bread per day. A little more varied diet, but basically, I think it was two-and-a-half times the money that was said to buy a food basket.

I have a large question for you, gentlemen, and probably you do not have an immediate answer, but I wonder whether you would accept it as an important question.

You measure the change in numbers, levels, proportions of persons in poverty and make the point that from 1969 to 1976, there was no significant change.

Now, this evidence says something important to those of us on this committee who are concerned about this. That is, that whatever happens naturally is not having any effect on the money incomes of people.

On the other hand, we have also to ask, what have we done in response to this fact. You have made the point, Mr. Plotkin, that you do not measure nonmoney income such as food stamps. Well, of course, food stamps are a form of scrip and indeed, I have no doubt that in some places they are a form of money. They are the nearest thing to money.

In this period 1969-76, there has been a great increase in expenditures on food stamps. I think it was seven, eight, ninefold.

Now, surely, if this were counted as income—and it has the effect of income, and if you were to measure this impact, we would have different poverty data. would we not?

Do not just smile and agree, say something.

Mr. PLOTKIN. We are smiling and agreeing, Senator, because, of course, you are absolutely right. If one considered nonmoney income, the poverty rates would be substantially different.

There has been a great deal of study on how to measure nonmoney income and we now have a major survey in the early planning stages. Dan, would you provide more substantive information about these plans?

Mr. LEVINE. I would like to go back a minute, if I may, Senator, to the question of the food stamp being scrip. I do not think there is any question about that. But, as you know, under food stamps, the amount that the individual pays for that scrip varies by his or her income and a number of other criteria. So one gets into the question of how to value, in terms of cash income, the amount that a given individual receives.

We have made some efforts at it, and our best judgment, based on some surveys that we have taken, is that about 5 to 15 percent—the reason we have that range is because there are alternative ways of trying to assign a value to it—about 5 to 15 percent of the poor probably would move out of the poverty category as a result of including food stamps as income.

Senator MOYNIHAN. That is all? 5 to 15 percent?

Mr. LEVINE. That is all that we have come up with. Now this is an area where there is a great deal of discussion, research, and difference of opinion as to how to value it, and of course, if you turn from food stamps to other types of noncash income you get into a much more difficult area.

If you take, for example, medicare, medicaid, the question then comes in, do you ascribe a money value equivalent to the insurance value or the actual cost of the medical care perhaps to some ridiculous level for that given year.

Senator MOYNIHAN. If you were sick enough, you could be proven to be rich?

Mr. LEVINE. Exactly.

And if you go into subsidized housing you run into problems of how to collect these data, because many of the people who receive subsidized housing have no knowledge that they are in subsidized housing because they are at a lower educational level, and do not have any knowledge about it. And how to ascribe a value to a public housing project has caused, at least to the statistician, which we represent, a tremendous amount of difficulty, and there are many differences of opinion.

There are studies—I am sure that you are aware of the RAND studies some years ago, the recent study by the Congressional Budget Office that has made some attempt to do that, and a study done by a gentleman—whose name was Mr. Paglin, I believe—who made some estimate that if you counted all such things, you might get the poverty population down to 3 percent.

Now, we have some differences of opinion as to how you value some of these. I must say it is a very serious statistical problem as well as a policy problem.

I think also that one has to realize that if you count these noncash benefits for poverty levels, there is a question of equity as to whether you should cover them for the rest of the population. There are many types of noncash benefits that others of us receive, for example, the benefits that Government employees get, the Government pays part of our health benefit, things of that sort, which might change the whole income distribution. If this happens, it raises the question of how one would set the poverty thresholds. If you include food stamps, then the amount of money spent for food, relative to the total budget, which is, in a sense, the heart of the Orshansky index, might shift also.

So it is a very complex statistical problem, as well as a policy problem.

Senator MOYNIHAN. The Government is concerned in social policy with the level of minimum provision, and in these matters one asks, does rent subsidy constitute income? Obviously it does, in some terms.

Mr. Herriot, did you have your hand up?

Mr. HERRIOT. In terms of some absolute standard of how well people at the lower end of the income distribution are getting along leaving the nonmoney income out obviously biases that measure downward, although we are not quite sure how to measure how much.

However, the poverty index is also, in essence, a relative standard and the point that Mollie keeps making over and over again is that if you include nonmoney income all up and down the distribution and

not just for the poor, the poverty thresholds themselves might change so much that the number of people whom we count as poor might not change at all.

Senator MOYNIHAN. Right. That will certainly be the disposition of the bureaucracies, but I would be interested—why do you not just do us a favor here? I raised the point about the Orshansky index because there is a sense in which it is not relative. It has a physiological reference to how much food you have to have, and it would be interesting how much that Department of Agriculture food basket—do they not call it a food basket—how much that has changed in terms of calorie content and proportion of average income.

Are people expected to live differently today than 20 or 30 years ago? Could you give us, Mr. Director, some information on that? For example, just what they have been doing with that?

Mr. HERRIOT. Mollie has recently completed an update of her index based on a more recent Department of Agriculture food budget. Information based on this index was included in the study by the Poverty Studies Task Force which was provided to Congress and was also included in our report to Congress on the Survey of Income and Education.

Senator MOYNIHAN. In a very fine study done by Stephen Thernstom of social mobility and change among workers in Massachusetts in the mid-19th century, there was a rather graphic explanation of how people who did not make much money, and did not have good jobs, and had a lot of troubles, too, but who nevertheless, in the course of a lifetime, bought a house.

And Mr. Thernstom said that you have to remember that, as far as the workers were concerned, the potato was a balanced diet. That is what they had, the potato. You had it for lunch, for supper and for breakfast—potatoes. And all the water you could drink.

You said, sir, or maybe Mr. Levine said, that you have a study in the field which would make some estimate of matters that would concern Senator Curtis on the impact of food stamps?

Mr. LEVINE. Well, there is a joint project underway between ourselves and HEW which is in the very early stages.

Senator MOYNIHAN. Early. We are not going to have it.

Mr. LEVINE. The very early stages. It is an attempt to try to bridge some of the questions which Senator Curtis has raised and some of the concerns which have been raised by others in an attempt to measure both program participation and poverty status and income distribution and also to provide a framework from which HEW and other policy agencies can measure the prospective universe from which various programs might draw their beneficiaries.

A good deal of work is underway now to try to figure out answers to the question that I addressed a moment ago, how one does value some of these things and how one can collect the information.

But, I must point out very quickly, that we are just at the earliest stages of some research, some small-scale studies to test methodology of collecting income quarterly and program participation quarterly, because we find that there is considerable turnover within some of these programs.

People receive food stamps for 2 or 3 months and drop off and the problems of asking a year later have been severe in terms of response bias, again the types of problems—

Senator MOYNIHAN. To do a longitudinal study.

Mr. LEVINE. And so we are testing alternative approaches, and very honestly, the timeframe for this says that this study, if successful in its developmental phases, will not show any results until some time in early 1980 or 1981.

Senator MOYNIHAN. May I just say in that respect that I call the attention of these young men sitting behind us here, that if it takes you until 1981, we will be here, or if we will not, somebody will be. Don Price at Harvard, dean of the Kentucky School, wrote a very fine book on science and social policy and made the point that the Constitution was the first of its kind to provide a basis for social science in the community and built it right into the Constitution by requiring that there be a decennial census.

We have had it ever since, and thank God for it. If it were not for you and the BLS, I would not believe anything that was printed in Washington—and I do not always believe the BLS.

I would like to ask two quick questions, and then make a general observation. First of all, to Mr. Levine, you mentioned that you have tried to project your 1976 figures to 1982. If you get any luck with that, let me know. We do not want to force data out of you. You have very serious standards, and when you gentlemen come along and say we have found this out, well, as much as can be found out, has been found out.

Mr. LEVINE. I would just add, Senator, that I do not think we will go quite as far as 1982 just yet. We are trying to see if we can project from 1976 up until 1980 and that technique, then, would be validated by comparing it to the results of the 1980 census—

Senator MOYNIHAN. To see what happened.

Mr. LEVINE. If that technique is validated, we will then have a technique which we can use in the 1980's. However, if the committee feels that these data might be useful and we complete some of our ongoing research before then, we certainly will make it available to you.

Senator MOYNIHAN. When you do, we would like to see it, but take your time. You have been here for almost two centuries—

Mr. LEVINE. Not personally, Senator.

Senator MOYNIHAN. Well, you probably feel like that some afternoons, I should think.

The 1976 survey showed that there had been an increase in families in poverty in the Northeast. Could you get us a note on that and how that increase—

Mr. LEVINE. Do you have those data in front of you, the increase in poverty in the Northeast from 1970 as a result of the SIE results by region? I think that we have that right here with us.

Senator MOYNIHAN. Fine. We would like to have that as part of the record.

Mr. LEVINE. We will be glad to provide it for the record.\*

Senator MOYNIHAN. I have one question, and then two observations.

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\* See material supplied at page 107.

First, in the past, we have frequently been unable to get program estimates from HEW on a State-by-State basis because HEW says the Census Bureau will not provide data, for reasons of confidentiality. And this suggests that your samples might not be large enough. But, for example, you told me that you had 180,000 people?

Mr. LEVINE. 190,000 households.

Senator MOYNIHAN. That is a huge sample. That is three times and more the unemployment samples.

Could we ask you to go to HEW and perhaps to come to speak to some members of the committee? Mr. Stern, who is the Chief Counsel, I know would be happy to speak to you, to hear what this is, what is being said about you, and, if there is a real problem, then to suggest what we might do about it.

Because if your panels are not big enough, maybe we should make them bigger. Would you do that, Mr. Director?

Mr. PLOTKIN. We certainly would investigate that.

Senator MOYNIHAN. And could I just ask you now, do you feel that you have the resources you need to provide the President with the kind of information that he ought to have in this field? Is there something you have not been able to get? How have they been treating you at OMB, I guess is my question.

Mr. PLOTKIN. I do not think we have any serious complaints, Senator. We have generally received the support and resources that we need for major problems.

Senator MOYNIHAN. Well, I am glad to hear that you do, and I would like to say for the record, and I wonder if Senator Curtis would not join me, in saying that you ought to receive support, because the data that comes out is impeccable. It is produced in terms that mortals can understand, and we are very proud of that Bureau of yours, sir.

Mr. PLOTKIN. Thank you very much.

Senator MOYNIHAN. I would like to make one last observation. One of the things that this committee is interested in, I think—and certainly this subcommittee—is the question of, not so much absolute standards of income with relation to levels of living that we define as poverty or not, as of dependency. The problem of welfare is basically a problem of dependency. There are certain portions of the population who clearly are more dependent. I mean, a 17-year-old woman with a 3-month-old baby is much more likely to be dependent than a 37-year-old man with a 3-month-old baby, and so forth.

Could I just give you the thought that one of the things we are getting at is the growth of a population whose risk of dependency is so much greater? And if you would—I do not ask you to say or do anything—just put into your own calculations the thought that we are interested in whether there are populations at risk and whether the populations at risk are growing or diminishing.

You could almost say that as long as there are a large number of tenant farmers in an area of sort of bankrupt agriculture, the likelihood of poverty is higher.

That kind of movement is what interests us. Other than that, I would like to thank you and to ask if you would like to say anything?

Senator CURTIS. I have something.

Senator MOYNIHAN. Senator Curtis?

Senator CURTIS. I would like to point out that in reference to in-kind income for individuals not on welfare the situation is quite different. The two groups are not comparable.

A regent of a university might get free football tickets for his friends. That is an extra something or other that is personal. An executive at a certain level might have a chauffeur, and so on.

The in-kind things that welfare recipients receive are in a little different light. The purpose of welfare is to provide the necessities of life for individuals who, for some reason or other, are unable to provide for themselves, so that they might have some medical care and so that they might have shelter or they might have food or they might have clothing.

Now, if they receive in-kind benefits that contribute to their food costs or their housing costs or their clothing or their medical bills, it is not just enumerating some extras that come to them, deserved or not deserved, or should be taxed or should not be taxed. It is not in that category at all. It is a question of determining need.

I believe that the practice usually followed by welfare workers is that they total up the needs and then what do you have to offset that. And if somebody's son gives his mother \$25 a month, they deduct that, and so on.

So I think there is a real need in the welfare area for us to get the best figures we can on in-kind income or benefits.

I think we should keep in mind that the fact that in-kind benefits come to other people still does not relate to our problems that we face in welfare. And, in that regard—this may be difficult, but if you would do the best you can, throughout your statement where you had figures on income, if you would put in whatever supplemental information you have or do not have in reference to in-kind income that would at least call attention to the reader of the possibility of it, that would be helpful to this committee.

I would also like to ask, is there any Federal agency that, so far as you know, has collected asset data?

Mr. LEVINE. We collected it for, as I indicated the Labor Department for the consumer expenditure survey done in 1971 and 1972. That is the last survey that I know about which collected recent asset data. There is, again, within the plan for the survey that I mentioned earlier that we are proposing or working on with HEW, we try to collect limited asset data.

Mr. HERRIOT. Senator, in connection with the survey on income and education, there was some extremely limited asset data on things like whether or not people owned a house and savings accounts and so forth. That was done to assist people in looking at questions of welfare reform.

But the new income and program participation survey is planned to do considerably more in that area, although it will fall probably considerably short of a true wealth survey.

Senator CURTIS. I understand that the administration proposal, the Department's proposal for welfare reform, bases its cost estimates on various factors, including assets. I just wondered where they got the data.

Mr. HERRIOT. It may have been based, in part at least, on the survey of income and education data.

Senator CURTIS. But there has been, in the last 5 or 6 years, there has been no broad survey of asset data that you people know of?

Mr. LEVINE. Not that we know of.

Senator CURTIS. One other question. On page 2 you stress the importance in the growth of single persons, and elsewhere you mention the growth of the female-headed families. Which has been the more important in stabilizing the decrease of the poverty incidence?

Mr. PLOTKIN. The growth in the number of female-headed households, in single parent households appears to have been the more important factor in the increase of poverty.

Senator CURTIS. Increase; yes.

Mr. PLOTKIN [continuing]. Of poverty.

Senator CURTIS. And the increase of the number of single persons has not made any significant impact that you could tell?

Mr. PLOTKIN. Well, the increase in their numbers has also been reflected in the proportion of people in poverty.

Senator CURTIS. How many of the female-headed families are married and how many are nonmarried? If you do not have that, you can supply that, if there is such data.

Mr. LEVINE. We will supply it.

Senator MOYNIHAN. Would you supply the rates of change over time in those two categories?

Mr. LEVINE. We will, to the extent that we have it.

Senator MOYNIHAN. Thank you, Senator.

Mr. Greene, Mr. Herriot, Mr. Levine and Mr. Plotkin, we do thank you very much. We send you away loaded with little chores, but I hope you feel that you have a friend in this committee and that you can always come back to us with anything that you think we need to know. And if there is any way that we can be of help to you, I hope that you will let us know that, equally.

Mr. PLOTKIN. Thank you, Mr. Chairman. We are certainly pleased to participate in these hearings.

[The following was subsequently supplied for the record. Oral testimony continues on page 135.]

U.S. DEPARTMENT OF COMMERCE,  
BUREAU OF THE CENSUS,  
Washington, D.C., February 28, 1978.

Hon. DANIEL P. MOYNIHAN,  
U. S. Senate, Washington, D.C.

DEAR SENATOR MOYNIHAN: This is in response to your request for additional poverty data to supplement the information presented at the recent hearings of the Subcommittee on Public Assistance.

Enclosed is a table presenting estimates for the "population at risk" of being in poverty for the years 1959, 1969, and 1976. Two main dependent groups having relatively high poverty rates have been selected for presentation: (1) persons in families headed by a woman with no spouse present, and (2) aged couples and aged unrelated individuals. These data are shown by poverty status and race.

In addition, we are enclosing the following materials requested by you: (1) a copy of the report entitled "The Measure of Poverty," a study required by Section 823 of the Educational Amendments of 1974 (Public Law 93-380), which provides detailed background information about the current poverty definition and discusses alternative methods of measuring poverty, and (2) a copy of the report to Congress on the results of the 1976 Survey of Income and Education (SIE) as required by Section 822(a) of the same Educational Amendments. The tables in this report contain estimates of the poverty population using various definitions of "poverty." The columns labeled "Alternate poverty level" are based on the updated Orshansky index.

You also inquired about exploratory work being done at the Bureau to estimate, on an annual basis, the proportion of children in poverty families by



State. Estimates for the years 1967 to 1974, and the methodology used to produce them, can be found in the enclosed unpublished paper, "Development of a Multiple Regression Model to Produce Estimates of Children in Poverty Families by State." Estimates of poor children by State for 1975 from the SIE have already been provided to members of your staff.

If we can be of further assistance, please let us know.

Sincerely,

MANUEL D. PLOTKIN,  
Director, Bureau of the Census.

Enclosures.

TABLE 1.—PERSONS IN FAMILIES WITH A FEMALE HEAD, AGED COUPLES, AND AGED UNRELATED INDIVIDUALS BY POVERTY STATUS AND RACE: 1959, 1969, AND 1976

Characteristics	1976		1969		1959				
	Below poverty level		Below poverty level		Below poverty level				
	Total Number	Percent of total	Total Number	Percent of total	Total Number	Percent of total			
<b>ALL RACES</b>									
Total.....	42,704	12,010	28.1	33,337	11,216	33.6	25,319	11,700	46.2
Persons in families with female head.....	24,204	9,029	37.3	17,995	6,879	38.2	14,199	7,014	49.4
Head.....	7,713	2,543	33.0	5,593	1,827	32.7	4,493	1,916	42.6
Related children under 18 yr.....	10,739	5,583	52.0	7,802	4,247	54.4	5,739	4,145	72.2
Under 6 yr.....	(2,792)	(1,797)	(64.4)	(2,031)	(1,331)	(65.5)	(1)	(1)	(1)
Other family members.....	5,759 <sup>2</sup>	903	15.7	4,600	805	17.5	3,967	953	24.0
Persons in aged couples <sup>1</sup> .....	11,472	852	7.4	9,626	1,634	17.0	7,488	2,290	30.6
Unrelated individuals 65 yr and over.....	7,028	2,129	30.3	5,716	2,703	47.3	3,632	2,296	66.0
Male.....	1,556	403	25.9	1,437	575	40.0	1,070	626	58.5
Female.....	5,472	1,726	31.5	4,279	2,129	49.8	2,562	1,769	69.0
<b>WHITE</b>									
Total.....	33,153	6,959	21.0	26,567	7,351	27.7	21,003	8,476	40.4
Persons in families with female head.....	15,941	4,464	28.0	12,286	3,577	29.1	10,518	4,232	40.2
Head.....	5,467	1,379	25.2	4,165	1,069	25.7	3,544	1,234	34.8
Related children under 18 yr.....	6,349	2,713	42.7	4,577	2,068	45.2	3,745	2,420	64.6
Under 6 yr.....	(1,480)	(876)	(59.2)	(1,070)	(644)	(60.2)	(1)	(1)	(1)
Other family members.....	4,125	372	9.0	3,544	440	12.4	3,299	578	17.9
Persons in aged couples <sup>1</sup> .....	10,838	728	6.7	9,108	1,452	15.9	7,142	2,070	29.0
Unrelated individuals 65 yr and over.....	6,374	1,767	27.7	5,173	2,322	44.9	3,343	2,174	65.0
Male.....	1,332	295	22.1	1,234	449	36.4	943	536	56.8
Female.....	5,042	1,472	29.2	3,939	1,873	47.5	2,401	1,639	68.3
<b>BLACK<sup>3</sup></b>									
Total.....	9,070	4,867	53.7	6,502	3,752	57.7	4,318	3,223	74.6
Persons in families with female head.....	7,925	4,415	55.7	5,537	3,225	58.2	3,681	2,782	75.6
Head.....	2,151	1,122	52.2	1,384	737	53.3	949	683	72.0
Related children under 18 yr.....	4,232	2,778	65.6	3,135	2,137	68.2	1,994	1,725	86.5
Under 6 yr.....	(1,273)	(896)	(70.4)	(921)	(670)	(72.7)	(1)	(1)	(1)
Other family members.....	1,542	515	33.4	1,018	350	34.4	738	374	50.7
Persons in aged couples <sup>1</sup> .....	540	104	19.3	480	172	35.8	348	220	63.2
Unrelated individuals 65 yr and over.....	605	348	57.5	485	355	73.2	289	122	76.5
Male.....	202	103	51.0	164	112	68.1	128	91	71.1
Female.....	403	245	60.7	321	243	75.8	161	131	81.4

<sup>1</sup> Not available.

<sup>2</sup> Includes all persons living in 2-person families with male head 65 yr and over, without related children under 18 yr of age.

<sup>3</sup> For the year 1959, data shown are for black and other races.

Source: March Current Population Survey.

PRELIMINARY RESULTS FROM THE 1970 SURVEY OF INCOME AND EDUCATION

Attached are preliminary estimates from the Survey of Income and Education (SIE) on the numbers of persons, families, and children below the poverty level in 1975. Enclosure A, which was previously transmitted to Congress as required by Section 822(a) of the Educational Amendments of 1974 (Public Law 93-380), contains a description of the survey, a statement on the statistical reliability of the data, and a table comparing the number and poverty rates of children 5 to 17 years old in families below the poverty level from the 1970 census and the SIE, for States. Also attached are three tables summarizing additional SIE data which were transmitted to Congress: Table 3 presents the number of persons below the poverty level from the 1970 census and the SIE, for Regions, Divisions, and States; Table 4 shows comparable data for families; and Table 5 shows standard errors for persons, families, and children.

If there are any questions concerning these data, please contact Mr. Arno Winard of the Population Division at (301) 763-5790.

ENCLOSURE A

A BRIEF STATEMENT ON THE SURVEY OF INCOME AND EDUCATION AND OTHER RELATED MATTERS

*Introduction*

The Office of Education of the Department of Health, Education, and Welfare distributes funds authorized by Title I of the Elementary and Secondary Education Act of 1965 utilizing a formula that includes the estimate of the number of children 5 to 17 years of age in poverty families in each State in 1969 according to the 1970 Census of Population and Housing. As we move further in time from the census, the interstate relationships for children in poverty are likely to be modified because of differential rates of change in several factors including population growth, family formation and dissolution, and economic activity. Since 1970 national estimates of children in poverty have been available from the Current Population Survey (CPS). However, CPS estimates were not statistically reliable on a State-by-State basis.

Accordingly, Congress in enacting the Educational Amendments of 1974 (Public Law 93-380) provided in section 822(a) that, "The Secretary of Commerce shall, in consultation with the Secretary of Health, Education, and Welfare, expand the Current Population Survey (or make such other survey) in order to furnish current data for each State with respect to the total number of school-age children in each State to be counted for purposes of section 103(c)(1)(A) of title I of the Elementary and Secondary Act of 1965." Pursuant to this legislative requirement, the Bureau of the Census in cooperation with agencies of HEW mounted the Survey of Income and Education (SIE) and carried it out between April and July 1976.

The SIE will also satisfy another requirement of Public Law 93-380, section 731, which directs the Commissioner of Education to estimate from a survey the number of children and other persons in the States who, because of limited English-speaking ability, are in need of bilingual education, guidance, and counseling.

Finally, at HEW's request, the opportunity presented by such a large survey was also used to gather some additional income-related information not usually collected in the Census Bureau's current income surveys such as receipts of food stamps, housing costs for homeowners and renters, and estimated cash assets. Also, information relevant to a number of HEW programs was collected, including data on education, disability, health insurance coverage, and institutionalized persons.

Approximately 190,000 households were selected for the SIE sample and were spread through every State in the Union and the District of Columbia. Interviewers made personal visits to the sample households. Interviews were conducted with a responsible adult in the household and lasted approximately 45 minutes. As required, personal callbacks were made in instances where the initial respondent could not provide the necessary information. Approximately 50 percent of the interviews were completed by the end of May and 95 percent by the end of June. The remainder, including the conversion of a number of households that initially refused to be interviewed, were completed in July. The final response rate for the approximately 160,000 occupied households was 95.4 percent.

*Statistical reliability*

Based on our discussions with the respective congressional committees, it was agreed that the survey would be undertaken in such a manner that it would yield

estimates of the number of children in poverty with approximately the same statistical reliability (in percentage terms) for each State. These specifications were designed to assure an equitable distribution for each child in poverty throughout the country regardless of the size of the State of residence. Based on the expected use of the estimates and cost considerations, it was further agreed that the target level of sampling variability would be 10 percent; i.e., a 10 percent coefficient of variation (cv). Table 1 shows that by and large this was accomplished. Only three of the estimates have cv's greater than 12 percent and most are in the 8-12 percent range. Although the SIE estimates of school-age children in poverty are still preliminary and are undergoing continued analysis and evaluation, the sample estimates presented here are reasonably accurate (within the stated reliability) and provide a better measure of the current number and geographic distribution of these children than the 1970 census. We have, however, not finalized several important elements of our evaluation of the data. Particularly important in this regard are the results of the reinterview survey. We will be able to make firmer judgments concerning the quality and utility of the data in our next report, in approximately 6 months.

#### *Comparability of SIE estimates of poverty with estimates from the 1970 Census and the Current Population Survey (CPS)*

When comparing income and poverty statistics from various surveys and census, some differences in the estimates are to be expected even if they are for the same time period and use the same basic income concepts and definitions. For example, the March 1970 CPS estimated that there were 24.1 million persons in poverty in the United States in 1969, whereas the 1970 census estimate for the same year was 27.1 million persons—about 12 percent higher. The SIE estimate for 1975 was 24.0 million—about 7 percent lower than the recently published estimate for 1975 of 25.9 million for the March 1976 CPS.

These differences result from numerous causes. In addition to sampling variability, other factors affecting income estimates are: The number of income questions asked, the amount of training and general experience of the enumerators, the mode of collection of the data (personal interview, telephone, or mail), the length and timing of the interview, and the extent of the respondent's awareness of the various surveys' objectives and their ensuing cooperation. The net effect of these differences in procedures on family income is difficult to quantify. Research into these problems in 1977 may provide some measure of the difference in the surveys resulting from these factors.

#### *Comparison with the March 1976 CPS*

The March 1976 CPS supplement and the Survey of Income and Education (SIE) were both designed to obtain money income information for calendar year 1975. Although two major aspects of these two surveys were the same; i.e., the money income concept and the questionnaire wording and design, there were some significant procedural differences which probably cause the income estimates in these surveys to differ. These differences center on four main areas: (1) Survey objectives, (2) month of interview, (3) conditioning of respondents and mode of interview, and (4) interviewer experience.

1. *Survey objectives.*—The major objective of the SIE was to collect accurate income information for each State and the District of Columbia. The primary purpose of the CPS is to obtain accurate statistics on the labor force; e.g., the unemployment rate with income information added as a supplement in March. Presumably the increased emphasis on collection of income data in the training of interviewers and the introductory letters to respondents led to better (i.e., more complete) reporting and thus contributed to differences in the results between the two surveys.

2. *Month of interview.*—Virtually all interviews in the March 1976 CPS were conducted during the week of March 14 to 20. Only a small number of households were interviewed during the succeeding week. The SIE interviews took place, for the most part, in May and June, with a small number of interviews occurring in April and July. Since respondents often consult their tax returns in answering survey questions on income, the fact that the CPS interviews took place before the general April 15 deadline for filing tax returns may have disad-

vantages compared to the SIE survey. On the other hand, collection of data in May, June, and July for the SIE may have created significant recall problems for income and work experience during 1975.

3. *Conditioning of Respondents.*—To assure greater reliability of monthly labor force estimates, the CPS sample consists of eight rotation groups (panels) each of which is a national sample. Each of these panels is interviewed eight times in two separate 4-month periods in which one interview takes place each month. These two interview periods occur at a 1-year interval; i.e., a household interview for the first time in March 1975 would have been interviewed for the fifth time in March 1976. It has been well documented that repeated interviews of CPS sample households result in decreased respondent cooperation as the number of interviews increases. The SIE did not encounter these problems since all households were, in effect, being interviewed for the first time. In addition respondent cooperation to answer income questions is affected by the mode of interview. Interviewers tend to be able to secure more complete income information in a personal interview than a telephone interview. Whereas extensive use is made of the telephone interviews in the CPS, almost all of the SIE data were collected in personal interviews.

Preliminary analysis of the SIE data file indicates significantly lower nonresponse rates for income than those for the March 1976 CPS. Respondent conditioning and telephone interviews in the CPS are probably contributing factors to the differing income nonresponse rates.

4. *Interviewer Experience.*—The large number and wide distribution of SIE sample households made it necessary to hire a large number of new, temporary interviewers. Most of these people had no experience as interviewers in a household survey. The Census Bureau permanent staff of interviewers used for the March 1976 CPS represents a group of highly trained and experienced personnel who have worked with complex questionnaires and have been exposed to some difficult interviewing situations. Since some of the March 1976 CPS interviewers were used for the SIE, evaluation plans call for a comparison of the performances of the new interviewers and the experienced interviewers.

#### *Comparison with the 1970 Census*

Table 2 shows estimates by State of the number of children 5 to 17 years in families classified in poverty in the 1970 census and the 1976 Survey of Income and Education. As with the comparison of CPS and SIE data care should be exercised when comparing poverty data from these two sources because of numerous conceptual, collection, and processing differences. The income data from the SIE are based on responses to questions on 11 separate types of income, whereas in the census only six questions were used. Also, the household relationship definitions are somewhat different. For example, in the SIE college students living away from home are treated as family members at their family's home rather than as unrelated individuals living at their college residence. On the other hand, about 400 thousand persons classified as secondary family members in the SIE and CPS are classified as unrelated individuals in the census. The SIE interviewers had more intensive training on collecting income data and closer supervision than the large number of temporary census enumerators and consequently may have been able to obtain more accurate answers from respondents. Furthermore, as previously indicated, almost all the data in the SIE were obtained by personal interview while approximately 60 percent of the households reported on mail questionnaires in the 1970 census.

In addition, there are numerous processing differences between the census and the SIE. Particularly important are the procedures used to impute missing or incomplete income responses. The SIE data were processed using a much improved system recently adopted for processing the March CPS. Such procedures can have important effects in the estimates. A more complete evaluation of the SIE results with the census and CPS at the national, regional, and State levels will be forthcoming in the Census Bureau's evaluation report. This evaluation may result in a modified set of State estimates that differs from those included herein.

TABLE 1.—PRELIMINARY ESTIMATES OF CHILDREN 5 TO 17 YR OLD IN FAMILIES BY STATE, BY POVERTY STATUS, 1975

State	Total in families	In families below poverty level				
		Total	Number		Poverty ratio	
			Number	Percent (C.V.)	Percent poor	Standard error
United States.....	49,211,000	7,132,000	123,800	1.7	14.5	0.3
Alabama.....	858,990	136,210	15,673	11.5	15.9	1.8
Alaska.....	95,590	6,150	952	15.5	6.4	1.0
Arizona.....	549,200	92,430	8,745	9.5	16.8	1.6
Arkansas.....	495,910	106,060	10,269	9.7	21.4	2.1
California.....	4,705,530	648,050	52,570	8.1	13.8	1.1
Colorado.....	600,390	64,090	7,632	11.9	10.7	1.3
Connecticut.....	704,150	59,190	5,675	9.6	8.4	.8
Delaware.....	137,610	14,300	1,607	11.2	10.4	1.2
District of Columbia.....	144,610	22,740	2,738	12.0	15.7	1.9
Florida.....	1,768,410	382,550	33,000	8.6	21.6	1.9
Georgia.....	1,193,880	254,660	25,543	10.0	21.3	2.1
Hawaii.....	204,480	19,540	2,131	10.9	9.6	1.0
Idaho.....	205,130	22,530	1,690	7.5	11.0	.8
Illinois.....	2,570,280	389,150	27,314	7.0	15.1	1.1
Indiana.....	1,257,960	120,440	11,218	9.3	9.6	.9
Iowa.....	678,080	53,270	5,735	10.8	7.9	.8
Kansas.....	499,660	42,750	5,184	12.1	8.6	1.0
Kentucky.....	793,940	170,230	16,497	9.7	21.4	2.1
Louisiana.....	961,050	219,900	18,593	8.5	22.9	1.9
Maine.....	253,130	38,690	3,658	9.5	15.3	1.4
Maryland.....	974,980	104,150	10,954	10.5	10.7	1.1
Massachusetts.....	1,322,660	123,540	12,280	9.9	9.3	.9
Michigan.....	2,230,860	251,710	19,549	7.8	11.3	.9
Minnesota.....	958,470	87,340	9,162	10.5	9.1	1.0
Mississippi.....	596,000	194,340	13,840	7.1	32.6	2.3
Missouri.....	1,070,580	157,040	15,870	10.1	14.7	1.5
Montana.....	181,960	22,760	2,079	9.1	12.5	1.1
Nebraska.....	356,640	36,100	4,004	11.1	10.1	1.1
Nevada.....	143,320	15,770	1,389	8.8	11.0	1.0
New Hampshire.....	197,040	20,310	1,704	8.4	10.3	.9
New Jersey.....	1,672,110	193,800	15,007	7.7	11.6	.9
New Mexico.....	300,010	77,940	5,500	7.1	26.0	1.8
New York.....	3,992,870	524,020	42,785	8.2	13.1	1.1
North Carolina.....	1,244,490	221,210	24,445	11.1	17.8	2.0
North Dakota.....	155,410	17,820	2,059	11.6	11.5	1.3
Ohio.....	2,521,070	293,650	23,233	7.9	11.6	.9
Oklahoma.....	596,900	86,990	10,213	11.7	14.6	1.7
Oregon.....	511,540	42,760	4,658	10.9	8.4	.9
Pennsylvania.....	2,605,050	329,020	25,614	7.8	12.6	1.0
Rhode Island.....	205,790	21,520	2,166	10.1	10.5	1.1
South Carolina.....	692,700	165,700	14,510	8.8	23.9	2.1
South Dakota.....	164,830	21,660	2,969	13.7	13.1	1.8
Tennessee.....	954,940	195,680	19,346	9.9	20.5	2.0
Texas.....	2,890,460	591,720	37,255	6.3	20.5	1.3
Utah.....	315,310	25,270	2,724	10.8	8.0	.9
Vermont.....	112,260	20,020	1,548	7.7	17.8	1.4
Virginia.....	1,138,750	155,750	17,012	10.9	13.7	1.5
Washington.....	609,070	81,290	8,245	10.1	10.0	1.0
West Virginia.....	401,560	76,020	7,455	9.8	18.9	1.9
Wisconsin.....	1,124,090	105,950	10,494	9.9	9.4	.9
Wyoming.....	89,990	7,740	765	9.9	8.6	.9

Source: Survey of Income and Education, U.S. Bureau of the Census.

TABLE 2.—NUMBER, PERCENT DISTRIBUTION, AND POVERTY RATES OF POOR CHILDREN 5 TO 17 YR OLD IN FAMILIES, BY STATE: 1970 CENSUS AND SIE

Divisions, regions, and States	Poor children 5 to 17 yr old				Percent of U.S. poor		Poverty rate	
	1970 census		SIE		1970 census	SIE	1970 census	SIE
	Number	Standard error	Number	Standard error				
United States, total.....	7,700,368	9,799	*7,132,000	123,800	100.00	100.00	14.8	14.5
Northeast.....	1,247,028	3,797	1,330,110	52,080	16.21	*18.64	10.5	*12.0
New England.....	260,121	1,734	283,270	14,693	3.39	*3.96	8.9	*10.1
Maine.....	36,308	636	38,690	3,658	.47	.54	14.2	15.3
New Hampshire.....	14,286	402	*20,310	1,704	.19	*.28	7.7	*10.3
Vermont.....	13,062	383	*20,020	1,548	.17	*.28	11.4	*17.8
Massachusetts.....	116,900	1,151	123,540	12,280	1.52	1.73	8.4	9.3
Rhode Island.....	24,482	525	21,520	2,166	.32	.30	11.0	10.5
Connecticut.....	55,083	790	59,190	5,675	.72	.83	7.2	8.4
Middle Atlantic.....	986,907	3,378	1,046,840	50,598	12.82	*14.68	11.0	12.7
New York.....	526,402	2,410	524,020	42,785	6.84	7.35	12.2	13.1
New Jersey.....	155,690	1,323	193,800	15,007	2.02	*2.72	8.7	*11.6
Pennsylvania.....	304,815	1,852	329,020	25,614	3.96	4.61	10.6	12.6
North Central.....	1,539,350	4,218	1,576,880	46,444	20.00	*22.12	10.4	11.6
East North Central.....	1,023,717	3,440	*1,160,900	42,287	13.29	*16.29	9.7	*12.0
Ohio.....	273,542	1,757	293,650	23,233	3.55	4.12	9.8	11.6
Indiana.....	123,484	1,182	120,440	11,218	1.60	1.69	9.0	9.6
Illinois.....	302,311	1,845	*389,150	27,314	3.93	*5.46	10.7	*15.1
Michigan.....	220,465	1,581	251,710	19,549	2.86	*3.53	9.1	*11.3
Wisconsin.....	103,895	1,081	105,950	10,494	1.35	1.49	8.7	9.4
West North Central.....	515,633	2,441	*415,980	19,732	6.71	*5.83	12.1	*10.7
Minnesota.....	98,936	1,056	87,340	9,162	1.28	1.22	9.5	9.1
Iowa.....	72,000	901	*53,270	5,735	.94	*.75	9.8	*7.9
Missouri.....	172,955	1,382	157,040	15,870	2.25	2.20	14.8	14.7
North Dakota.....	27,354	550	*17,820	2,059	.36	*.25	15.7	*11.5
South Dakota.....	33,815	609	*21,660	2,969	.44	*.30	18.3	*13.1
Nebraska.....	45,952	717	35,100	4,004	.60	.51	12.0	10.1
Kansas.....	64,521	852	*42,750	5,184	.84	*.60	11.5	*8.6
South.....	3,815,961	6,642	*3,098,210	75,623	49.55	*43.43	23.5	*19.6
South Atlantic.....	1,605,208	4,308	*1,397,080	52,728	20.85	*19.58	20.7	*18.2
Delaware.....	17,372	441	14,300	1,607	.23	.20	12.0	10.4
Maryland.....	116,951	1,145	104,150	10,954	1.52	1.46	11.5	10.7
District of Columbia.....	37,193	639	*22,740	2,738	.48	*.32	23.2	*15.7
Virginia.....	214,357	1,530	*155,750	17,012	2.78	*2.18	18.2	*13.7
West Virginia.....	106,359	1,073	*76,020	7,455	1.38	*1.07	24.3	*18.9
North Carolina.....	312,545	1,849	*221,210	24,445	4.06	*3.10	24.0	*17.8
South Carolina.....	206,985	1,476	165,700	14,510	2.69	2.32	29.1	*23.9
Georgia.....	293,871	1,771	254,660	25,543	3.82	3.57	24.4	21.3
Florida.....	299,575	1,812	382,550	33,000	3.89	*5.36	18.9	21.6
East South Central.....	987,444	3,379	*696,460	32,829	12.82	*9.76	29.3	*21.7
Kentucky.....	208,462	1,495	170,230	16,497	2.71	2.39	25.1	21.4
Tennessee.....	245,157	1,629	195,680	19,346	3.18	2.74	24.8	*20.5
Alabama.....	272,146	1,710	*136,210	15,673	3.53	*1.91	29.5	*15.9
Mississippi.....	261,679	1,638	*194,340	13,840	3.40	*2.72	41.5	*32.6
West South Central.....	1,223,309	3,761	*1,004,670	42,777	15.88	*14.09	23.9	*20.3
Arkansas.....	155,135	1,284	*106,060	10,269	2.01	*1.49	31.6	*21.4
Louisiana.....	308,850	1,812	*219,900	18,593	4.01	*3.08	30.1	*22.9
Oklahoma.....	122,548	1,158	*86,990	10,213	1.59	*1.22	19.5	*14.6
Texas.....	636,776	2,637	591,720	37,255	8.27	8.30	21.5	20.5
West.....	1,098,029	3,761	1,126,320	53,100	14.26	*15.80	12.4	12.9

TABLE 2.—NUMBER, PERCENT DISTRIBUTION, AND POVERTY RATES OF POOR CHILDREN 5 TO 17 YR OLD IN FAMILIES, BY STATE: 1970 CENSUS AND SIE—Continued

Divisions, regions, and States	Poor children 5 to 17 yr old				Percent of U.S. poor		Poverty rate	
	1970 census		SIE		1970 census	SIE	1970 census	SIE
	Number	Standard error	Number	Standard error				
Mountain.....	336,281	1,972	328,530	13,314	4.37	4.61	14.7	13.8
Montana.....	24,998	528	22,670	2,079	.32	.32	12.9	12.5
Idaho.....	23,716	514	22,530	1,690	.31	.32	12.0	11.0
Wyoming.....	10,054	336	7,740	765	.13	.11	11.2	*8.6
Colorado.....	71,254	893	64,090	7,632	.93	.90	12.3	10.7
New Mexico.....	80,559	924	77,940	5,500	1.05	1.09	26.3	25.0
Arizona.....	84,014	950	92,340	8,745	1.09	1.30	17.5	16.8
Utah.....	30,796	588	25,270	2,724	.40	.35	10.0	*8.0
Nevada.....	10,890	351	*15,770	1,389	.14	*.22	8.8	*11.0
Pacific.....	761,748	29,967	797,790	50,414	9.89	11.19	11.6	12.6
Washington.....	80,172	949	81,290	8,245	1.04	1.14	9.3	10.0
Oregon.....	53,953	779	42,760	4,658	.70	.60	10.3	*8.4
California.....	595,765	2,556	648,050	52,570	7.74	9.09	12.1	13.8
Alaska.....	12,393	370	*6,150	952	.16	*.09	14.6	*6.4
Hawaii.....	19,465	468	19,540	2,131	.25	.27	9.7	9.6

<sup>1</sup> Revised May 6, 1977.

\*An asterisk (\*) preceding the SIE data indicates statistically significant change at the 95-percent confidence level from the 1970 census data.

TABLE 3.—NUMBER, PERCENT DISTRIBUTION, AND POVERTY RATES OF PERSONS BELOW THE POVERTY LEVEL IN 1969 AND 1975, BY STATE: 1970 CENSUS AND SIE

Divisions, regions, and States	Number of persons				Percent of U.S. persons in poverty		Poverty rate	
	1970 census		SIE		1970 census	SIE	1970 census	SIE
	Total	Below poverty level	Total	Below poverty level				
United States, total.....	198,059,951	27,124,985	211,308,430	*23,990,680	100.00	100.00	13.7	*11.4
Northeast.....	47,931,199	4,820,503	48,778,650	*4,336,350	17.77	18.08	10.1	*8.9
New England.....	11,488,630	1,033,081	12,060,400	*946,420	3.81	3.94	9.0	*7.8
Maine.....	962,333	131,271	1,053,890	126,170	.48	.53	13.6	*12.0
New Hampshire.....	712,530	64,807	817,620	64,670	.24	.27	9.1	*7.9
Vermont.....	426,226	51,621	468,620	*63,360	.19	*.26	12.1	13.5
Massachusetts.....	5,523,939	473,200	5,746,190	*408,110	1.74	1.70	8.6	*7.1
Rhode Island.....	905,130	99,997	912,010	*79,640	.37	.33	11.0	*8.7
Connecticut.....	2,958,472	212,185	3,062,070	204,470	.78	.85	7.2	6.7
Middle Atlantic.....	36,442,569	3,787,422	36,718,250	*3,389,930	13.96	14.13	10.4	*9.2
New York.....	17,854,680	1,985,954	17,815,060	*1,670,600	7.32	6.96	11.1	*9.4
New Jersey.....	7,043,512	573,674	7,240,060	586,430	2.11	*2.44	8.1	8.1
Pennsylvania.....	11,544,377	1,227,794	11,663,130	1,132,900	4.53	4.72	10.6	9.7
North Central.....	55,221,923	5,951,611	56,979,410	*5,336,420	21.94	22.24	10.8	*9.4
East North Central.....	39,372,144	3,886,891	40,505,310	3,744,430	14.33	*15.61	9.9	*9.2
Ohio.....	10,434,754	1,041,348	10,631,810	997,260	3.83	4.16	10.0	9.4
Indiana.....	5,071,114	493,379	5,258,140	*423,700	1.82	1.77	9.7	*8.1
Illinois.....	10,864,707	1,112,145	10,982,690	1,150,380	4.10	*4.80	10.2	10.5
Michigan.....	8,697,689	819,438	9,063,380	820,990	3.02	*3.42	9.4	9.1
Wisconsin.....	4,303,880	420,581	4,569,290	*352,100	1.55	1.47	9.8	*7.7
West North Central.....	15,849,779	2,064,720	16,474,100	*1,591,990	7.61	*6.64	13.0	*9.7
Minnesota.....	3,711,468	397,662	3,887,890	*323,690	1.47	1.35	10.7	*8.3
Iowa.....	2,743,944	318,605	2,835,590	*225,200	1.17	*.94	11.6	*7.9
Missouri.....	4,556,830	672,092	4,704,450	*564,960	2.48	2.35	14.7	*12.0
North Dakota.....	592,871	93,086	621,490	*65,590	.34	*.27	15.7	*10.6
South Dakota.....	640,631	119,543	671,580	*87,850	.44	*.37	18.7	*13.1
Nebraska.....	1,436,577	188,235	1,526,520	*146,940	.69	.61	13.1	*8.6
Kansas.....	2,167,458	275,497	2,226,580	*177,760	1.02	*.74	12.7	*8.0
South.....	61,051,406	12,388,040	67,864,200	*10,406,370	45.67	*43.38	20.3	*15.3

TABLE 3.—NUMBER, PERCENT DISTRIBUTION, AND POVERTY RATES OF PERSONS BELOW THE POVERTY LEVEL IN 1969 AND 1975, BY STATE: 1970 CENSUS AND SIE—Continued

Divisions, regions, and States	Number of persons				Percent of U.S. persons in poverty		Poverty rate	
	1970 census		SIE		1970 census	SIE	1970 census	SIE
	Total	Below poverty level	Total	Below poverty level				
South Atlantic.....	29,744,685	5,242,305	33,572,530	*4,604,590	19.33	19.19	17.6	*13.7
Delaware.....	532,911	58,155	574,860	*47,270	.21	.20	10.9	*8.2
Maryland.....	3,825,999	386,579	4,055,320	*313,430	1.43	1.01	10.1	*7.7
District of Columbia..	724,306	123,109	692,550	*86,460	.45	*.36	17.0	*12.5
Virginia.....	4,458,506	690,615	4,906,560	*513,470	2.55	*2.14	15.5	*10.5
West Virginia.....	1,708,917	380,113	1,792,050	*270,240	1.40	*1.13	22.2	*15.1
North Carolina.....	4,505,849	996,309	5,369,170	*787,550	3.67	3.28	20.3	*14.7
South Carolina.....	2,489,935	594,938	2,781,200	*477,850	2.19	1.99	23.9	*17.2
Georgia.....	4,460,755	924,262	4,907,750	882,000	3.41	3.68	20.7	*18.0
Florida.....	6,637,507	1,088,225	8,493,070	1,225,410	4.01	*5.11	16.4	*14.4
East South Central.....	12,494,486	3,178,571	13,459,370	*2,449,530	11.72	*10.21	25.4	*18.2
Kentucky.....	3,130,413	718,313	3,371,870	*595,740	2.65	2.48	22.9	*17.7
Tennessee.....	3,831,231	836,405	4,178,380	*659,780	3.08	2.75	21.8	*15.8
Alabama.....	3,368,487	857,248	3,584,560	*586,780	3.16	*2.45	25.4	*16.4
Mississippi.....	2,164,355	766,605	2,324,560	*607,230	2.83	*2.53	35.4	*26.1
West South Central.....	18,812,235	3,967,154	20,832,300	*3,352,250	14.63	13.97	21.1	*16.1
Arkansas.....	1,880,560	522,969	2,125,620	*392,340	1.93	*1.64	27.8	*18.5
Louisiana.....	3,551,429	932,671	3,739,270	*719,890	3.44	*3.00	26.3	*19.3
Oklahoma.....	2,473,389	464,931	2,680,200	*369,950	1.71	1.54	18.8	*13.8
Texas.....	10,906,857	2,046,593	12,287,210	*1,870,070	7.55	7.79	18.8	*15.2
West.....	33,855,431	3,964,831	37,686,170	3,911,540	14.62	*16.30	11.7	*10.4
Mountain.....	8,071,947	1,137,716	9,732,780	1,127,010	4.19	*4.70	14.1	*11.6
Montana.....	676,437	91,669	774,510	85,890	.34	.36	13.6	*11.5
Idaho.....	695,905	91,578	827,830	85,330	.34	.36	13.2	*10.3
Wyoming.....	323,891	37,868	375,860	*32,710	.14	.14	11.7	*8.7
Colorado.....	2,133,176	263,224	2,536,370	230,180	.97	.96	12.3	*9.1
New Mexico.....	994,258	227,120	1,152,000	222,560	.84	.93	22.8	*19.3
Arizona.....	1,732,836	264,430	2,274,290	*314,380	.97	*1.31	15.3	13.8
Utah.....	1,035,801	118,349	1,220,710	*103,160	.44	.43	11.4	*8.5
Nevada.....	479,643	43,478	601,210	*52,800	.16	*.22	9.1	8.8
Pacific.....	25,783,484	2,827,115	27,953,390	2,784,530	10.42	*11.61	11.0	*10.0
Washington.....	3,300,222	335,597	3,495,780	298,520	1.24	1.24	10.2	*8.2
Oregon.....	2,043,048	234,848	2,289,840	*203,990	.87	.85	11.5	*8.9
California.....	19,425,370	2,152,716	20,981,230	2,192,170	7.93	*9.14	11.1	10.4
Alaska.....	279,970	35,411	344,670	*22,950	.13	*.10	12.6	*6.7
Hawaii.....	734,874	68,543	841,870	66,900	.25	.28	9.3	*7.9

\*An asterisk (\*) preceding the SIE data indicates statistically significant change at the 95-percent confidence level from the 1970 census data. An asterisk is not necessary for the SIE total column because these numbers are not subject to sampling error.

Source: 1970 Census and Survey of Income and Education.

TABLE 4.—NUMBER, PERCENT DISTRIBUTION, AND POVERTY RATES OF FAMILIES BELOW THE POVERTY LEVEL IN 1969 AND 1975, BY STATE: 1970 CENSUS AND SIE

Divisions, regions, and States	Number of families				Percent of U.S. families in poverty		Poverty rate	
	1970 census		SIE		1970 census	SIE	1970 census	SIE
	Total	Below poverty level	Total	Below poverty level				
United States, total....	51,168,599	5,462,216	56,080,030	*5,050,780	100.00	100.00	10.7	*9.0
Northeast.....	12,394,267	935,906	12,842,810	920,970	17.13	*18.23	7.6	7.2
New England.....	2,934,690	195,178	3,163,920	204,800	3.57	*4.05	6.7	6.5
Maine.....	249,154	25,622	278,840	25,840	.47	.51	10.3	9.3
New Hampshire.....	183,825	12,243	218,040	12,810	.22	.25	6.7	*5.9
Vermont.....	107,411	9,732	122,360	*13,220	.18	*.26	9.1	*10.8
Massachusetts.....	1,390,982	86,691	1,482,910	90,110	1.59	1.78	6.2	6.1
Rhode Island.....	236,667	20,041	241,580	*16,730	.37	.33	8.5	*6.9
Connecticut.....	767,651	40,849	820,190	46,090	.75	*.91	5.3	5.6



TABLE 4.—NUMBER, PERCENT DISTRIBUTION, AND POVERTY RATES OF FAMILIES BELOW THE POVERTY LEVEL IN 1969 AND 1975, BY STATE: 1970 CENSUS AND SIE—Continued

Divisions, regions, and States	Number of families				Percent of U.S. families in poverty		Poverty rate	
	1970 census		SIE		1970 census		SIE	
	Total	Below poverty level	Total	Below poverty level	1970 census	SIE	1970 census	SIE
Middle Atlantic.....	9,459,577	740,728	9,678,890	716,170	13.56	14.18	7.8	7.4
New York.....	4,609,638	391,098	4,675,710	356,580	7.16	7.06	8.5	*7.6
New Jersey.....	1,839,809	112,637	1,926,860	*132,530	2.06	*2.62	6.1	*6.9
Pennsylvania.....	3,011,130	236,993	3,076,320	227,060	4.34	4.50	7.9	7.4
North Central.....	14,184,786	1,171,102	15,060,610	*1,109,320	21.44	21.96	8.3	*7.4
East North Central.....	10,074,742	755,985	10,683,770	783,240	13.84	*15.51	7.5	7.3
Ohio.....	2,691,130	204,874	2,832,670	208,180	3.75	4.12	7.6	7.3
Indiana.....	1,321,674	97,545	1,421,900	*85,360	1.79	1.69	7.4	*6.0
Illinois.....	2,794,194	213,849	2,848,840	237,650	3.92	*4.71	7.7	8.3
Michigan.....	2,190,269	160,034	2,398,620	*183,150	2.93	*3.63	7.3	7.6
Wisconsin.....	1,077,475	79,683	1,181,740	*68,900	1.46	1.36	7.4	*5.8
West North Central.....	4,110,044	415,117	4,376,840	*326,080	7.60	*6.46	10.1	*7.5
Minnesota.....	921,332	75,923	994,020	*63,480	1.39	1.26	8.2	*6.4
Iowa.....	717,776	63,956	750,780	*43,920	1.17	*.87	8.9	*5.8
Missouri.....	1,204,751	138,795	1,275,570	*120,930	2.54	2.39	11.5	*9.5
North Dakota.....	148,235	18,332	158,780	*12,630	.34	*.25	12.4	*8.0
South Dakota.....	161,941	23,887	177,230	*18,780	.44	*.37	14.8	*10.6
Nebraska.....	374,160	37,868	401,120	*28,680	.69	*.57	10.1	*7.1
Kansas.....	581,849	56,356	619,340	*37,660	1.03	*.75	9.7	*6.1
South.....	15,907,699	2,581,333	18,251,910	*2,202,460	47.26	*43.61	16.2	*12.1
South Atlantic.....	7,773,582	1,083,600	9,078,310	*985,350	19.84	19.51	13.9	*10.9
Delaware.....	136,915	11,274	153,170	10,160	.21	.20	8.2	*6.6
Maryland.....	974,143	74,601	1,066,480	66,300	1.37	1.31	7.7	*6.2
District of Columbia.....	163,482	20,787	158,220	18,030	.38	.36	12.7	11.4
Virginia.....	1,162,256	143,005	1,317,930	*109,590	2.62	*2.17	12.3	*8.3
West Virginia.....	454,493	81,697	494,520	*56,740	1.50	*1.12	18.0	*11.5
North Carolina.....	1,292,466	211,222	1,504,160	*182,360	3.87	3.61	16.3	*12.1
South Carolina.....	628,689	119,308	730,880	*94,300	2.18	*1.87	19.0	*12.9
Georgia.....	1,149,771	192,465	1,292,020	189,440	3.52	3.73	16.7	*14.6
Florida.....	1,811,367	229,241	2,360,930	259,430	4.20	*5.14	12.7	*11.0
East South Central.....	3,258,771	680,025	3,638,080	*528,760	12.45	*10.47	20.9	*14.5
Kentucky.....	825,222	158,779	909,490	*135,700	2.91	2.69	19.2	*14.9
Tennessee.....	1,024,446	186,326	1,161,850	*145,940	3.41	*2.89	18.2	*12.6
Alabama.....	874,659	180,666	969,540	*125,140	3.31	*2.48	20.7	*12.9
Mississippi.....	534,444	154,254	597,200	*121,980	2.82	*2.42	28.9	*20.4
West South Central.....	4,875,346	817,708	5,535,520	*688,350	14.97	*13.63	16.8	*12.4
Arkansas.....	505,195	114,945	584,530	*82,470	2.10	*1.63	22.8	*14.1
Louisiana.....	872,772	187,955	944,300	*141,330	3.44	*2.80	21.5	*15.0
Oklahoma.....	679,256	102,210	748,620	*83,200	1.87	1.65	15.0	*11.1
Texas.....	2,818,123	412,598	3,258,070	381,350	7.55	7.55	14.6	*11.7
West.....	8,681,847	773,875	9,924,700	818,030	14.17	*16.20	8.9	*8.2
Mountain.....	2,038,168	221,724	2,527,680	227,280	4.06	*4.50	10.9	*9.0
Montana.....	171,812	17,821	193,110	17,230	.33	.34	10.4	*8.9
Idaho.....	179,448	19,564	221,760	18,230	.36	.36	10.9	*8.2
Wyoming.....	84,763	7,841	100,200	6,970	.14	.14	9.3	*7.0
Colorado.....	547,165	49,850	660,120	*41,890	.91	.83	9.1	*6.3
New Mexico.....	242,740	44,906	297,430	46,200	.82	.91	18.5	*15.5
Arizona.....	438,389	58,359	592,370	*64,250	.92	*1.27	11.5	10.8
Utah.....	249,741	22,802	303,330	21,310	.42	.42	9.1	*7.0
Nevada.....	124,170	8,641	159,350	11,200	.16	*.22	7.0	7.0
Pacific.....	6,643,679	552,151	7,397,020	590,750	10.11	*11.70	8.3	8.0
Washington.....	862,542	65,250	924,340	60,770	1.19	1.20	7.6	*6.6
Oregon.....	524,483	46,456	615,190	41,190	.85	.82	8.6	*6.7
California.....	5,001,255	421,200	5,574,210	471,590	7.71	*9.34	8.4	8.6
Alaska.....	66,670	6,199	82,310	*4,270	.11	*.08	9.3	*5.2
Hawaii.....	170,629	13,046	200,970	12,930	.24	.26	7.6	*6.4

\*An asterisk (\*) preceding the SIE data indicates statistically significant change at the 95-percent confidence level from the 1970 census data. An asterisk is not necessary for the SIE total column because these numbers are not subject to sampling error.

Source: 1970 Census and Survey of Income and Education.

TABLE 5.—PERSONS, FAMILIES, AND CHILDREN 5 TO 17 YR OLD BELOW THE POVERTY LEVEL IN 1969 AND 1975, BY STATE: 1970 CENSUS AND SIE

Divisions, regions, and States	Persons			Families			Children 5 to 17 yr		
	SIE			SIE			SIE		
	1970 census	Number	Standard error	1970 census	Number	Standard error	1970 census	Number	Standard error
United States, total	27,124,985	*23,990,680	274,000	5,462,216	*5,050,780	62,000	7,700,368	*7,131,520	116,000
Northeast	4,820,503	*4,336,350	120,932	935,906	920,970	27,065	1,247,028	1,330,110	52,100
New England	1,033,081	*946,420	34,406	195,178	204,800	7,734	260,121	283,270	14,700
Maine	131,271	126,170	8,406	25,622	25,840	1,872	36,308	38,690	3,620
New Hampshire	64,807	64,670	3,879	12,243	12,810	833	14,286	*20,310	1,700
Vermont	51,621	*63,360	3,528	9,732	*13,220	802	13,062	*20,020	1,530
Massachusetts	473,200	*408,110	28,319	86,691	90,110	6,409	116,900	123,540	12,170
Rhode Island	99,997	*79,640	5,293	20,041	*16,730	1,174	24,482	21,520	2,160
Connecticut	212,185	204,470	13,408	40,849	46,090	3,085	55,083	59,190	5,650
Middle Atlantic	3,787,422	*3,389,930	117,359	740,728	716,170	26,216	986,907	1,046,840	50,600
New York	1,985,954	*1,670,600	95,967	391,098	356,580	21,566	526,402	524,020	41,630
New Jersey	573,674	586,430	33,283	112,637	*132,530	7,652	155,690	*193,800	14,850
Pennsylvania	1,227,794	1,132,900	59,982	236,993	227,060	13,093	304,815	329,020	25,160
North Central	5,591,611	*5,336,420	109,407	1,171,102	*1,109,320	24,271	1,539,350	1,576,880	46,400
East North Central	3,886,891	3,744,430	97,508	755,965	783,240	21,683	1,023,717	1,160,900	42,300
Ohio	1,041,348	997,260	54,000	204,874	208,180	12,005	273,542	293,650	22,850
Indiana	483,379	*423,700	26,622	97,545	*85,360	5,781	123,484	120,440	11,130
Illinois	1,112,145	1,150,380	59,654	213,849	237,650	13,258	302,311	*389,150	26,730
Michigan	819,438	820,950	44,609	160,034	*183,150	10,229	220,485	251,710	19,300
Wisconsin	420,581	*352,100	24,248	79,683	*68,900	5,184	103,895	105,950	10,420
West North Central	2,064,720	*1,591,990	49,065	415,117	*326,080	10,817	515,633	415,980	19,700
Minnesota	397,662	*323,690	22,316	75,923	*63,480	4,787	98,936	87,340	9,130
Iowa	318,605	*225,200	14,851	63,956	*43,920	3,174	72,000	*53,270	5,720
Missouri	672,092	*564,960	38,016	138,795	*120,930	8,656	172,955	157,000	15,620
North Dakota	93,086	*65,590	4,956	18,332	*12,630	1,067	27,354	*17,820	2,030
South Dakota	119,543	*87,850	7,421	23,887	*18,780	1,698	33,815	*21,660	2,920
Nebraska	188,235	*146,940	10,171	37,868	*28,680	2,187	45,952	*36,100	3,980
Kansas	275,497	*177,760	13,337	56,356	*37,660	2,968	64,621	*42,750	5,160
South	12,388,040	*10,406,370	179,503	2,581,733	*2,202,460	41,303	3,815,961	3,098,210	75,600

TABLE 5.—PERSONS, FAMILIES, AND CHILDREN 5 TO 17 YR OLD BELOW THE POVERTY LEVEL IN 1969 AND 1975, BY STATE: 1970 CENSUS AND SIE—Continued

Divisions, regions, and States	Persons			Families			Children 5 to 17 yr		
	SIE			SIE			SIE		
	1970 census	Number	Standard error	1970 census	Number	Standard error	1970 census	Number	Standard error
South Atlantic.....	5, 242, 305	*4, 604, 590	124, 084	1, 083, 600	*985, 350	28, 484	1, 605, 208	1, 397, 080	52, 700
Delaware.....	58, 155	*47, 270	3, 716	11, 274	10, 160	836	17, 372	14, 300	1, 600
Maryland.....	386, 579	*313, 430	24, 187	74, 601	66, 300	5, 375	116, 951	104, 150	10, 850
District of Columbia.....	123, 109	*86, 460	6, 790	20, 787	18, 030	1, 528	37, 193	*22, 740	2, 700
Virginia.....	630, 615	*513, 470	39, 061	143, 005	*109, 530	8, 830	214, 357	*155, 750	16, 740
West Virginia.....	380, 113	*270, 240	17, 821	81, 697	*56, 740	4, 080	106, 359	*76, 020	7, 310
North Carolina.....	996, 309	*787, 650	57, 713	211, 222	*182, 360	13, 824	312, 545	*221, 210	23, 790
South Carolina.....	594, 938	*477, 860	31, 809	119, 308	*94, 300	7, 142	206, 985	*165, 700	14, 230
Georgia.....	924, 262	882, 800	59, 146	192, 465	188, 440	13, 844	293, 871	254, 660	24, 640
Florida.....	1, 088, 225	1, 225, 410	74, 647	229, 241	259, 430	17, 108	299, 575	*283, 550	31, 600
East South Central.....	3, 178, 571	*2, 449, 530	79, 458	680, 025	*528, 760	18, 724	987, 444	696, 460	32, 800
Kentucky.....	718, 313	*595, 740	38, 975	158, 779	*135, 700	9, 396	208, 462	*170, 230	16, 130
Tennessee.....	836, 405	*659, 780	44, 845	186, 326	*145, 940	10, 561	245, 157	*195, 680	18, 800
Alabama.....	857, 248	*586, 780	40, 236	180, 666	*125, 140	9, 337	272, 146	*136, 210	15, 400
Mississippi.....	766, 605	*605, 230	31, 139	154, 254	*121, 980	7, 393	261, 679	*194, 340	13, 350
West South Central.....	3, 967, 164	*3, 352, 250	101, 116	817, 708	*688, 350	23, 020	1, 223, 309	1, 004, 670	42, 800
Arkansas.....	522, 969	*392, 340	24, 693	114, 945	*82, 470	5, 756	155, 135	*106, 060	9, 990
Louisiana.....	932, 671	*719, 890	42, 373	187, 955	*141, 330	9, 588	308, 850	*219, 900	18, 140

Oklahoma.....	464,931	*369,950	26,354	102,210	*83,200	6,201	122,548	*86,990	10,080
Texas.....	2,046,593	*1,870,070	83,724	412,598	381,350	18,928	636,776	591,720	36,200
West.....	3,964,831	3,911,540	126,720	773,875	818,030	28,327	1,098,029	1,126,320	53,100
Mountain.....	1,137,716	1,127,010	31,514	221,724	227,280	6,954	336,281	328,530	13,300
Montana.....	91,669	85,890	5,088	17,821	17,230	1,124	21,998	22,760	2,060
Idaho.....	91,578	85,330	4,154	19,504	18,230	935	23,716	22,530	1,680
Wyoming.....	37,868	*32,710	1,979	7,841	6,970	445	19,054	*7,740	760
Colorado.....	263,224	230,180	18,271	49,850	*41,890	3,792	71,254	64,090	7,560
New Mexico.....	227,120	222,560	11,926	44,906	46,200	2,777	80,559	77,940	5,370
Arizona.....	264,430	*314,380	20,521	50,359	*64,250	4,614	84,014	92,430	8,650
Utah.....	118,349	*103,160	6,898	22,802	21,310	1,517	30,796	*25,270	2,710
Nevada.....	43,478	*52,800	3,236	8,641	*11,200	726	10,890	*15,770	1,380
Pacific.....	2,827,115	2,784,530	120,926	552,151	590,750	27,161	761,748	797,790	50,400
Washington.....	335,597	298,520	19,997	65,250	60,770	4,378	80,172	81,290	8,190
Oregon.....	234,848	*203,990	12,765	46,456	41,190	2,787	53,953	*42,760	4,640
California.....	2,152,716	2,192,170	120,551	421,200	471,590	27,325	595,765	648,050	50,910
Alaska.....	35,411	*22,950	2,309	6,199	*4,270	482	12,393	*6,150	950
Hawaii.....	68,543	66,900	4,995	13,046	12,930	1,064	19,465	19,540	2,120

<sup>1</sup> Revised April 13, 1977.

\* An asterisk (\*) preceding the SIE data indicates statistically significant change at the 95-percent confidence level from 19 the 70 census data.

Source: 1970 Census and Survey of Income and Education.

## ENCLOSURE B

## IMPACT OF UPDATED ESTIMATES OF CHILDREN IN POVERTY ON THE ALLOCATION OF TITLE I FUNDS

*1. ESEA title I allocation formula*

The Elementary and Secondary Education Act as amended in 1974 provides for the allocation of funds to counties according to a formula that defines the children to be counted (the eligible population) and the payment rate. Three groups of children are counted in the eligible population: (a) children 5-17 in poor families defined by the 1970 census; (b) two-thirds of the children in families currently receiving AFDC payments in excess of the poverty line;<sup>1</sup> and (c) children currently institutionalized because of delinquency or neglect and children in foster homes supported with public funds. The payment rate is set at 40 percent of the current expenditures per pupil in each State with a minimum set at about one-third of the national average and a maximum set at about one-half of the national average. The eligible population multiplied by the payment rate determines the Title I authorization for each county. If the sum of such authorizations for the country as a whole exceeds the amount appropriated for this purpose by the Congress, the authorizations are ratably reduced subject to the further qualification that each county is guaranteed a payment of at least 85 percent of the amount received during the preceding year. This provision is referred to as the "floor" or the "hold harmless" provision.

Children in poverty families are the major component of the eligible population. As noted above, the 1970 census estimates of these children are currently being used in the allocation of Title I funds. PL 93-380 mandates an examination of the impact of updating the numbers of poor children on the title I allocations.

How would the distribution of title I funds change if the present allocation formula were used, but the current estimates of children in poverty were substituted for the figures from the 1970 census? The following analysis is an attempt to answer this question.

*2. Net impact of updated count of poor children on title I allocations for fiscal year 1977 based on SIE estimates*

Table 1 shows the fiscal year 1977 payment rate and the eligible population using census and SIE estimates of children 5-17 in poverty families. Also shown are current numbers for other eligible children; i.e., those in AFDC families receiving AFDC payments in excess of \$5,000 and those in eligible institutions or foster homes. These estimates were then used to determine an illustrative allocation of title I funds for fiscal year 1977.

Table 2 shows how the allocation of title I funds in fiscal year 1977 would change if the 1970 census count of poor children were replaced with an updated count for 1975 based on the SIE, but all other aspects of the allocation procedure remained unchanged. Actual figures based on the current allocation procedure are shown in Column 1. The amount each State would receive if the poverty estimates were updated is shown in Column 2. It should be noted that the hold harmless provisions were not applied when computing the illustrative updated allocations. The difference expressed both in absolute and relative terms is shown in Columns 3 and 4.

Because of changes in the geographic redistribution of poor children as measured by the SIE, the use of an updated count would have a considerable impact on the allocation of title I funds. Generally speaking, the amounts going to the large industrial States in the North and West would be increased considerably whereas most of the southern States would receive reductions. The nine States

<sup>1</sup> As actually administered, two-thirds of the children in families currently receiving AFDC payments in excess of \$5,000 was used for the F.Y. 1977 allocation.

in the Northeast region now receives \$380 million in title I funds. The allotment of these States would increase to \$417 million if the allocations were based on the SIE estimates. All but one of the States in this region would receive increased allotments. The sole exception is Rhode Island which would lose about \$1 million or 12 percent of the current allotment. The major gainer in this region would be New Jersey, which would have its allotment increased by \$14 million, an increase of 32 percent. The largest percentage gainer, however, would be Vermont with an increased allotment of \$2 million equaling a 48-percent increase in their allotment.

The 12 States in the North Central region currently receive about \$363 million entitlement allotments. The use of the SIE estimates would increase their allotments to about \$400 million, an overall increase of about 10 percent. There is a mix of losers and gainers within this region, with all of the States in the East-North Central division gaining money and those in the West-North Central losing money. The major gainers are the States of Illinois and Michigan. Their allotments increase by \$27 million and \$14 million, respectively. The losses in title I allocations in the West-North Central division tend to be in the range of \$1 million to \$3 million; however, the percentage reduction for North Dakota and Kansas is about 34 percent of their current allotment.

The Western region's share of Title I funds would increase by about \$17 million, 7 percent, if the census estimates were replaced by the survey estimates. Within this region seven States would lose some funds and only five would gain, with Hawaii getting essentially the same amount. In terms of absolute amounts, California would gain the most with its allotment being increased by \$17 million or about 12 percent. The largest percentage gainer, however, is Nevada, which would have its allotment increased by about 54 percent. Among those States within this region which would lose title I funds, Alaska and Oregon would have their allotment reduced by about 23 percent and 17 percent, respectively.

The gains for the above regions are correspondingly offset by losses of Title I allotments through the South. The use of the survey estimates would result in a net reduction of title I funds going to southern States of about \$89 million or 13 percent of their current allotment. Of the 17 States in the South region, 16 would lose Title I funds—the exception being Florida, which would have an increase of \$19 million. The States within this region which would have the largest reductions in absolute terms are Alabama—\$22 million, Louisiana—\$14 million, and North Carolina—\$11 million. The major percentage reductions are Alabama—48 percent, the District of Columbia—31 percent, and the States of West Virginia, Arkansas, and Louisiana, which would lose between 25 and 30 percent.

## ENCLOSURE B

TABLE I.—ELIGIBLE POPULATION BASED ON 1970 CENSUS AND 1975 SIE ESTIMATES, AND FISCAL YEAR 1977 PAYMENT RATE PER PUPIL, BY STATES

Divisions, regions, and States	Eligible population (children 5 to 17 yr)						Payment rate (based on fiscal year 1977 expenditures per pupil)
	Total		In poor families		In AFDC families with payments over \$5,000 in 1976	In institutions or foster homes in 1976	
	Based on census estimates	Based on SIE estimates	1970 census	1975 SIE			
United States.....	8,793,490	7,993,490	7,932,000	7,132,000	589,472	272,018	-----
<b>NORTHEAST</b>							
<b>New England:</b>							
Maine.....	39,292	42,292	36,000	39,000	1,351	1,941	\$420
New Hampshire.....	17,863	21,863	16,000	20,000	731	1,132	442
Vermont.....	16,235	22,235	14,000	20,000	1,445	790	509
Massachusetts.....	149,118	150,118	122,000	123,000	21,255	5,863	568
Rhode Island.....	32,204	26,204	28,000	22,000	2,935	1,269	593
Connecticut.....	64,977	71,977	52,000	59,000	9,747	3,230	603
<b>Middle Atlantic:</b>							
New York.....	775,866	737,866	562,000	524,000	172,333	41,533	621
New Jersey.....	192,054	235,054	151,000	194,000	32,379	8,675	621
Pennsylvania.....	377,483	389,483	317,000	329,000	45,554	14,929	580
<b>NORTH CENTRAL</b>							
<b>East North Central:</b>							
Ohio.....	302,257	311,257	285,000	294,000	5,213	12,044	447
Indiana.....	127,821	128,821	119,000	120,000	2,351	6,470	436
Illinois.....	386,124	468,124	307,000	389,000	68,900	10,224	595
Michigan.....	313,757	345,757	220,000	252,000	80,689	13,068	587
Wisconsin.....	130,964	128,964	108,000	106,000	15,903	7,061	545
<b>West North Central:</b>							
Minnesota.....	110,820	100,820	97,000	87,000	8,948	4,872	594
Iowa.....	82,493	61,493	74,000	53,000	5,759	2,734	481
Missouri.....	182,803	162,803	177,000	157,000	498	5,305	437
North Dakota.....	31,205	19,205	30,000	18,000	633	572	414
South Dakota.....	33,751	23,751	32,000	22,000	491	1,260	414
Nebraska.....	53,920	37,920	52,000	36,000	543	1,377	483
Kansas.....	77,538	47,538	73,000	43,000	2,261	2,277	487
<b>SOUTH</b>							
<b>South Atlantic:</b>							
Delaware.....	20,483	15,483	19,000	14,000	492	991	5843
Maryland.....	120,588	111,588	113,000	104,000	727	6,861	603
District of Columbia.....	43,913	27,913	39,000	23,000	4,014	899	621
Virginia.....	226,576	165,576	217,000	156,000	321	9,255	455
West Virginia.....	115,430	78,430	113,000	76,000	5	2,425	414
North Carolina.....	314,602	227,602	308,000	221,000	10	6,592	414
South Carolina.....	219,146	168,146	217,000	116,000	-----	2,146	414
Georgia.....	314,849	258,849	311,000	255,000	-----	3,849	414
Florida.....	322,525	390,525	315,000	383,000	7	7,518	495
<b>East South Central:</b>							
Kentucky.....	215,056	175,056	210,000	170,000	150	4,906	414
Tennessee.....	255,955	199,955	252,000	196,000	-----	3,955	414
Alabama.....	288,334	139,334	285,000	136,000	-----	3,334	414
Mississippi.....	264,011	196,011	262,000	194,000	-----	2,011	414
<b>West South Central:</b>							
Arkansas.....	162,521	107,521	161,000	106,000	-----	1,521	414
Louisiana.....	332,490	224,490	328,000	220,000	13	4,477	417
Oklahoma.....	122,323	89,323	120,000	87,000	412	1,911	414
Texas.....	658,586	600,586	650,000	592,000	-----	8,586	414
<b>WEST</b>							
<b>Mountain:</b>							
Montana.....	26,967	23,967	26,000	23,000	-----	967	515
Idaho.....	25,377	24,377	24,000	23,000	661	716	414
Wyoming.....	9,384	8,384	9,000	8,000	-----	384	539
Colorado.....	84,313	69,313	79,000	64,000	1,321	3,492	495
New Mexico.....	89,190	79,190	88,000	78,000	-----	1,190	417
Arizona.....	87,371	94,371	85,000	92,000	-----	2,371	463
Utah.....	35,454	28,454	32,000	25,000	2,121	1,333	414
Nevada.....	11,669	16,669	11,000	16,000	48	621	460
<b>Pacific:</b>							
Washington.....	94,340	97,340	78,000	81,000	11,125	5,215	530
Oregon.....	70,607	54,607	59,000	43,000	7,801	3,806	572
California.....	723,777	752,777	618,000	647,000	72,811	32,966	508
Alaska.....	10,528	7,528	9,000	6,000	877	651	621
Hawaii.....	28,580	26,580	22,000	20,000	6,137	443	528

TABLE 2.—ILLUSTRATIVE NET IMPACT ON ALLOCATION OF TITLE I FUNDS OF UPDATED ESTIMATES OF POOR CHILDREN IN 1975 FROM SIE, BY DIVISIONS, REGIONS, AND STATES, FISCAL YEAR 1977<sup>1</sup>

[Dollar amounts in millions]

Divisions, regions, and States	Actual, fiscal year 1977 allocation	Illustrative allocation based on updated estimates of poor children in 1975	Difference	
			Amount	Percent
United States (total).....	\$1, 653	\$1, 653		
Northeast.....	380	417	37	+10
New England.....	66	75	9	+14
Maine.....	6	7	1	+16
New Hampshire.....	3	4	1	+32
Vermont.....	3	5	2	+48
Massachusetts.....	32	35	3	+9
Rhode Island.....	7	6	-1	-12
Connecticut.....	15	18	3	+20
Middle Atlantic.....	314	342	28	+9
New York.....	184	189	5	+3
New Jersey.....	46	60	14	+32
Pennsylvania.....	84	93	9	+11
North Central.....	363	400	37	+10
East North Central.....	258	309	51	+20
Ohio.....	52	58	6	+11
Indiana.....	21	23	2	+9
Illinois.....	88	115	27	+31
Michigan.....	70	84	14	+19
Wisconsin.....	27	29	2	+6
West North Central.....	105	91	-14	-13
Minnesota.....	25	25		-2
Iowa.....	15	12	-3	-20
Missouri.....	31	29	-2	-4
North Dakota.....	5	3	-2	-34
South Dakota.....	5	4	-1	-24
Nebraska.....	10	8	-2	-24
Kansas.....	14	10	-4	-34
South.....	660	571	-89	-13
South Atlantic.....	295	274	-21	-7
Delaware.....	5	4	-1	-18
Maryland.....	28	28		-31
District of Columbia.....	10	7	-3	-21
Virginia.....	39	31	-8	-27
West Virginia.....	18	12	-5	-22
North Carolina.....	50	39	-11	-17
South Carolina.....	34	29	-6	-11
Georgia.....	50	44	-6	-11
Florida.....	61	80	19	+31
East South Central.....	163	122	-41	-25
Kentucky.....	34	30	-4	-12
Tennessee.....	41	34	-7	-16
Alabama.....	46	24	-22	-48
Mississippi.....	42	34	-8	-20
West South Central.....	202	175	-27	-13
Arkansas.....	26	18	-8	-27
Louisiana.....	53	39	-14	-21
Oklahoma.....	19	15	-4	-21
Texas.....	104	103	-1	-2



TABLE 2.—ILLUSTRATIVE NET IMPACT ON ALLOCATION OF TITLE I FUNDS OF UPDATED ESTIMATES OF POOR CHILDREN IN 1975 FROM SIE, BY DIVISIONS, REGIONS, AND STATES, FISCAL YEAR 1977 —Continued

(Dollar amounts in millions)

Divisions, regions, and States	Actual, fiscal year 1977 allocation	Illustrative allocation based on updated estimates of poor children in 1975	Difference	
			Amount	Percent
West.....	248	265	17	+7
Mountain.....	64	65	1	+2
Montana.....	5	5		
Idaho.....	4	4		
Wyoming.....	2	2		
Colorado.....	16	14	-2	-11
New Mexico.....	14	14		
Arizona.....	15	18	3	+17
Utah.....	6	5	-1	-13
Nevada.....	2	3	1	+54
Pacific.....	184	200	16	+9
Washington.....	19	21	2	+11
Oregon.....	15	13	-2	-17
California.....	141	158	17	+12
Alaska.....	3	2	-1	-23
Hawaii.....	6	6		

<sup>1</sup> The amounts shown in col. 1 are the title I grants actually received by the counties in each State, excluding grants for administering the program which are allocated under a different formula. These amounts therefore reflect the impact of the "hold harmless" provision. A special tabulation which was made showing the title I grants assuming that the "hold harmless" provision was inoperative, produced estimates which are identical to those shown here. It should be noted that the "hold harmless" provisions were not applied when computing the illustrative allocation using the SIE estimates and thus are not reflected in the estimates of differences.

Note: Percent change based on more detailed data.

Source: Special tabulations prepared by National Center for Education Statistics.

#### ALTERNATIVE POVERTY COUNTS

The previous sections discuss poverty counts for school-age children. For comparative purposes and to present a fuller picture of the distribution of the poor among the States, poverty counts for other age groups and for some other demographic characteristics are also provided; and similar statistical information is presented with respect to poverty measures other than the official Federal poverty measure.

The current measure of poverty used in the allocation formula was originally developed by Mollie Orshansky of the Social Security Administration in 1964 and was, with revisions, officially adopted in 1969 by the Office of Management and Budget as the Federal Government's official statistical measure of poverty. The measure is built around the Department of Agriculture's economy food plan of 1961 and the national average ratio of family food expenditures to total family after-tax income as measured in the 1955 Household Food Consumption Survey. It consists of 124 separate poverty lines differentiating families by size, number of children, age and sex of head, and farm or nonfarm residence (see table 2). The poverty lines are updated annually by changes in the Consumer Price Index.

The Orshansky poverty matrix is not the only poverty measure used by the Federal Government. Other measures which are used in legislative acts or in administrative guidelines issued by departments and agencies of the executive branch include: Higher multiples of the official poverty lines; i.e., poverty lines set at 125 percent, 150 percent, 195 percent, or other percentages of the official poverty lines; relative measures based on a percentage (50 percent and 80 percent are commonly used) of median family income; simplifications of the official poverty matrix constructed by eliminating distinctions for sex of head, farm residence, and presence of children; and simple single dollar income cutoffs undifferentiated for family size.

The poverty measure is the subject of section 823 of the Education Amendments of 1974. That section required a report to Congress on ways to make the

official measure more accurate and current. A report, entitled "The Measure of Poverty," was sent to Congress in April 1976. That report examines alternative poverty measures such as those identified in the previous paragraph in addition to the Federal Government's official statistical poverty measure using 1970 census data by State and national estimates for 1974 from the CPS. The purpose of this enclosure is to update selected tables from the earlier report using 1975 SIE estimates by State.

It should be emphasized that the data presented in the State-by-State tables are estimates subject to sampling errors which may be relatively large for small categories in a State. Relative sampling errors of the estimated total number and percent of children in poverty by State are shown in table 1 of enclosure A. It should be noted that in addition to sampling variability, various collection and processing factors, as discussed in enclosure A, can affect income data collected in sample surveys. These effects are not included in the measure of sampling variability.

It is not possible to display poverty counts for every possible poverty measure. Consequently, some have been chosen for display here because they are commonly used for administrative purposes in various Federal programs for the poor or because they approximate the more commonly proposed alternative poverty measures. A brief description of the poverty measures considered here follows. For further information, table 1 shows the dollar levels for these measures. Pertinent to Title I interests, table 3 provides a summary display of each State's share of the total number of poor school-age children under the measures identified in table 1. In addition, a table for the United States as a whole and for each State and the District of Columbia is attached containing demographic details; e.g., age, sex, family status, for the State poverty populations occurring under these definitions. For the United States as a whole a breakdown by race is also included.

The number and percent of the population below 125 percent of the current levels are provided for several reasons: For one, many programs are targeted on both the "poor" and the "near poor," who are commonly defined as those below the 125 percent level; for another, many proposals to change the current poverty measure have the effect of raising the levels, whatever the particular rationale behind the proposal. For both these reasons the size and demographic characteristics of the population who would be counted as poor below 125 percent of the current poverty levels are likely to be of interest.

Similarly, the number and percent of the population with incomes below 50 percent of a 4-person median family income are included because an increasing number of Federal programs are using relative poverty measures as income criteria in their administrative and legislative guidelines. The assumption underlying a relative measure of poverty is that a person's or family's income level should be looked at in comparison to other income levels of the population as a whole. Such a measure can be purely relative, as is the case when the lowest designated percent of the income distribution is the standard, or quasi-relative where poverty is defined as having income less than a set fraction of median family income. The exact value of the fraction is arbitrary, but 50 percent of median family income is frequently used.

When using fraction-of-the-median definitions, it is necessary to determine from which median family income a given percentage is to be taken. For example, since the median family income in 1975 for a family of four from the Current Population Survey was \$15,848 and for all families was \$13,719, a definition based on the median family income for a family of four would yield a different threshold than would one based on the median family income for all families. For the relative measure displayed here, the basic family is a four-person nonfarm family with a male head and two related children. The poverty threshold for the basic family is calculated to be 50 percent of the estimated median income for all such families in the population. An adjustment is made to vary this threshold to account for different family types and sizes by using an "equivalency" scale constructed from relationships among the 124 official poverty thresholds.

However, aside from considering the statistical impact of increasing the level of the current measure, or of adopting a relative measure based on median income, it is also possible to consider revisions to the basic structure of the official measure. Counts are provided here to demonstrate the effect of making a number of changes by substituting more current data for the older counterparts and by simplifying the overall structure of the poverty matrix. Then, for purposes of comparison, counts are also shown for the population which would fall

below 125 percent of these revised poverty levels, and for those below 50 percent of the four-person median family income when the equivalence scale applied is based on the one to be used in the revised measure. These revised poverty lines are shown in table 1.

The main substantive and procedural changes in constructing the revised poverty lines that have been introduced in this revision are as follows: Cost of food has been derived from the Department of Agriculture's December 1975 Thrifty Food Plan; a higher multiplier for nonfood needs relative to food has been developed from analysis of the 1965 Household Food Consumption Survey; a more precise estimate of family food requirements has been made, based on actual age and sex distribution of members rather than by using a hypothetical model; the equivalence scale has been altered so that for families size two through seven, the economy of scale factors recommended in the Food Plans are used, but for families size eight or more larger scale reductions were developed to represent presumed additional economies in nonfood items. For one- and two-person families the revised measure continues two practices followed initially in constructing the current poverty measure to allow for presumed diseconomies of scale for housing and other nonfood items particularly affecting small units: (1) A higher multiplier for nonfood relative to food needs used for one- and two-person households than for households of three or more persons; (2) the scale factor for a one-person household relative to a couple set considerably higher than that implied by USDA equivalence scales. The range of family sizes for which separate poverty lines are calculated has been expanded from one- through seven-or-more to one- through eleven-or-more, but differential poverty lines for sex of head, number of children, and farm/nonfarm residence within each family size have been eliminated.

The revised poverty measure outlined here is one of several possible revisions detailed in "The Measure of Poverty" and in the forthcoming Technical Paper XI, "Update of the Orshansky Index." The report, "The Measure of Poverty," and the associated technical papers contain much background material on the more technically complex issues touched on here; e.g., equivalence scales. These papers cover such topics as relative income, consumer expenditure patterns, food plans, cost-of-living differences, price indexes, administrative uses of poverty terminology, concepts of poverty, sources of data relevant to poverty measurement, and administrative impact of alternative poverty measures.

TABLE 1.—1975 CUTOFF LEVELS FOR TABLES SHOWING ALTERNATIVE MEASURES OF POVERTY

Uni- verse	Current poverty level			Alternate poverty level		
	Below current poverty level	Below 125 pct of current poverty level	Below 50 pct of 4-person median family income <sup>1</sup>	Below alternate poverty level <sup>2</sup>	Below 125 pct of alternate poverty level	Below 50 pct of 4-person median family income <sup>3</sup>
	(1)	(2)	(3)	(4)	(5)	(6)
----- Full poverty matrix (see table 2).	125 pct of col. (1).	See footnote 1.	1 person: Under 65.... \$3,848 65 and over. 3,610	125 pct of col. (4)	1 person: Under 65.... \$4,613 65 and over. 4,328	
			2 persons: Head under 65..... 4,810 Head 65 and over..... 4,512		2 persons: Head under 65..... 5,766 Head 65 and over..... 5,409	
			3 persons..... 5,260		3 persons..... 6,306	
			4 persons..... 6,610		4 persons..... 7,924	
			5 persons..... 7,923		5 persons..... 9,498	
			6 persons..... 9,549		6 persons..... 11,447	
			7 persons..... 10,618		7 persons..... 12,729	
			8 persons..... 11,512		8 persons..... 13,800	
			9 persons..... 12,566		9 persons..... 15,064	
			10 persons.... 13,690		10 persons.... 16,411	
			11 or more... 15,194		11 or more... 18,214	

<sup>1</sup> Poverty line for 4-person family taken as half the median for a 4-person husband-wife family with 2 children, estimated at \$15,373 for 1975. Other sizes computed using implicit equivalence scale based on full current poverty matrix.

<sup>2</sup> Developed by Mollie Orshansky of SSA.

<sup>3</sup> Poverty line for 4-person family taken as half the median for a 4-person family equal to \$15,848 for 1975. Criteria for other family sizes computed using implicit equivalence scale based on alternate poverty thresholds.

TABLE 2.—POVERTY CUTOFFS IN 1975 BY SEX OF HEAD, SIZE OF FAMILY, AND NUMBER OF RELATED CHILDREN UNDER 18 YR. OLD, BY FARM-NONFARM RESIDENCE

Size of family unit	Number of related children Under 18 Yr. old						
	None	1	2	3	4	5	6
<b>NONFARM</b>							
<b>Male head:</b>							
1 person (unrelated individual):							
Under 65 yr.....	\$2,092						
65 yr and over.....	2,608						
2 persons:							
Head under 65 yr.....	3,629	\$4,065					
Head 65 yr and over.....	3,258	4,065					
3 persons.....	4,224	4,361	\$4,610				
4 persons.....	5,569	5,651	5,456	\$5,732			
5 persons.....	6,721	6,802	6,584	6,418	\$6,556		
6 persons.....	7,709	7,734	7,571	7,406	7,187	\$7,297	
7 or more persons.....	9,708	9,792	9,599	9,435	9,217	8,886	\$8,805
<b>Female head:</b>							
1 person (unrelated individual):							
Under 65 yr.....	2,685						
65 yr and over.....	2,574						
2 persons:							
Head under 65 yr.....	3,352	3,660					
Head 65 yr and over.....	3,217	3,660					
3 persons.....	4,088	3,894	4,307				
4 persons.....	5,347	5,540	5,514	5,456			
5 persons.....	6,418	6,612	6,584	6,529	6,309		
6 persons.....	7,488	7,625	7,571	7,515	7,269	7,048	
7 or more persons.....	9,407	9,545	9,517	9,435	9,189	8,997	8,558
<b>FARM</b>							
<b>Male head:</b>							
1 person (unrelated individual):							
Under 65 yr.....	2,466						
65 yr and over.....	2,216						
2 persons:							
Head under 65 yr.....	3,084	3,454					
Head 65 yr and over.....	2,769	3,454					
3 persons.....	3,591	3,707	3,918				
4 persons.....	4,734	4,805	4,637	4,872			
5 persons.....	5,713	5,782	5,595	5,455	5,572		
6 persons.....	6,552	6,574	6,436	6,295	6,109	6,202	
7 or more persons.....	8,254	8,324	8,161	8,020	7,835	7,554	7,485
<b>Female head:</b>							
1 person (unrelated individual):							
Under 65 yr.....	2,282						
65 yr and over.....	2,187						
2 persons:							
Head under 65 yr.....	2,850	3,111					
Head 65 yr and over.....	2,735	3,111					
3 persons.....	3,473	3,310	3,661				
4 persons.....	4,547	4,708	4,687	4,637			
5 persons.....	5,455	5,620	5,595	5,549	5,363		
6 persons.....	6,366	6,482	6,436	6,389	6,179	5,991	
7 or more persons.....	7,995	8,115	8,090	8,020	7,811	7,647	7,274

Source: U.S. Bureau of the Census, Current Population Survey.

TABLE 3.—STATE SHARES OF TOTAL U.S. POOR CHILDREN AGED 5 TO 17 YR, 1975

State	Current poverty level			Alternate poverty level		
	Below current poverty level	Below 125 percent of current poverty level	Below 50 percent of 4-person median family income	Below alternate poverty level	Below 125 percent of alternate poverty level	Below 50 percent of 4-person median family income
Alabama.....	1.91	2.23	2.29	2.24	2.32	2.29
Alaska.....	.09	.10	.10	.11	.11	.11
Arizona.....	1.30	1.26	1.20	1.25	1.25	1.25
Arkansas.....	1.49	1.54	1.53	1.54	1.50	1.51
California.....	9.09	9.13	9.14	9.04	8.91	8.90
Colorado.....	.90	.78	.80	.77	.83	.82
Connecticut.....	.83	.87	.94	.86	.98	.94
Delaware.....	.20	.21	.21	.20	.22	.21
District of Columbia.....	.32	.32	.35	.34	.37	.36
Florida.....	5.36	4.87	4.70	4.58	4.66	4.61
Georgia.....	3.57	3.34	3.47	3.41	3.36	3.42
Hawaii.....	.27	.28	.29	.30	.29	.30
Idaho.....	.32	.33	.36	.34	.38	.38
Illinois.....	5.46	4.85	4.68	5.00	4.56	4.72
Indiana.....	1.69	1.69	1.82	1.77	1.87	1.83
Iowa.....	.75	.82	.82	.84	.96	.98
Kansas.....	.60	.64	.70	.64	.76	.72
Kentucky.....	2.39	2.44	2.48	2.47	2.39	2.44
Louisiana.....	3.08	3.11	2.95	3.11	2.77	2.77
Maine.....	.54	.61	.61	.58	.61	.59
Maryland.....	1.46	1.42	1.51	1.41	1.57	1.50
Massachusetts.....	1.73	2.02	2.11	1.94	2.11	2.07
Michigan.....	3.53	3.60	3.76	3.70	3.79	3.80
Minnesota.....	1.22	1.41	1.44	1.44	1.58	1.59
Mississippi.....	2.73	2.43	2.37	2.49	2.21	2.28
Missouri.....	2.20	1.97	1.87	1.98	1.91	1.89
Montana.....	.32	.32	.31	.36	.34	.34
Nebraska.....	.51	.56	.59	.57	.65	.62
Nevada.....	.22	.23	.23	.23	.23	.23
New Hampshire.....	.28	.28	.30	.28	.30	.29
New Jersey.....	2.72	2.59	2.63	2.60	2.71	2.65
New Mexico.....	1.09	.98	.93	.97	.93	.93
New York.....	7.35	8.10	7.97	8.12	7.60	7.69
North Carolina.....	3.10	3.17	3.12	3.07	3.04	3.05
North Dakota.....	.25	.24	.24	.26	.26	.26
Ohio.....	4.12	4.07	4.01	3.94	4.08	4.04
Oklahoma.....	1.22	1.33	1.32	1.37	1.29	1.28
Oregon.....	.60	.64	.67	.64	.73	.71
Pennsylvania.....	4.61	5.08	5.17	5.10	5.25	5.19
Rhode Island.....	.30	.28	.30	.27	.32	.31
South Carolina.....	2.32	2.17	2.02	2.17	2.04	2.06
South Dakota.....	.30	.30	.33	.34	.36	.35
Tennessee.....	2.74	2.87	2.72	2.75	2.55	2.65
Texas.....	8.30	7.93	7.90	8.12	8.12	8.15
Utah.....	.35	.39	.43	.41	.49	.48
Vermont.....	.28	.28	.29	.29	.29	.28
Virginia.....	2.18	2.16	2.13	2.05	2.17	2.17
Washington.....	1.14	1.06	1.10	1.06	1.12	1.10
West Virginia.....	1.07	1.12	1.05	1.08	1.04	1.04
Wisconsin.....	1.49	1.48	1.60	1.48	1.70	1.71
Wyoming.....	.11	.11	.12	.12	.13	.13

Source: Survey of Income and Education.

NEW TABLE 1.—PERSONS BELOW SPECIFIED POVERTY LEVELS IN 1975 BY FAMILY STATUS (PERSONS AS OF SPRING 1976)

[Numbers in thousands]

	Current poverty level								Alternate poverty level					
	Total	Below current poverty level		Below 125 percent of current poverty level		Below 50 percent of 4-person median family income		Below alternate poverty level		Below 125 percent of alternate poverty level		Below 50 percent of 4-person median family income		
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
<b>ALL PERSONS</b>														
Total.....	211,308	23,991	11.4	34,817	16.5	41,846	19.8	37,032	17.5	51,098	24.2	48,202	22.8	
65 yr. and over.....	21,721	3,049	14.0	5,124	23.6	6,394	29.4	6,225	28.7	8,515	39.2	8,026	37.0	
In families.....	190,676	19,099	10.0	27,958	14.7	33,905	17.8	29,210	15.3	41,511	21.8	38,257	20.4	
Head.....	56,080	5,051	9.0	7,394	13.2	9,012	16.1	7,840	14.0	11,270	20.1	10,552	18.8	
Related children under 18.....	64,610	9,857	15.3	13,792	21.3	16,373	25.3	14,126	21.9	19,213	29.7	18,228	28.2	
Less than 3 yr.....	9,028	1,648	18.3	2,224	24.6	2,607	28.9	2,241	24.8	2,974	32.9	2,819	31.2	
3 to 5 yr.....	9,912	1,693	17.1	2,278	23.0	2,719	27.4	2,318	23.4	3,152	31.8	2,999	30.3	
6 to 13 yr.....	29,260	4,533	15.5	6,363	21.7	7,517	25.7	6,545	22.4	8,873	30.3	8,418	28.8	
14 and 15 yr.....	8,370	1,093	13.1	1,588	19.0	1,916	22.9	1,651	19.7	2,293	27.4	2,171	25.9	
16 and 17 yr.....	8,370	1,093	13.1	1,588	19.0	1,916	22.9	1,651	19.7	2,293	27.4	2,171	25.9	
5 to 17 yr.....	49,211	7,132	14.5	10,105	20.5	12,009	24.4	10,390	21.1	14,197	28.9	13,472	27.4	
Unrelated individuals.....	20,632	4,891	23.7	6,859	33.2	7,941	38.5	7,821	37.9	9,587	46.5	9,245	44.8	
Male.....	8,636	1,598	18.5	2,205	25.5	2,567	29.7	2,412	27.9	3,078	35.6	2,945	34.1	
Female.....	11,996	3,293	27.5	4,654	38.8	5,374	44.8	5,409	45.1	6,509	54.3	6,300	52.5	
<b>PERSONS IN FAMILIES WITH MALE HEAD</b>														
Total.....	167,142	10,824	6.5	17,557	10.5	22,237	13.3	18,501	11.1	28,557	17.1	26,460	15.8	
65 yrs and over.....	13,193	885	6.7	1,695	12.9	2,276	17.3	2,136	16.2	3,613	26.6	3,205	24.3	
In families.....	48,586	2,725	5.6	4,452	9.2	5,690	11.7	4,784	9.8	7,496	15.4	8,903	14.2	
Head.....	54,175	4,751	8.8	7,609	14.0	9,562	17.7	7,865	14.5	11,917	22.0	11,134	20.6	
Related children under 18.....	7,810	794	10.2	1,270	16.3	1,608	20.6	1,278	16.4	1,935	24.1	1,796	23.0	
Less than 3 yrs.....	8,311	768	9.2	1,204	14.5	1,562	18.8	1,235	14.9	1,935	23.3	1,808	21.8	
3 to 5 yrs.....	24,417	2,182	8.9	3,494	14.3	4,340	17.8	3,635	14.9	5,474	22.4	5,110	20.9	
6 to 13 yrs.....	6,961	557	8.0	892	12.8	1,125	16.2	943	13.5	1,417	20.4	1,334	19.2	
14 and 15 yrs.....	6,677	449	6.7	750	11.2	928	13.9	775	11.6	1,156	17.3	1,086	16.3	
16 and 17 yrs.....	41,008	3,459	8.4	5,556	13.5	6,930	16.9	5,779	14.1	8,713	21.2	8,157	19.9	

U.S. BUREAU OF THE CENSUS: SURVEY OF INCOME AND EDUCATION—Continued

NEW TABLE 1.—PERSONS BELOW SPECIFIED POVERTY LEVELS IN 1975 BY FAMILY STATUS—STANDARD ERRORS (PERSONS AS OF SPRING 1976)—Continued

[Numbers and standard errors in thousands]

	Current poverty level								Alternate poverty level					
	Total	Below current poverty level		Below 125 percent of current poverty level		Below 50 percent of 4-person median family income		Below alternate poverty level		Below 125 percent of alternate poverty level		Below 50 percent of 4-person median family income		
		Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error
<b>PERSONS IN FAMILIES WITH FEMALE HEAD</b>														
Total.....	23,534	8,275	35.2	10,401	44.2	11,668	49.6	10,710	45.5	12,954	55.0	12,497	53.1	
65 yrs and over.....	1,808	189	10.4	343	19.0	430	23.8	420	23.3	589	32.6	558	30.9	
Head.....	7,494	2,326	31.0	2,942	39.3	3,322	44.3	3,056	40.8	3,774	50.4	3,622	48.3	
Related children under 18.....	10,434	5,116	49.0	6,184	59.3	6,811	65.3	6,261	60.0	7,296	69.9	7,094	68.0	
Less than 3 yrs.....	1,218	854	70.2	955	78.4	1,000	82.1	663	79.1	1,039	85.3	1,023	84.0	
3 to 5 yrs.....	1,601	925	57.7	1,074	67.1	1,158	72.3	1,083	67.6	1,217	76.0	1,191	74.4	
6 to 13 yrs.....	4,843	2,351	48.5	2,869	59.2	3,177	65.6	2,911	60.1	3,399	70.2	3,308	68.3	
14 and 15 yrs.....	1,409	536	38.0	696	49.4	791	56.2	709	50.3	876	62.2	837	59.4	
16 and 17 yrs.....	1,363	451	33.1	589	43.2	685	50.3	595	43.6	764	56.1	734	53.9	
5 to 17 yrs.....	8,203	3,673	44.8	4,549	55.5	5,079	61.9	4,611	56.2	5,484	66.9	5,314	64.8	

Note on reliability of the data.—These figures are estimates derived from a sample survey of households and, therefore, are subject to sampling variability. Moreover, as in all field surveys of income, the figures are subject to errors of response and nonreporting.

U.S. BUREAU OF THE CENSUS: SURVEY OF INCOME AND EDUCATION

HEW TABLE 1.—PERSONS BELOW SPECIFIED POVERTY LEVELS IN 1975 BY FAMILY STATUS—STANDARD ERRORS (PERSONS AS OF SPRING 1976)

[Numbers and standard errors in thousands]

	Current poverty level						Alternate poverty level							
	Total	Standard error	Below current poverty level		Below 125 percent of current poverty level		Below 50 percent of 4-person median family income		Below alternate poverty level		Below 125 percent of alternate poverty level		Below 50 percent of 4-person median family income	
			Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error
<b>ALL PERSONS</b>														
Total.....	211,308		23,991	274	34,817	321	41,846	345	37,032	329	51,098	371	48,202	364
65 yr and over.....	21,721	0	3,049	59	5,124	72	6,394	77	6,225	77	8,515	83	8,026	82
In families.....	190,676	299	19,099	240	27,958	293	33,905	318	29,210	299	41,511	344	38,957	338
Head.....	56,080	184	5,051	68	7,394	74	9,012	82	7,840	77	11,270	91	10,525	68
Related children under 18.....	64,610	171	9,867	163	13,792	188	16,373	201	14,126	190	19,213	213	18,228	209
Less than 3 yr.....	9,028	133	1,648	71	2,224	82	2,607	86	2,241	82	2,974	94	2,819	92
3 to 5 yr.....	9,912	138	1,693	71	2,278	83	2,719	90	2,318	83	3,152	97	2,999	94
6 to 13 yr.....	29,260	203	4,533	115	6,363	134	7,517	145	6,545	136	8,873	156	8,418	152
14 and 15 yr.....	8,370	129	1,093	58	1,588	69	1,916	76	1,651	71	2,293	83	2,171	81
16 and 17 yr.....	8,040	126	900	52	1,339	64	1,613	70	1,370	64	1,921	76	1,821	74
5 to 17 yr.....	49,211	41	7,132	116	10,105	133	12,009	142	10,390	135	14,197	150	13,472	147
Unrelated individuals.....	20,632	153	4,891	77	6,859	91	7,941	97	7,821	97	9,587	107	9,245	105
Male.....	8,636	101	1,593	44	2,205	52	2,567	56	2,412	54	3,070	61	2,945	60
Female.....	11,996	119	3,293	83	4,654	75	5,374	81	5,409	81	6,509	88	6,300	87



U.S. BUREAU OF THE CENSUS: SURVEY OF INCOME AND EDUCATION

HEW TABLE 1.—PERSONS BELOW SPECIFIED POVERTY LEVELS IN 1975 BY FAMILY STATUS—STANDARD ERRORS (PERSONS AS OF SPRING 1976)

[Numbers and standard errors in thousands]

	Current poverty level								Alternate poverty level					
	Below current poverty level		Below 125 percent of current poverty level		Below 50 percent of 4-person median family income		Below alternate poverty level		Below 125 percent of alternate poverty level		Below 50 percent of 4-person median family income			
	Total	Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error	Number	Standard error		
<b>PERSONS IN FAMILIES WITH MALE HEAD</b>														
Total.....	167, 142	376	10, 824	190	17, 557	238	22, 237	265	18, 501	244	28, 557	296	26, 460	288
65 yr and over.....	13, 193	83	885	33	1, 695	45	2, 276	52	2, 136	50	3, 513	62	3, 205	60
Head.....	48, 586	174	2, 725	46	4, 452	58	5, 690	65	4, 784	60	7, 496	75	6, 903	72
Related children under 18.....	54, 175	200	4, 751	117	7, 609	146	6, 562	161	7, 865	148	11, 917	177	11, 134	172
Less than 3 yr.....	7, 810	125	794	49	1, 270	62	1, 608	70	1, 278	62	1, 935	76	1, 796	74
3 to 5 yr.....	8, 311	128	768	48	1, 204	60	1, 562	69	1, 235	61	1, 935	76	1, 808	74
6 to 13 yr.....	24, 417	194	2, 182	81	3, 494	101	4, 340	112	3, 635	103	5, 474	125	5, 110	171
14 and 15 yr.....	6, 961	118	557	41	892	52	1, 125	58	943	54	1, 417	65	1, 334	64
16 and 17 yr.....	6, 677	116	449	37	750	48	928	53	775	49	1, 156	59	1, 086	57
5 to 17 yr.....	41, 008	127	3, 459	84	6, 556	104	6, 930	115	5, 779	106	8, 713	126	8, 157	123
<b>PERSONS IN FAMILIES WITH FEMALE HEAD</b>														
Total.....	23, 534	372	8, 275	167	10, 401	187	11, 668	197	10, 710	189	12, 954	207	12, 497	204
65 yr and over.....	1, 808	47	189	16	343	21	430	24	420	23	589	28	558	27
Head.....	7, 494	78	2, 326	42	2, 942	47	3, 322	50	3, 056	48	3, 774	54	3, 622	52
Related children under 18.....	10, 434	141	5, 116	121	6, 184	133	6, 811	139	6, 261	133	7, 296	143	7, 094	141
Less than 3 yr.....	1, 218	51	854	51	955	54	1, 000	56	963	54	1, 039	56	1, 023	56
3 to 5 yr.....	1, 601	59	925	53	1, 074	57	1, 158	59	1, 083	57	1, 217	61	1, 191	60
6 to 13 yr.....	1, 843	100	2, 351	84	2, 869	92	3, 177	97	2, 911	93	3, 399	100	3, 308	90
14 and 15 yr.....	1, 409	55	538	40	898	48	791	49	709	47	876	52	837	51
16 and 17 yr.....	1, 363	54	461	37	689	42	685	46	695	43	764	48	734	47
5 to 17 yr.....	8, 203	123	3, 673	87	4, 548	95	5, 079	100	4, 611	99	5, 404	104	5, 314	102

Note on reliability of the data.—These figures are estimates derived from a sample survey of households and, therefore, are subject to sampling variability. Moreover, as in all field surveys of income, the figures are subject to errors of response and nonreporting.

NEW TABLE 2.—FAMILIES BELOW SPECIFIED POVERTY LEVELS IN 1975 BY PRESENCE OF RELATED CHILDREN UNDER 18 YR AND 5 TO 17 YR OLD—STANDARD ERRORS  
(FAMILIES AS OF SPRING 1976)

[Numbers and standard errors in thousands]

	Current poverty level												Alternate poverty level			
	Total	Below current poverty level		Below 125 percent of current poverty level		Below 50 percent of 4-person median family income		Below alternate poverty level		Below 125 percent of alternate poverty level		Below 50 percent of 4-person median family income				
		Standard Number	error	Standard Number	error	Standard Number	error	Standard Number	error	Standard Number	error	Standard Number	error			
Total .....	56,080	249	5,051	88	7,394	105	9,012	116	7,840	108	11,270	128	10,525	124		
No related child under 18 yr .....	24,969	168	1,227	41	2,052	52	2,626	59	2,489	58	3,861	71	3,536	68		
With related children under 18 .....	31,111	196	3,824	76	5,342	90	6,387	98	5,351	90	7,409	106	6,989	103		
1 child .....	11,657	125	1,111	41	1,502	48	1,795	52	1,506	48	2,078	56	1,951	55		
2 children .....	10,400	115	1,023	40	1,461	47	1,766	52	1,404	46	2,007	55	1,877	54		
3 children .....	5,288	83	732	34	1,048	40	1,275	44	1,021	40	1,459	47	1,370	46		
4 children .....	2,243	55	456	26	642	31	764	34	684	32	937	37	894	37		
5 children or more .....	1,523	46	503	28	688	32	787	34	737	33	928	37	896	36		
No related children 5 to 17 yr .....	30,769	187	2,028	55	3,114	67	3,885	74	3,534	71	5,278	86	4,866	83		
With related children 5 to 17 yr .....	25,311	179	3,023	68	4,280	81	5,127	88	4,306	81	5,992	95	5,659	93		
1 child .....	10,653	119	1,050	40	1,444	47	1,723	51	1,442	47	1,989	55	1,878	54		
2 children .....	8,001	102	773	34	1,118	41	1,372	46	1,084	41	1,592	49	1,487	48		
3 children .....	4,107	74	585	30	862	36	1,042	40	874	37	1,231	43	1,160	42		
4 children .....	1,839	49	404	25	565	29	662	32	604	30	801	34	766	34		
5 children or more .....	711	31	210	18	291	21	329	22	302	21	360	24	367	23		

HEW TABLE 2.—FAMILIES BELOW SPECIFIED POVERTY LEVELS IN 1975 BY PRESENCE OF RELATED CHILDREN UNDER 18 YR AND 5 TO 17 YR OLD (FAMILIES AS OF SPRING 1976)

[Number in thousands]

	Current poverty level								Alternate poverty level					
	Total	Below current poverty level		Below 125 percent of current poverty level		Below 50 percent of 4-person median family income		Below alternate poverty level		Below 125 percent of alternate poverty level		Below 50 percent of 4-person median family income		
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
<b>Total</b> .....	56,080	5,051	9.0	7,394	13.2	9,012	16.1	7,840	14.0	11,270	20.1	10,525	18.8	
<b>No related children under 18 yr</b> .....	24,969	1,227	4.9	2,052	8.2	2,626	10.5	2,489	10.0	3,861	15.5	3,536	14.2	
<b>With related children under 18</b> .....	31,111	3,824	12.3	5,342	17.2	6,387	20.5	5,351	17.2	7,409	23.8	6,989	22.5	
1 child.....	11,657	1,111	9.5	1,502	12.9	1,795	15.4	1,506	12.9	2,078	17.8	1,951	16.7	
2 children.....	10,400	1,023	9.8	1,461	14.1	1,766	17.0	1,404	13.5	2,007	19.3	1,877	18.1	
3 children.....	5,288	732	13.8	1,048	19.8	1,275	24.1	1,021	19.3	1,459	27.6	1,370	25.9	
4 children.....	2,243	456	20.3	642	28.6	764	34.1	684	30.5	937	41.8	984	39.9	
5 children or more.....	1,523	503	33.0	688	45.2	787	51.6	737	48.4	928	60.9	896	58.8	
<b>No related children 5 to 17 yr</b> .....	30,769	2,028	6.6	3,114	10.1	3,885	12.6	3,534	11.5	5,278	17.2	4,866	15.8	
<b>With related children 5 to 17 yr</b> .....	25,311	3,023	11.9	4,280	16.9	5,127	20.3	4,306	17.0	5,992	23.7	5,659	22.4	
1 child.....	10,653	1,050	9.9	1,444	13.6	1,723	16.2	1,442	13.5	1,989	18.7	1,878	17.6	
2 children.....	8,001	773	9.7	1,118	14.0	1,372	17.1	1,084	13.6	1,592	19.9	1,487	18.6	
3 children.....	4,107	585	14.3	862	21.0	1,042	25.4	874	21.3	1,231	30.0	1,160	28.3	
4 children.....	1,839	404	22.0	565	30.7	662	36.0	604	32.8	801	43.6	766	41.7	
5 children or more.....	711	210	29.6	291	40.9	329	46.3	302	42.4	380	53.4	367	51.6	

## WELFARE REFORM PROPOSALS

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THURSDAY, FEBRUARY 9, 1978

U.S. SENATE,  
SUBCOMMITTEE ON PUBLIC ASSISTANCE  
OF THE COMMITTEE ON FINANCE,  
*Washington, D.C.*

The subcommittee met, pursuant to recess, at 10:35 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Moynihan, Long, and Curtis.

Senator MOYNIHAN. I express a cordial good morning to our guests of the committee, and particularly to Secretary Marshall. I would also like to welcome Jodie Allen, who is a Special Assistant to the Secretary for Welfare Reform and a noted scholar in the field; and, of course, Mr. Arnold Packer, who is the Assistant Secretary of Labor for Policy, Evaluation and Research, a not quite apostolic succession which, however, I can claim to have begun under President Kennedy.

First, good morning, sir.

Secretary MARSHALL. Good morning, Mr. Chairman.

Senator MOYNIHAN. May I apologize for being 5 minutes late. The intelligence charters which have been drawn up by the Intelligence Committees are being introduced, and it was felt that all members of both committees should be present.

Secretary Marshall, we particularly welcome you this morning, and your colleagues. I know the effort that you have put into this matter and, having read some of your advance testimony, I would like to ask a question we put to you earlier which is: Why is this a good idea? Why will the President's program do the things that the President says it will do and what is the state of the evidence on that?

We had a hearing on Tuesday, at which Senator Curtis was present, with the Secretary of Health, Education, and Welfare and his associates. They came up with a novel view of what might be called the Aaron burden of proof hypothesis.

Although we asked for some evidence on behalf of the Secretary's proposals—we had sent a four-page letter with some questions—the Secretary of HEW arrived with no answers. He said the program made sense to him, suggesting that people to whom it did not make sense might be deficient in their faculties.

We said, well, the program you are replacing obviously made sense to some other people earlier and that is not exactly the final resort of evidence, at least in the social sciences.

Whereupon, Mr. Aaron intervened with the thought—and I quote him—"The burden of proof should rest on those who deny" that the

massive Carter welfare overhaul will bring about all kinds of felicitous social consequences.

I said to him that he should be put on notice that that burden would not weigh heavily on the members of the U.S. Senate who have other things to do than to go around trying to disprove Dr. Aaron's hypothesis. But that may be the stigmata of the Brookings Institution. I was taught more respect for the legislature.

We welcome you here, sir. I know that Senator Curtis, who has been a faithful and valued member of this subcommittee might have some comments.

Senator CURTIS. I welcome the Secretary and his associates here, and I will have a few questions a little bit later. Thank you, Mr. Chairman, Senator MOYNIHAN. Mr. Secretary?

**STATEMENT OF HON. F. RAY MARSHALL, SECRETARY OF LABOR, ACCOMPANIED BY ARNOLD PACKER, ASSISTANT SECRETARY FOR POLICY, EVALUATION AND RESEARCH; AND JODIE ALLEN, SPECIAL ASSISTANT TO THE SECRETARY FOR WELFARE REFORM**

Secretary MARSHALL. Thank you, Mr. Chairman. I am pleased to have this opportunity to appear before you today to discuss the employment opportunities program, the job and training component of the administration's welfare reform proposal, the program for better jobs and income.

The employment opportunities program represents a major commitment by this administration to attempt to insure that all American families will have the opportunity for self-support through full-time employment and the skills required to hold useful jobs at adequate wages.

The major focus of this program is to encourage and assist employable members of low-income families and other low-income persons in securing adequate paying jobs in the regular economy.

However, in the case of families with children, if no regular economy job paying at least the minimum wage can be found, the Government will undertake to provide one. We estimate that in 1981, the first year planned for full operation of the program, up to 1.4 million subsidized full- and part-time job and training opportunities will be required. This is an ambitious objective, but it is one with widespread public support from all ranges of the political spectrum.

The latest quarterly New York Times-CBS News poll revealed that 75 to 80 percent of all Americans, irrespective of political persuasion, support the notion that government ought to see to it that anybody who wants a job can get one. The employment opportunities program is an essential component of two major policy initiatives of this administration.

The first is the development of a comprehensive employment policy as part of an active strategy to reach the goal of full employment. The second is the commitment to develop a more adequate and equitable income maintenance system which will insure a basic living standard to those of our citizens who cannot provide adequately for themselves or their families.

Before discussing the features of the employment opportunities program in the context of the welfare reform initiatives, I would like to briefly describe its importance to our employment strategy.

As you know, the administration has affirmed its support for H.R. 50, the Full Employment and Balanced Growth Act, commonly called the Humphrey-Hawkins bill. That bill establishes a process for coordinating macroeconomic and structural policies to reduce both inflation and unemployment. I believe that the bill's goal of a 4-percent unemployment rate in 1983 is appropriately ambitious and that it can be reached.

Conventional monetary and fiscal policy must, of course, be our main reliance in stimulating the overall expansion of the economy essential to reducing aggregate unemployment. But structural employment and training programs targeted upon workers who are disadvantaged by location, lack of skill or education, or discrimination are essential not only to achieve full employment but to correct the inequities of a society which leaves behind large segments of the population even in times of great overall prosperity.

The administration's employment strategy includes a variety of structural programs including:

A major youth employment and training program; continuation of programs for older Americans and other special groups; vigorous enforcement of existing civil rights statutes and positive action to improve employment access for minorities; programs to reduce the flow of undocumented aliens; trade adjustment assistance to retrain workers who have lost their jobs because of import competition; a major urban policy currently being developed to make sure that even the most distressed areas share in economic recovery.

Our employment strategy also recognizes that economic forecasting is an uncertain business and that we must be better prepared for any future downturns in the business cycle. Accordingly, the reauthorization of the Comprehensive Employment and Training Act which the administration is seeking this year will call for the permanent establishment of a countercyclical public service employment program which would trigger on quickly when labor demand falters and would be phased down as the economic climate improved.

The employment opportunity component of welfare reform is thus just one of many weapons in our antiunemployment arsenal. It is not a substitute for macroeconomic policies, for countercyclical policies, nor for programs focused on the particular problems of aging cities or other chronically depressed areas. Nor does it, in itself, address the special needs of all of the structurally unemployed. But it is a major step—the first major step—in attacking the corrosive problem of chronic unemployment and underemployment among family breadwinners—a problem which you, Mr. Chairman, brought so forcefully to public attention over a decade ago.

The employment opportunities program is also an integral part of the administration's income maintenance strategy. There are four salient advantages to an employment approach to income maintenance.

The first is that by providing incentives and opportunities for work and training, a jobs approach builds human capital and self-suffi-

ciency. In doing so, the long term need for income maintenance programs is minimized and this, in turn, provides the only hope for real fiscal relief from welfare costs by all levels of government.

The second advantage is that, in the process, useful goods and services are provided for the whole community and in particular for low-income communities.

The third advantage is that communities independently develop services that create the conditions allowing people to go to work—for example, by providing day care or special transportation services—or which attract or retain employers in the community—for example, by improving public safety and community facilities. This result further reinforces the goal of reducing economic dependency.

But perhaps the most important single advantage to an employment approach is that it can assure a far higher total income than is possible through a cash assistance plan alone. It is estimated that assuring even a poverty line income for families with children through a cash assistance program while retaining even modest incentives for work effort, would cost upward of \$30 billion.

This estimate includes \$6.5 billion in increased-benefit cost caused by the fact that the covered population will reduce earnings by over \$14 billion. Providing the same income through a work opportunity program, in combination with a carefully coordinated supplemented program of cash assistance, costs a fraction of that amount.

There are several reasons for this. First, job-related benefits, unlike cash assistance benefits, offer an incentive rather than a disincentive to work, since wages increase rather than decrease as work effort increases.

Second, many fewer people can be expected to apply for a job than for a cash benefit of equivalent income value for the simple reason that taking a job requires relinquishing other opportunities for leisure, work in the home, or alternative employment.

However, as the administration's plan recognizes, an employment approach cannot do the job itself. A complementary program of direct income assistance is also required to assure an adequate total level of income and to serve as a backstop if no appropriate job opening is available.

Since wages are necessarily limited by the skill level of workers, while family income requirements are determined by family size, composition, and geographic location, there is no assurance that the program wage will be sufficient, in itself, to meet family needs.

Furthermore, if program wages are set high enough to meet the needs of most participating families, the program may begin to exert a disruptive effect on local economies. For these reasons it is desirable to keep the program wage relatively low and to supplement these earnings by cash assistance benefits adjusted on the basis of family size, composition and other relevant factors.

The administration's welfare reform program thus represents a careful coordination of employment and cash assistance strategies. Secretary Califano has described for you the features of the cash assistance component so I will confine my description to the employment and training component.

In designing the program, several principles are stressed :

First, productive work effort can best be motivated and sustained by primary reliance on the provision of opportunities and incentives rather than requirements and penalties. Ample research evidence and transfer program experience supports the commonsense observation that people work best and hardest when they stand to gain significantly from their efforts.

The failures of many of our social programs in the past can be attributed to the fact that they relied on program administrators or beneficiaries to behave in ways which were inconsistent with their self-interest.

A second related principle is that administrative burdens for both program operators and participants should be minimized.

Third, families should be encouraged to minimize reliance on cash assistance. Hence, persons who work should be substantially better off than similar persons who do not work.

This means that both cash assistance and tax programs must not be designed in such a way as to undermine the viability of the job program.

Fourth, workers should be encouraged to seek unsubsidized employment in preference to subsidized employment, hence persons who work in unsubsidized employment should be better off than those in subsidized employment.

Lastly, every effort should be made to develop subsidized job and training activities which are viewed by participants as productive community services or nonstigmatizing opportunities to self-advancement. If participants view these jobs as punishments rather than opportunities, the work they do will be of little value either to themselves or to their communities.

The major features of the program which would be established as a new title of CETA reflect this general approach.

Under the administration's proposal, eligibility for the employment opportunities component is not restricted to persons receiving cash assistance. One of the goals of the program is to minimize reliance on cash assistance, particularly for the many near poor families who experience relatively short-term periods of dependence as the result of sporadic unemployment.

Instead, to insure that program benefits reach those most in need, we have relied on the following simple devices which make the job program self-rationing.

First, eligibility for the subsidized jobs program would be limited to adult members of families with children. Second, only one member of such a family would be provided a subsidized job or training opportunity and that opportunity could only be taken by either, the sole parent or, if there are two or more adults, the "principal earner."

The family may define the principal earner as the parent who either has worked the most hours or had the highest earnings in the last 6 months. If the normal principal earner has become ill or disabled or is otherwise unavailable for work, the other parent would qualify. If neither has recent work experience, either could apply.

This provision would assure that subsidized jobs are restricted to those families whose job opportunities are so limited that no adult member has been able to obtain steady employment in the regular



economy at even the relatively low wage level provided by the subsidized job.

Thus, maintaining a relatively low wage is the third, and most important, rationing device. If the wage is low, clearly an individual who can obtain a better paying job will do so. This self-rationing feature also meets another requirement for a workable system.

Wages for these subsidized jobs must not compete with the jobs available in the regular economy. The basic wages for these subsidized jobs will be set at the higher of the State or Federal minimum wage rate. However, there are two very important exceptions to this restriction.

In order to maintain the balance between cash assistance and subsidized wages, proportional wage supplements of up to 10 percent of the minimum wage must be paid by those States which also supplement Federal cash assistance for those families not expected to work. It is expected that 39 States will supplement the wage, 37 of them at the maximum 10 percent. In addition, premiums of up to 25 percent of the basic wage may be paid to a limited number of work leaders on projects.

This limitation on wages is essential to encourage participants to first seek employment in the regular economy and to discourage people from leaving low-wage regular economy jobs to take subsidized jobs. Estimates indicate that if the wage is raised, the number of applicants for the job might increase by as much as  $1\frac{1}{2}$  times the rate of increase of the wage, and program costs by over twice the rate.

This sort of response could lead not only to greatly increased program costs, but would ultimately require abandoning the concept of attempting to provide jobs for all eligible persons.

Nonetheless, it is important to note that the combination of wage- and team-leader supplements, together with legislated improvements in the minimum wage, will produce an average national program wage of \$3.72 in 1981, or about \$7,700 a year. In 37 States, the average wage will be \$3.82. Put in perspective, a wage of \$3.82 an hour in 1981 is comparable to a 1978 wage of \$3.21, a wage higher than that currently earned by the principal earner in 2.5 million families with children.

Several other features of the employment opportunities program have been carefully designed to avoid disruptive effects on the regular economy:

A 5-week initial job search period would be required before an individual can be placed in a subsidized job. If, during this 5-week period, the individual is offered a job at prevailing wages, but no lower than the subsidized job wage, he or she would be required to take it. The employment and training system would assist the individual in this intensive, 5-week job search.

Private sector placement efforts would also continue after an individual has accepted a subsidized job. After holding a subsidized job for 52 weeks, an individual would be required to undertake another 5-week period of intensive job search.

Private sector job placement efforts would be closely coordinated with a major new administration initiative planned to begin next year which will seek to link Government employment and training programs more directly to private sector job openings and to insure

that subsidized workers make early and successful transition into regular jobs in industry.

The subsidized jobs which are created will be in useful public services which are not normally performed by regular public or private sector workers.

Every effort would be made to emphasize job activities which help participants acquire useful skills and encourage and assist them to seek employment in the regular economy. We expect that training activities would be a regular component of most subsidized job opportunities.

Flexible hours and part-time work opportunities would be provided in order to accommodate the needs of single parents with preschool and school age children.

I would also like to emphasize that while no job guarantee is being made, it is the intent of the program to attempt to provide a sufficient number of job openings to meet the likely demand by workers for the jobs. A great deal of thought and effort has gone into estimating this demand since it is a difficult, but important, task.

A job program is, by its very nature, voluntary. Even a rigorously enforced work requirement cannot make people work. Furthermore, it is reasonable to expect that, given the limitations placed on wages and other program incentives, most poor and near-poor families will prefer either to retain their current job or, in the case of one-parent families with small children, to remain out of the labor force to care for their families.

Two independently developed computer models have been used to prepare estimates of the likely need for job and training slots and both models indicate that, given normal economic conditions, a demand will exist for about 1.4 million job and training slots in 1981. All but 300,000 of these slots will be full-time positions.

Since most low-income families can currently find better paying work for at least part of the year, it is not expected that most participants will remain in the program throughout the year. We estimate that about 2.5 million workers each year would be expected to pass through these 1.4 million slots.

This means that over the course of several years the great majority of the estimated 7 million poor and near-poor families with children might be assisted by this program on their way to financial independence.

It is estimated that job takers will be split about 50-50 between men and women, with the majority of the women being single-parent heads of families. Most of the job takers will come from the ranks of the working poor families to whom the administration's plan would extend Federal cash assistance for the first time.

However, a substantial number, over 40 percent, will be from families of the type currently eligible for AFDC including the unemployed father caseload. About 80 percent will have had recent work experience, and it is likely that many participants will be found to be job ready without extensive preemployment orientation and training.

To meet the demand for 1.4 million jobs will obviously require a flexible and innovative organizational structure. One goal of this program is to develop greater coordination and enhance effectiveness of the entire employment and training delivery system.

Program operation will be local. Local labor markets differ, local clientele differ, and a substantial investment has already been made in our existing local employment and training system.

As you know, substantial job creation and job development capabilities have already been developed through the Comprehensive Employment and Training Act programs which currently serve over 2 million persons a year, including a level of 645,000 public services employment slots as of January 20, 1978, and through the State employment services, which received over 7 million nonagricultural job listings last year.

Under this approach, the local CETA prime sponsors will make arrangements for intake, initial intensive job search, and other labor exchange functions with the employment service or comparable arrangements with other agencies. The local sponsors would contract with public agencies, community-based organizations and other non-profit groups to provide many of the subsidized job and training slots.

The Department of Labor, for its part, would undertake to identify and publicize successful job creation ideas and projects which might be undertaken in other communities and to assist localities in combining funds from other Federal programs to provide additional overhead and supervisory personnel.

In consultation with CETA prime sponsors, we are undertaking a continuing effort of this sort to identify job categories which offer the potential for subsidized job placements. Such categories would meet the following criteria.

One, they provide services needed in local communities; two, they require relatively unskilled labor at the entry level; three, they are, for the most part, outside the normal range of Government services and pay at or near the minimum wage; and four, they can be conducted on a relatively large scale in communities across the country.

Thus far we have identified 16 categories of such jobs which alone could supply over 1½ million slots within these criteria. We have prepared a more detailed description of these job types which I have made available to the committee.

Services to the elderly is one of the major categories of subsidized jobs that could be created under this program. We estimate that 200,000 jobs could be created to serve the elderly and the homebound. Similar programs currently exist in many communities under CETA.

For example, in Wilson, N.C., AFDC recipients are providing home health care to elderly people who would otherwise have to be institutionalized. In Battle Creek, Mich., housekeeping aides are providing a variety of services for senior citizens which allow them to maintain their own homes and apartments.

Work like this needs to be done in this country. Jobs like these do not require a high degree of skill. All they require is dedication and the desire to work. One has only to walk through any city, or travel through any rural area, to see clearly that there are many thousands of public services that need to be provided, but currently are not being undertaken. Through an imaginative program of job creation we can combine the twin goals of human development and community development.

Of equal concern, of course, is the immediate effect of the job program on the incomes of working poor families. Subsidized job wages,

combined with other family earnings will, by themselves, keep 2 million persons in low-income families from needing to rely on cash assistance benefits at all.

Combined with the two other major elements of the reform package, the comprehensive cash assistance program and the expanded earned income tax credit, the employment opportunities program will insure for the first time that most American families with an employable member will have an income substantially above the poverty line.

In 1981, every family with children with one parent employed in the regular economy will be assured a minimum income 20 percent above the poverty line. If a subsidized job is provided, a minimum income 13 percent above the poverty line is assured.

Important as this achievement will be, it is really only the first step. Economic dependency will not end overnight. Income supplements and subsidized employment are only temporary remedies.

But the low-income population is not a static one. Each year perhaps 30 percent of the families in poverty in the United States leave poverty while others, suffering reverses in circumstances, replace them. By providing both opportunities and incentives for increased self-reliance, the employment opportunities program is designed to accelerate the upward flow to financial independence to assure that lapses into economic dependency are fewer and briefer.

As an integral component of an employment strategy, the employment opportunity component of welfare reform will be a major step forward in assuring that all Americans can share more equitably in the fruits of American economic growth.

I would be glad to answer any of your questions.

Senator MOYNIHAN. I thank you, Mr. Secretary. That was superbly informative and responsive testimony.

I would just like to repeat what you said on your next-to-last page, that if this program should go through, it will be the first time that most American families with an employable member will have an income substantially above the poverty line. That would be an extraordinary achievement of this generation of American politics, and I certainly am committed to see what we can do up here to bring it about.

Mr. Secretary, you provided, very generously, and obviously at considerable effort, answers to a series of questions which we put to you, and I would like to have those answers put in the record.\*

And, in addition, I would like to put into the record the second edition of the subsidized public services and job training paper, which you referred to in your testimony.

[The material to be furnished follows. Oral testimony continues on p. 159.]

#### SUBSIDIZED PUBLIC SERVICE JOBS AND TRAINING: SECOND EDITION

As part of President Carter's message announcing the Better Jobs and Income Program on August 6, 1977, the Department of Labor issued a press release describing the types of jobs which could be created to meet the special requirements of welfare reform. The initial release provided a brief description of some 1.4 million full and part-time job and training opportunities in 13 broad categories, drawing both upon the ongoing expansion in Public Service Employment (PSE) under Titles II and VI of CETA, and upon independent research on job creation possibilities. The present paper is the first in a series of reports which will be issued periodically updating, modifying and expanding the material included in

\* See Part 2, Appendix B.

the first release. This report expands the number of job categories to 16, and increases the number of previously estimated job opportunities as well. Since the first release, we have amassed far more information on the nature of the CETA Title II and VI expansion. In addition, the Labor Department has done and sponsored a great deal of research in this area over the past few months.

The Better Jobs and Income Program will require the creation of large numbers of jobs involving some combination of work and training in the public and private non-profit sectors. Decisions about the mix of work and training and about the types of opportunities generated will be made by locally elected officials.

#### THE CETA EXPANSION

The experience of the recent PSE expansion under CETA provides some very encouraging news for the Better Jobs and Income Program. In August, the expansion had reached a level of just under 450,000 slots, and was well ahead of the planned enrollment for that time. At the end of January, the combined Title II and VI enrollment had reached a level of almost 650,000, more than twice that of eight months ago. The speed of this expansion says a great deal about the system's ability to perform well under pressure.

Furthermore, most of the expansion involves the creation of special projects which now enroll over 270,000 participants. These new CETA participants, as well as many of those hired to fill pre-existing or sustainment CETA positions, have characteristics which are very similar to those who are going to be employed under the welfare reform proposal, and, as the following comparisons suggest, they differ from the characteristics of enrollees in the recent past:

[In percent]

	Fiscal year 1976	Enrollees <sup>1</sup>
Economically disadvantaged.....	43.8	86.4
AFDC recipients.....	5.8	15.2
Public assistance recipient.....	7.1	9.9

<sup>1</sup> Based on the characteristics of new cumulative enrollees from Mar. 31 to Sept. 30, 1977.

As the expansion continues toward its anticipated peak level of 725,000 this spring, and as pre-existing positions are filled more and more with the disadvantaged, those holding public service jobs should resemble even more the target population of the welfare reform proposal.

An indication of the distribution of CETA Titles II and VI projects participants (based on a sample of projects) by public service function and by type of work is provided in Table I. Some of the more innovative projects operated under Title VI are depicted in Table II. (Table II will be updated in a future edition of this report.)

#### PROJECTS FITTING WELFARE REFORM REQUIREMENTS

The summary table given below provides a generic listing of the types of projects which could be created and rough, but conservative estimates of the numbers of job opportunities in these areas. It draws upon the CETA expansion and upon a growing body of data from our research. The emphasis is on projects which could be mounted on a large scale, and this list does not exhaust the range of possibilities.

Types of jobs described below are suited to welfare reform participants in that they involve low skill levels, can pay close to the minimum wage (although current projects, not so restrained, pay higher rates), do not erode existing wage structures in most areas, and are in new or expanding areas where there is much needed work to be done. Moreover, most of these project types are conducive to a mix of work and training.

Overhead and supervision requirements will be greater under welfare reform than under the existing public service jobs program because of the changing clientele, the increased emphasis on training, and the need for materials. While part of this increase will be met by allowing a higher percentage to be spent on non-wage costs, in many cases materials, supervision, and other support will be provided through joint arrangements with other government agencies.

The Department is planning to conduct demonstration projects at sites throughout the country over the next few years to develop information on the best ways of tailoring jobs to welfare reform purposes.

Some of the individuals eligible and expected to apply for work and training will not be enrolled in the types of jobs described here, but rather will be placed in subsidized on-the-job training in the private-for-profit sector. Others will be placed in classroom training. In addition, a full-scale effort to place applicants in unsubsidized private sector jobs will be an important and integral part of the program.

MAJOR CATEGORIES OF JOB CREATION; SUMMARY OF SLOT ESTIMATES

Category	Number of slots	
	Our estimates	Total estimates
1. Public safety.....	112,000	112,584
2. Recreation facilities.....	200,000	221,500
3. Facilities for the handicapped.....	25,000	27,000
4. Environment.....	50,000	84,300
5. Child care.....	150,000	178,000
6. Waste treatment and recycling.....	25,000	32,500
7. Cleanup and pest/insect control.....	100,000	110,000
8. Home services for the elderly and ill.....	200,000	237,000
9. Recreation programs.....	50,000	50,200
10. Energy conservation.....	50,000	55,800
11. Paraprofessions in the schools.....	200,000	319,000
12. School facilities improvement.....	100,000	140,000
13. Art and cultural activities.....	75,000	89,500
14. Health.....	50,000	67,200
15. Community development related services and facilities.....	20,000	20,100
16. Transportation.....	3,800	3,800
<b>Total.....</b>	<b>1,410,800</b>	<b>1,748,484</b>

1. Public Safety—112,000 Slots:

Parole and probation aides, adults and juveniles.

Fire hazard inspectors in high fire risk districts.

Dispatchers, clerks, phone operators, public information aides in law enforcement agencies.

Traffic control.

Home security, inspections and installations in low-income areas.

EXAMPLES

*Massachusetts BOS.*—To form fire watch and safety teams to patrol high fire risk districts, conduct home inspections and safety demonstrations, and promote fire prevention.

*Fort Worth, Texas.*—To survey a random sample of Fort Worth households to determine the types of individuals and households which have been the victims of crime, the nature of the crime, the response of the police, and the attitudes of respondents toward the police department; the data obtained will be used to determine priorities and recommend improvements in police services.

*Portland, Oregon.*—To upgrade the security of the homes of senior citizens and low-income families residing in high crime areas by installing locks, latches, window grates, and other security devices.

FACTORS CONSIDERED IN ESTIMATING SLOTS

A 1977 study of the National Planning Association entitled "National Manpower Survey of the Criminal Justice System" estimated that 6,000 more workers could be used nationally in juvenile correction institutions. Twenty-five percent of these jobs would be professional; the remainder could be paraprofessional and clerical; thus 4,400 jobs could be created.

The American Institutes for Research (AIR) estimates that the potential exists for 11,344 new PSE jobs in the area of crime prevention education programs. This estimate was derived through (AIR) interviews with police chiefs, locally elected officials, directors of departments of public safety, citizens' crime prevention and policy-community organizations, and other criminal justice off-

cials. The basic planning factor considered was that the number of additional workers needed varied proportionately with the population of the city or county.

The 1977 study "National Manpower Survey of the Criminal Justice System" provides the following estimates of PSE job potential at entry levels:

1. Staff support in law enforcement agencies.....	74,000
2. Public Defenders offices.....	700
3. Courts.....	8,200
4. Parole and Probation.....	9,475

The American Institutes for Research estimates from field interviews with fire chiefs, elected and other local officials, and community-based organizations that 9,465 jobs could be created in fire hazard inspection and other fire prevention programs.

Total Estimate, 112,584 Slots.

Our Estimate, 112,000 Slots.

#### 2. Recreation Facilities—200,000 Slots:

Developing bikeways, nature, backpacking and other trails, many with special features for the handicapped.

Maintaining existing parks, gardening, cleaning up litter and debris, posting signs and making minor repairs to existing facilities.

Building new parks and recreational facilities in counties and municipalities.

#### EXAMPLES OF PROJECTS IMPROVING RECREATIONAL FACILITIES

*Jacksonville, Mississippi.*—Developing a system of bicycle routes to promote bicycling for recreation and as an alternate means of transportation.

*North Canton, Ohio.*—Building neighborhood parks, constructing parking facilities, picnic areas and playgrounds.

*Chicopee, Massachusetts.*—Preparing and improving baseball diamonds, swimming pools, bleachers, picnic tables, and bandstands in community parks.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

The U.S. Department of the Interior has estimated that it could develop 80,000 slots for unemployed individuals in National Park projects beginning in FY 1978.

The National Forest Service has identified a total of 155,593 man/years of work. If only 30 percent of these projects were developed, 47,000 slots could be created.

States and communities identified 451 bikeway projects which were not funded by a DOT demonstration program. Judging from similar projects employing an average of ten workers, 4,500 workers could be employed. An additional 6,232 miles of abandoned railroad rights of way have been identified as suitable for conversion to bikeways. Assuming an average relationship of roughly 3 miles of bikeway converted for every worker employed, some 2,000 job slots could be created if conversion projects were developed.

There are 34,660 State, County and Municipal parks. Assuming that 50 percent—the more sizeable parks—could employ an additional five persons on maintenance and improvement projects, then some 104,000 slots could be created. Such projects would involve additions, upgrading, clean-up and minor maintenance to the 19,294 baseball diamonds, 4,435 outdoor swimming pools, 12,348 tennis courts, 9,212 recreation buildings, 11,691 playgrounds and 14,237 indoor recreation centers.

Increasing the number of State, Municipal and County parks by 10% could create an additional 34,000 jobs, assuming ten person crews building the new parks and facilities over a period of years.

Total Estimate, 221,500 Slots.

Our Estimate, 200,000 Slots.

#### 3. Facilities for the Handicapped—25,000 Slots:

Building ramps for the handicapped at major street intersections and in public buildings.

Installing braille signs in elevators.

#### EXAMPLES OF HANDICAPPED FACILITIES PROJECTS

*Memphis/Shelby County, Tennessee.*—Laborers and semi-skilled maintenance workers are building ramps for the handicapped in five key areas of the city

used heavily by the handicapped and elderly. Subsequent projects may include placing braille instructions in elevators, interpretive signs for the deaf or partially blind.

*St. Petersburg, Florida.*—Streets Department is hiring workers to construct ramps for the handicapped.

*Albion, Michigan.*—Sidewalk maintenance crew is constructing ramps for the handicapped as well as performing other work, such as repairing unsafe surfaces and deteriorating curbs.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

Personnel requirements of current similar CETA programs range up to 55 workers in individual communities. Assuming that an average of 40 persons would be employed in 80 percent of the 840 cities with population over 25,000, then 27,000 jobs would be created.

This figure does not include the potential impact of HEW-issued regulations on easy access for the handicapped to educational facilities. Estimates of this need are included in item 12, School Facilities Improvement.

Total Estimate, 27,000 Slots.

Our Estimate, 25,000 Slots.

#### 4. Environment—50,000 Slots:

Air pollution monitoring. Readings at municipal air quality stations, processing and transporting data tapes, and minor machine maintenance.

Water monitoring. Regular sampling of effluents from municipal and industrial water treatment plants and facilities.

Comprehensive survey of U.S. potable water sources and treatment.

Noise pollution monitoring. Noise level readings by teams of monitors in metropolitan areas at varying locations and times (rush hour traffic, inner city airport flight patterns, etc.) for establishing ambient noise standards. Data collection and collation.

Rural water system operation and maintenance to meet established Safe Drinking Water Act standards.

#### EXAMPLES OF ENVIRONMENTAL PROJECTS

*Bay City, Michigan.*—Detection and correction of sewage disposal problems in certain townships through a sampling and dye testing procedure. ventual elimination of sewage and other discharge onto surface water.

*Madison, Wisconsin.*—Assisting in the measurement of stream flows and conducting water quality monitoring surveys. Stream surveys include measurements of waste load allocation, fish population, and aquatic vegetation.

*New Mexico.*—EPA pilot program training and employing CETA Title VI clients as Class I operators for 33 rural potable water systems.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

Mandated EPA requirements for monitoring various forms of pollution.

Nationwide, there are from 1,000 to 2,000 stationary air quality monitoring stations as well as 1,500 portable monitors, primarily in urban areas. Each of the areas could employ workers in a variety of tasks and occupations. The National Field Research Center Inc. estimated that 32,000 workers could be employed to perform such work.

There are approximately 22,000 municipal water treatment plants which monitor the discharge of effluents into rivers, lakes and streams. Assuming 15 percent of the municipal facilities could employ an average of one monitor, then 3,300 slots could be created. An additional, uncounted group would be needed to monitor the large number of private industrial plants which discharge effluents into waterways.

Each of the 600,000 plus water supplies in the U.S. serving 25 or more households must be surveyed as to its source, treatment method, method of distribution, number of households served, etc. Assuming one surveyor could be employed for every 25 water sources, then 24,000 slots could be created.

For rural systems alone, the national demonstration water project estimates a need for 25,000 workers to bring systems into compliance. (This figure may overlap with the above.)

An agreement between DOL and EPA has been negotiated among staff to encourage new joint and reciprocal activities at local levels to meet legislated re-



sponsibilities. This is expected to produce greater local initiative in environmental job creation.

Total Estimate, 84,300 Slots.

Our Estimate, 50,000 Slots.

5. Child Care—150,000 slots:

Working in Preschool Day Care Centers as:

Teacher Aides.

Social Service Workers.

General Helpers.

Child Care Supervisors.

Housekeepers.

Support Aides for Health or Nutrition Services.

Custodians and Bus Drivers.

Family Day Care Providers.

Mobile Child Care/Development Centers.

Home Emergency/Sick Care Providers.

Institutional Day Care Aides—i.e., hospitals, retarded facilities.

Day Care Trainers for home-based families.

Day Care Aides in public housing facilities.

Child Care Coordinators of volunteer programs for before/after school care.

Working in before/after school care centers or programs.

#### EXAMPLES OF CHILD CARE PROJECTS

*Springfield, Missouri.*—Day care program trains and hires low-income people to serve as teachers aides, cooks, bus drivers and custodians.

*Flint, Michigan.*—Comprehensive child development program trains and hires a number of nonprofessional persons in day care work.

*Jackson, Mississippi.*—YMCA utilized six summer youth employees as aides and 20 AFDC recipients as counselors earning \$125 per week to serve 300 disadvantaged children for a CETA Title VI funded summer day camp.

*Reston, Virginia.*—Reston Children's Center was funded by CETA for a comprehensive pre-school program, now including a family day care satellite program for school age children. FDC providers are trained and hired by the Center as part of the staff. Each of ten providers offer home-based care for three to five youngsters before and after school hours. Parents pay the center. The goal is to have a self-supporting program from parent fees.

*Humboldt County, California.*—Centered in Eureka, this CETA-funded program operates several day care centers serving city, county and rural populations; and satellite trainers aiding in home visits for child development to low-income, rural communities.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

Under the provisions of Public Law 94-401, in 1976 a number of States began to hire AFDC recipients in various paraprofessional positions to improve staff ratios and thereby bring local day care centers closer to conformity with Federal interagency standards. Recent informal visits by DOL/HEW staff to some of these sites indicated considerable success in recruiting and utilizing AFDC recipients, with salaries averaging close to the minimum wage.

Preliminary analysis of data from visits to seven States in November 1977, showed that jobs were at or very near the minimum wage in six of the States and significantly above the minimum (a \$5,448 annual wage) in only one (Connecticut). Most of the States provided some fringe benefits to participants. In all cases the net impact on the participants' financial status was positive. In addition, no differentiation was noted between the AFDC recipients and others in similar work roles—which included teacher aides, social service aides, and family day care providers—in any of the States visited, although in one case, AFDC recipients received more OJT and counseling.

It is estimated that some 230,000 women with children under the age of six (200,000 full-year equivalent slots) will volunteer for the work and training slots. If each of these women has an average of two small children, this will generate a demand for 400,000 day care slots. Given the non-professional staff/child ratio of one to six for pre-school care, and assuming that only half of these children receive formal day care arrangements, some 33,000 non-professional full-time child care slots could be created to serve this population.

In addition, over 330,000 low-income women (income less than \$7,500 per year) with children under the age of six, currently work year-round. An additional 540,000 low-income women with children under six work part-year producing an equivalent of 240,000 years of work effort. If each of these 570,000 equivalent full-year workers has an average of two small children, and if 50 percent of these children currently receive inadequate child care, under the one to six ratio, an additional 95,000 child care related non-professional jobs could be created to meet these needs.

In addition, some 130,000 full year equivalent public work/training slots will be filled by women with children between the ages of six and twelve (but no children under six). Some 1.3 million low-income women with children over six currently work an equivalent of 930,000 person-years annually. If each of these approximately 1 million women has two children in the age range of 6-12, and if only 25 percent of these children require organized after school care, with a child/nonprofessional staff ratio of 1 to 10, 50,000 after school care job slots could be created.

#### Summary

33,000—Full-time child care for preschool children of PSE volunteers.

95,000—Full-time child care for preschool children of other low-income working female family heads.

50,000—After school care slots for PSE volunteers and other low-income female heads of families.

Total Estimate, 178,000 Slots.

Our Estimate, 150,000 Slots.

#### 6. Waste Treatment and Recycling—25,000 Slots:

Recycling of glass, papers, aluminum, oils, and other wastes. Processing and intake personnel to separate and screen materials, truck drivers, and clerical workers for administration.

Inventory and classification of waste disposal facilities. Surveying, data collection and collation, and clerical support for disposal facility surveys in each State and local area.

Inventory of hazardous wastes. Provision of detailed description of process for manufacture, transportation, and disposal of specified hazardous material waste. Surveying, data collection and collation, and clerical support required.

#### EXAMPLES OF WASTE TREATMENT AND RECYCLING

*Westfield, Massachusetts.*—Recycle glass on city wide basis. Participants taught all aspects of resource recovery.

*Butler County, Pennsylvania.*—Nonprofit community organizations employ CETA workers in all aspects of paper and glass recycling operation.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

Efficient recycling efforts can exist only in sizeable metropolitan areas where scale permits.

The need exists for approximately 50 workers in various job classifications in each recycling effort in the 500 largest U.S. cities. This would result in the creation of 25,000 slots.

Mandated EPA requirements for inventory and classification of waste-related activities. A project in each of the 50 States each employing 50 workers would create 2,500 slots.

EPA projects a need for 100 waste disposal persons per State for hazardous materials disposal. This would create 5,000 slots.

Total Estimate, 32,500 Slots.

Our Estimate, 25,000 Slots.

#### 7. Clean Up and Pest/Insect Control—100,000 Slots:

Sanitation and collection. Expanded trash, junk, and debris clean up in urban and rural areas for beautification and sanitation purposes.

Stream clean up. Brush and debris cleaning along stream and river banks in or near population centers.

Flood damage restoration. Clearing culverts and drains of debris and repairing damage caused by past year's flooding in large number of areas.

Rodent control. Clearing of brush from urban ditches. Rodent baiting.

Insect abatement. Identification and mapping of breeding grounds of mosquitos and other insects in urban areas. Handling of insecticides.

## EXAMPLES OF PROJECTS INVOLVING CLEAN UP PEST/INSECT CONTROL

*Russell, Massachusetts.*—Waterways Project. To clean up streams and rivers in the town and downstream.

*Rockingham, New Hampshire.*—Cocheco River Cleanup. To improve recreational use of river by cleaning it of debris and seeding and grading the river banks.

*St. Petersburg, Florida.*—Sanitation, Cleanup/Collection: To collect and cleanup all brush, debris, discarded furniture, trash and junk in alleys and parkways.

## FACTORS CONSIDERED IN ESTIMATING SLOTS

Crews of 100 in as many as 500 localities and their surrounding areas could be employed to substantially reduce the incidence of accumulated trash, abandoned cars, etc. This type of project could employ 50,000 persons.

Several hundred areas throughout the country which has suffered severe flood damage could provide employment for crews of 50 in a variety of tasks. Similar tasks could be carried out by crews of 20 workers in 1,500 or more stream, river, and lake areas to reduce the accumulation of litter and debris. These projects could employ some 30,000 persons.

Crews of 20 could be employed in some 250 urban areas primarily to clear ditches and other areas where rats and other rodents breed, as well as to place bait and traps. These projects could employ some 5,000 persons.

Large and small population centers could hire from 25 to 75 workers for mosquito abatement projects. Assuming 500 areas employ 50 workers each, then 25,000 slots could be created.

Total Estimate, 110,000 Slots.

Our Estimate, 100,000 Slots.

8. Home Services for the Elderly and Ill—200,000 Slots:

Providing a wide range of in-home services to maintain independence and avoid or reduce the need for institutionalization such as:

Homemakers.

Home health services.

Shopping services.

Reader and letter-writing services.

Chore services.

Friendly visiting and telephone reassurance.

Home delivered meals.

Providing links between the client and the community such as:

Escort and transportation services.

Housing assistance.

Outreach activities.

Health screening and related services.

Congregate meals and other activities provided through multipurpose centers.

## EXAMPLES OF HOME SERVICES FOR THE ELDERLY AND ILL

At the end of FY 1976, about 50 sponsors had developed public service jobs for home health aides or health worker aides. During FY 1977, sponsors began joining CETA funds for training and wages with funds available under the Older American Act that could be used for renovation of senior citizens' centers and for Meals on Wheels; in the first three quarters of FY 1977 more than \$15 million in CETA funds was spent to achieve the joint objectives of the DOL and AOA.

*State of Ohio.*—71 inquiry and referral assistants hired to establish a liaison between senior citizens and service providers.

*Indianapolis, Indiana.*—50 participants hired to do a needs survey, provide meals in an existing senior citizens center, and to develop a comprehensive services network.

*Lee County, Florida.*—140 health aid/homemakers, themselves senior citizens, trained and placed to serve their own peer group.

*Battle Creek, Michigan.*—Housekeeping aides provide services to senior citizens to enable them to maintain their own homes or apartments. At the request of the client they will clean and maintain the home, correct safety hazards, etc.

*West Palm Beach, Florida.*—"Chore Companions" assist homebound disadvantaged by doing heavy cleaning, yard work, cooking meals, helping them to get to doctors, and providing companionship.

*Monroe County, Michigan.*—Home help services are provided to those disabled, aged, chronically ill and those recently discharged from hospitals. Services include: chores, meal preparation, limited personal care and maintenance of home safety.

*North Carolina, BOS.*—To provide home health care for the aged, handicapped, and disabled in rural areas.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

Long-term disability as a result of age or other factors is growing significantly. For example, between 1960 and 1970 the number of persons receiving disability benefits from Social Security increased by 225 percent, while the proportion of totally disabled among the worker beneficiary population nearly doubled, increasing from 5.3 to 10 percent. In the next 10 years, the population over 75 years of age is expected to increase by 22 percent while the population as a whole is expected to grow by only 10 percent.

A paper prepared in 1971 for the Senate Special Committee on Aging estimated that 3.8 million persons of all ages and not in institutions are home bound, functionally dependent, and in need of personal care. More recently, the Senate Select Committee on Nutrition and Human Needs has estimated that there are 2 million home bound individuals—elderly and mentally or physically handicapped—who are in need of some kind of home care assistance. In a current experimental project in Connecticut serving the elderly in need of health or social services, careful needs assessment has led to the conclusion that between 85 and 90 percent of the caseload is in need of these kinds of "life-support," home-based services as compared to only 4 percent requiring hospitalization and 8 percent requiring highly specialized medical care.

Currently, 120,000 persons are served by the "meals on wheels" program under the Older American Act. A conservative estimate, made for the Senate Select Committee, assumes that 1 million more individuals are in need of this service alone. On the basis of current operations, one additional worker is needed for each 9 persons served, for a total of 99,000 jobs. In addition, studies based on work by the Urban Institute and others estimate that an additional 138,000 workers are needed to provide homemaking and home health services to the home bound.

Total Estimates, 237,000 Slots.

Our Estimate, 200,000 Slots.

9. Recreation Programs—50,000 Slots: Developing and supervising summer, after school and/or evening recreation programs for children and adults.

#### EXAMPLES OF RECREATIONAL PROGRAMS

*Providence, Rhode Island.*—Seven CETA supported workers provide boxing instruction and outreach in a neighborhood athletic program sponsored by the YMCA.

*Battle Creek, Michigan.*—A project to provide a full time, year round recreational program for the handicapped. Project includes indoor and outdoor winter and summer sports.

*Wooster, Ohio.*—A project to develop and implement an organized recreational program in conjunction with a local community action agency. Major focus will be to integrate the agency's efforts with other recreational programs.

*St. Louis, Missouri.*—Seven CETA supported workers were hired to assist community groups and organizations in organizing activities that provide leisure time alternatives to bored and frustrated youth, and other persons.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

Adding two recreational or athletic aides to staffs of the 2100 YMCA's and YWCA's and to 500 Settlement Houses would create 5200 slots.

Adding at least two outreach recreational aides or athletic instructors to each of the 14,237 municipal and county public recreation centers would create an additional 30,000 jobs. These persons would work in isolated neighborhoods.

Fifteen thousand jobs would be created to provide expanded recreational services to special groups in non-recreational settings: hospitals; nursing homes; schools; housing complexes for the elderly; institutions for the handicapped and retarded; correctional institutions; etc.

Total Estimate, 50,200 Slots.

Our Estimate, 50,000 Slots.

10. Energy Conservation—50,000 Slots:

Installing insulation in the attics and walls of homes of poor and elderly families.

Caulking and glazing of windows and doors.

Installation of storm windows.

Outreach to determine eligible households.

Recordkeeping and scheduling.

Installation of various solar applications, especially domestic hot water, in similarly eligible residences.

EXAMPLES OF ENERGY PROJECTS

*Worthington, Minnesota.*—Providing home insulation and energy conservation assistance to interested low-income households in a four-county area.

*Wooster, Ohio.*—Developing and implementing an energy conservation and weatherization program for elderly and low-income households.

*Glenwood City, Wisconsin.*—Implementing, with local Community Action Program, a housing improvement and weatherization program for low-income residents in an eight county area. Involves installation of wood stoves, solar heat collectors and making other energy saving improvements.

*San Bernardino, California.*—Providing training in solar technology by working on public housing, schools, swimming pools and greenhouses.

FACTORS CONSIDERED IN ESTIMATING SLOTS

The Department of Energy has budgeted \$200 million for the next fiscal year for weatherization materials, requiring the equivalent of 30,000 slot-years for installation alone. An additional 5,600 slot-years are estimated for energy use surveys of public buildings, as are an additional 5,200 slots for extending such services to businesses, homes etc. Planning for a solar energy program among several agencies indicates a demand for up to 15,000 slots.

Total Estimate, 55,800 Slots.

Our Estimate, 50,000 Slots.

(Inclusive only of those activities listed above; additional activities and support positions incomplete.)

11. Paraprofessionals in the Schools—200,000 Slots:

Serving in such functions as:

Teachers aides.

Playground, lunchroom, and study-hour supervisors.

Ombudsmen between students and school personnel.

Nutrition and food service aides.

School security guards and hall monitors.

EXAMPLES OF PROJECTS UTILIZING PARAPROFESSIONALS IN THE SCHOOLS

*Boston, Massachusetts.*—CETA participants are serving in a paraprofessional capacity at St. Joseph's school as co-teachers, maintenance workers and nutrition specialists.

*Whitehall, Michigan.*—The public schools hire roving ombudsmen to provide easily identifiable and available adult contacts for the students. They serve in such capacities as liaison between the students and the attendance office and "quasi-counselors."

*Baltimore, Maryland.*—CETA participants are employed as paraprofessional Career Aides helping to guide potential high school dropouts toward positive alternatives. Also, 12 participants are being trained as security guards.

FACTORS CONSIDERED IN ESTIMATING SLOTS

The research staff of the National Education Association estimates that to meet the desired ratio of 1 teacher aide for every 5 teachers in elementary and secondary schools would require a total of 463,000 teacher aides. Currently there are 225,000 teacher aides; thus 238,000 additional teacher aide positions would need to be created.

The NEA also estimates that there is a need for approximately 1 school guard or monitor for every 25 teachers, resulting in a job creation potential of 81,000 jobs.

Total Estimate, 319,000 Slots.

Our Estimate, 200,000 Slots.

12. School Facilities Improvement—100,000 Slots:

Making minor repairs, renovations and improvements to existing school buildings.

Improving or expanding existing school athletic facilities.

Removing architectural barriers from elementary and secondary schools to meet the needs of the handicapped.

Removing architectural barriers from post-secondary institutions (universities).

EXAMPLES OF PROJECTS TO IMPROVE SCHOOL FACILITIES

*Piedmont, California.*—In order to reduce substantially the school district's consumption of energy and water resources the project will involve installing water conserving devices, repairing plumbing, window sashes and heating and ventilation systems.

*Sartell, Minnesota.*—Constructing an outdoor learning center for the Sartell Independent School District.

*San Lorenzo, California.*—Upgrading unsafe playgrounds and renovating grounds to improve the security of San Lorenzo School District facilities.

FACTORS USED IN ESTIMATING SLOTS

If 20 percent of the approximately 80,000 public high schools and public elementary schools would develop a project employing 8 persons, some 128,000 slots could be created.

An estimated 12,000 workers would be required, on a one-time basis (i.e., for one year only), to remove existing architectural barriers in educational facilities.

Total Estimate, 140,000 Slots.

Our Estimate, 100,000 Slots.

13. Arts and Cultural Activities—75,000 Slots:

Museums and Libraries. Aides, maintenance, security, sales, and conservation.

Music (instrumental and vocal); dance; history; drama; folk art; creative writing; architecture and allied fields; painting; sculpture; photography; graphic arts; handicrafts; design; video; and film.

Activities would be related to presentation, performance, execution and exhibition of these art forms. This definition includes both creative and support personnel in urban and rural areas.

Maintaining and performing minor renovation on historic buildings to serve as tourist attractions.

EXAMPLES OF CULTURAL PROJECTS

*Florida.*—Six performing artists are supported by CETA in an outreach program for performances in poor communities and neighborhoods.

*High Point, North Carolina.*—Two OETA-supported craftsmen construct sets for local theatrical productions.

*Rochester, New York.*—Supports eight CETA artists in residence in the public schools.

*Atlanta, Georgia.*—Two CETA-supported artists provide art therapy to adjudicated delinquents.

*Balance of State, Georgia.*—Supports eight workers renovating historical buildings.

*Rockford, Illinois.*—A CETA-supported worker designs simple products made for sale in a sheltered workshop.

*Aurora, Illinois.*—A CETA-supported graphic artist is preparing displays for public buildings and meetings for the Redevelopment Commission.

*Willmar, Minnesota.*—CETA workers perform minor maintenance for the library and aides also serve the homebound and hospitalized with library requests.

*Seattle, Washington.*—A CETA painter works with an Arts and Aging Team.

*Seattle, Washington.*—A muralist is in residence with an industrial workshop.

FACTORS CONSIDERED IN ESTIMATING SLOTS

The Farmer Cooperative Service of the Department of Agriculture estimates that 3,000 jobs can be created in the Crafts field. This estimate is based on experiences of Cooperative Service involvement in CETA Crafts projects in the states of Pennsylvania, New Mexico and Tennessee.

If an average of five persons are added to each of the more than 2,000 museums (art, history, science), then 10,000 slots could be created.

Labor-intensive Community outreach projects of varying size could be established in the Nation's cities. Various arts projects employing an average of 100 persons have been established in many of the 150 largest cities. If the next smallest 350 cities operated such projects employing 25 persons, then 24,000 slots could be created in all.

The New England Foundation for Arts estimated that in their six state area an average of about 1,000 jobs per state could be developed. These figures represent only those positions for which they believe they can find creative and support personnel. If this average holds true, we can expect a very conservative minimum of 50,000 jobs in the fifty states. However, many of these workers, although low-wage, may not be heads of families, and therefore we have not included them in our estimates.

It is estimated that there are over 15,000 public college and university libraries. If an average of three workers are added to each library, then a minimum of 45,000 slots could be created. In addition, there are some 15,000 other libraries not included in our public system. If half of these added an average one worker, then 7,500 jobs could be created.

Total Estimate, 89,500 Slots.

Our Estimate, 75,000 Slots.

#### 14. Health—50,000 slots:

EPSTD (Early and Periodic Screening, Detection and Treatment program for children of medicaid families)—basic job categories: community health worker, case managers, clerical therapy trainees, and laboratory aides.

Nutrition aides with the Department of Agriculture Cooperative Extension Service.

Health aides in correctional facilities.

Preventive health, education and outreach services for public and private non-profit health agencies.

#### EXAMPLES

*Gary, Indiana.*—To provide high blood pressure screening and detection services for all residents, supplemented with referrals for those with elevated pressure, educational programs to alert people to the risks and the need for screening and detection; and follow-up with clients to facilitate understanding and adherence to prescribed treatment regimens.

*Indiana, BOS.*—To train participants in advanced first aid, safety and health programs; operate first aid stations at major recreational facilities in Central Indiana; and teach advanced first aid, safety, and health in schools and low-income neighborhoods during the fall and winter.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

HEW estimates that 18,500 CETA workers would make it possible to screen 2,000,000 additional children in Medicaid families for health problems.

The Department of Agriculture Cooperative Extension Service estimates a need for at least 4,700 nutrition aides during the next year.

The National Planning Association's 1977 "National Manpower Survey of the Criminal Justice System" estimates the need for an additional 10,425 custodial care personnel in correctional facilities. We have no real CETA experience in the use of outside paraprofessional personnel in prisons in that these functions have been traditionally performed by inmates. There are reasons to believe that as a general rule inmates should continue to do such work, but that the use of outside personnel to augment the prison work force would be useful. We estimate that 1,000 slots for paraprofessionals could be utilized in prisons.

The Office of the Assistant Secretary for Planning and Evaluation at HEW estimates that four additional community health workers are needed for every 1,000 persons residing in medically underserved communities. They further estimate that 48 million people live in such areas. However, a major constraint in the expansion of employment in this function is the absence of health facilities

from which community health workers can operate in these areas. Assuming only one-fourth of the people in the designated areas have access to health care facilities, then 43,000 slots could be created in this functions.

Total Estimate, 67,500 Slots.

Our Estimate, 50,000 Slots.

15. Community Development Related Services and Facilities—20,000 slots;  
Conduct community needs identification surveys.

Staff support for citizen participation processes required under the Housing and Community Development Block Grant Program, Title XX.

Compiling a variety of community directories containing information on the community, its programs and services of use to residents, businesses, governmental officials, and others.

Converting vacant city lots into food producing gardens; home canning products—under the auspices of the Department of Agriculture Extension Service. Refurbishing deteriorated neighborhoods.

Outreach to inform low-income and elderly about available services and benefits.

Performing partial remodeling and rehabilitation work on existing publicly-owned buildings which could serve as emergency housing facilities where low-income people could find temporary shelter.

Training young ex-offenders to counsel potentially delinquent youth.

Establishing or augmenting comprehensive child abuse and neglect identification programs.

Working in dog control programs.

Counseling public housing tenants on such matters as household budgets and home maintenance.

Employing residents to maintain and repair public housing projects.

Landscaping, renovating and maintaining cemeteries.

Providing clerical services in a wide variety of public and private nonprofit agencies. (e.g., Salvation Army, mental health agencies, etc.)

Providing counseling services to women in Battered Wives Shelters and Displaced Homemaker Centers.

Serving as aides in Women's Resource Centers to advise on welfare programs, job opportunities, child care services; and money management.

Serving as staff in Rape Counseling Centers.

Conducting a broad array of outreach and other services through the U.S. Department of Agriculture Cooperative Extension Service (CES), largely in rural areas.

#### EXAMPLES

*Marin County, California.*—Workers purchase and/or grow fresh vegetables and fruits; divide the produce into four mobile mini-markets; and transport the produce to central localities throughout the county, where it is made available to ill, aging, and handicapped individuals at wholesale prices.

*Gary, Indiana.*—Workers provide clerical and other support in the preparation and distribution of a tax handbook offering hints and simplified explanations of State and Federal tax procedures for year-round tax counseling with low-income neighborhoods about local State and Federal programs for which they are eligible.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

The number of positions that could be created to carry out functions in this area are limited only by the size of the population, need, and the ability to provide adequate training and supervision. The National Council on Citizens Participation, which is conducting a study for HUD, estimates that an additional 4,100 workers can be utilized immediately and effectively to enhance citizen participation as required in "701" grants and Community Development Block grants.

We assume that neighborhood refurbishing activities, data retrieval and dissemination activities, and direct community service activities can provide another 16,000 jobs.



Additional work must be done to estimate the demand for specific projects.

Total Estimate, 20,100 Slots.

Our Estimate, 20,000 Slots.

16. Transportation—3,800 slots:

Drivers, dispatchers, and clerks for rural public transportation systems.

Delivery of handicapped and elderly persons to needed social and medical services.

#### EXAMPLES

*Miami County, Ohio.*—Social agencies pooled their vehicles and used CETA drivers to provide expanded transportation assistance to the handicapped, elderly, and indigents in need of social and medical services.

*Polk County, Florida.*—Two-thirds of the cost of operating a public transportation system in this rural county is provided by CETA in the form of salaries for five drivers and one dispatcher.

#### FACTORS CONSIDERED IN ESTIMATING SLOTS

There are over 800 counties in the country with no community over 2,000 persons and which have no public transportation system. There are an additional 700 counties which are predominately rural lacking or possessing only partial systems. If only one-half of these counties could develop systems using an average of five CETA workers, this would create about 3,800 jobs.

Total Estimate, 3,800 Slots.

Our Estimate, 3,800 Slots.

TABLE I.—*Characteristics of CETA II and VI project participants*<sup>1</sup>

Public service function:	Percent
Education .....	12.3
Law enforcement.....	3.0
Health and hospitals.....	5.0
Social services.....	13.6
Transportation .....	3.0
Fire protection.....	3.7
Environmental quality.....	16.4
Public works.....	18.0
Arts .....	3.7
Housing .....	5.0
Parks and recreation.....	11.0
Miscellaneous and other.....	5.3
<b>All functions.....</b>	<b>100.0</b>
Type of work:	
Professional, technical, managerial.....	8.0
Clerical, office work.....	8.0
Service occupations.....	9.0
Community services.....	25.0
Maintenance .....	36.0
Indoor .....	(7.0)
Outdoor .....	(27.0)
Weatherization .....	(2.0)
Arts .....	1.0
Teaching/instruction .....	8.0
Conservation .....	7.0
Other .....	2.0
<b>All types.....</b>	<b>100.0</b>

<sup>1</sup> Based on a sample covering more than 123,000 planned participants, reported on January 27, 1978.

TABLE II

Project No.— Title and location	Description	Wage distribution		Total number of jobs	Weighted average wage
		Number	Rate		
1—Jackson Bikeway, Jackson, Miss.	Develop system of bicycle routes.....	10	\$2.54	12	\$2.71
		2	3.59		
2—Hypertension screening, Gary, Ind.	High blood pressure screening and detection services referral, screening and followup.	1	2.77	6	3.83
		3	3.61		
		2	4.69		
3—Minimarkets, Marin County, Calif.	Transport vegetables and fruit to location throughout county to ill, aging and handicapped wholesale.	2	3.76	5	3.76
		3	*		
4—Rockingham mosquito control, Rockingham, N.H.	Identify mosquito species and breeding areas for population control.	33	3.00	45	3.14
		1	2.75		
		10	3.50		
		1	4.80		
5—Summer Outreach, Alachua County, Fla.	Identify potential school dropouts and determine social and educational problems impeding achievement.	1	2.48	20	3.09
		18	3.04		
		1	4.53		
6—Upgrading home security for elderly, Portland, Oreg.	Upgrade security of homes of senior citizens and low-income families living in high-crime areas by installation of locks, latches, window grates, etc.	17	4.81	17	4.81
7—Winterization, Union County, N.J.	Winterize 145-150 homes of low-income families and elderly.	24-28	3.37-4.81	24-28	(7)
8—Rural home care aide, North Carolina, State.	Provide home health care for aged, handicapped, and disabled in rural areas.	40	2.74	42	2.80
		2	4.08		
9—Family oriented community involvement strategy, St. Louis County, Mo.	Organize service, educational, and recreational activities to provide leisure time alternatives to bored or frustrated youth.	7	4.91	7	4.91
10—Cardiopulmonary resuscitation, Baltimore, Md.	Train CETA participants to train general public in cardiopulmonary resuscitation.	2	3.88	6	3.95
		4	3.99		
11—On-Lok senior health services, San Francisco, Calif.	Develop equipment (wheelchair, walker, etc.) and loan to elderly, handicapped; develop knowledge of needs of frail elderly and handicapped; home visitation.	4	3.73	4	3.71
12—CETA and the arts, Cleveland, Ohio.	Employ core groups of artists to design a summer youth program to teach and supervise 1,000 students in summer youth employment projects.	1,000	2.30	1,062	2.17
		62	3.50		
13—Rural Pierce County emergency housing, Pierce County, Wash.	Provide temporary shelter for displaced low-income families; county-owned building to be renovated and landscaped by youth and title VI workers.	7	4.54	8	4.57
		1	4.81		
14—Ex-offenders as counselors, Union County, N.J.	Train young ex-offenders to counsel potentially delinquent youth. Encourage youth to alter their deviant behavior.	7	3.61	9	3.72
		1	3.37		
		1	4.81		
15—Otter Tail Trail Association, Rural, Minn.	Develop system of snowmobile trails to promote winter tourism.	12	2.90	14	3.04
		1	3.00		
		1	4.81		
16—Weatherization, South Dakota State.	Provide low-cost, energy-efficient improvements to homes owned by low-income persons.	11	2.45	12	2.58
		1	3.45		
17—Lawrence fire prevention and control, Massachusetts State.	Form fire watch and safety teams to patrol high-risk districts, provide inspections and safety demonstration and promote fire prevention.	7	3.75	8	3.88
		1	4.83		
18—Food stamp outreach, Pinellas County, Fla.	Educate low-income residents to food stamp program.	22	2.84	26	3.08
		1	3.57		
		1	4.81		
19—Alpine Creek flood control and greenbelt, Texas State.	Provide flood control measures and develop creek bank as greenbelt and recreational area.	16	2.30	20	2.48
		2	2.50		
		1	3.00		
		1	4.80		
20—Red Cross first aid, Indiana State.	Provide full range of first aid training and station operations.	1	2.89	39	(7)
		36	3.86-4.34		
		2	4.22		
21—Witchweed and fire Ant, Number Carolina State.	Locate and control the spread of fire ants..	51	2.75	74	2.90
		23	3.25		
22—East Oakland Revitalization, Oakland, Calif.	Rehabilitation of buildings, increasing and improving recreational facilities; community improvement projects.	11	3.35-9.39	118	(7)
23—Literacy and learning, Baltimore, Md.	Individual tutorial services for functional literacy, high school equivalency.	4	3.67-4.36	22	(7)
		18	\$4.68		
24—Emergency medical technician training, Johnson County, Kans.	Provide trained personnel for a rural county emergency medical service.	12	3.09	12	3.39
25—Workart limited, El Paso County, Colo.	Provide job counseling, supervision and employment to juvenile offenders.	3	4.48	3	4.46
26—Ramps for handicapped, Memphis County, Ind.	Assist in construction of access ramps in business, medical, educational and shopping areas of the city.	50	2.79	55	2.87
		5	3.73		

TABLE H—Continued

Project No.— Title and location	Description	Wage distribution		Total number of jobs	Weighted average wage
		Number	Rate		
27—Woodsland improvement, St. Lawrence County, N.Y.	Thin State and county forest lands.....	50	3.50	61	3.—
		10	4.50		
		1	1.33		
28—Crime victimization and attitude survey, Fort Worth, Tex.	Determine characteristics of individuals and households victimized by crime. Determine priorities for improved police service.	10	3.30	10	3.48
29—Tax preparation, Gary, Ind.	Provide free income tax counseling to low-income residents requesting help with State and Federal forms.	1	2.77	5	3.44
		4	3.61		
30—Family day care, Morris County, N.J.	Train persons to provide child care services in their own home.	1	3.61		(?)
31—Nature trails development, Monroe County, N.Y.	Develop 5 mi of nature trails with special provisions for the elderly and handicapped.	22	2.46-3.64	20	3.50
		14	3.29		
		6	4.01		
32—Cancer outreach program for women, Washoe County, Nev.	Provide information to resident low-income neighborhoods of health department cancer screening supplementary food programs.	5	3.80	5	3.80
33—Charleston housing project program, South Carolina State.	Improve physical and sanitary problems in public housing units; help solve range of social service and management problems.	4	2.85	15	(?)
		4	2.87		
		2	2.37		
		5	2.31-2.85		
34—Treasures of Levy handicraft, Florida State.	Instruct homebound and handicapped persons in the production of craft to be sold for their support.	1	4.09	8	3.00
		4	3.84		
		2	2.31		
		1	(*)		
35—County older resident program, St. Louis County, Mo.	Provide outreach and social services to older residents.	60	2.85	60	2.85
36—Cleveland emergency medical service system, Cleveland, Ohio.	Create emergency victim care and ambulance service.	120	4.81	120	1.81
37—Finn Creek Open Air Museum, rural Minnesota.	Restore and reconstruct a homestead for maintenance as a tourist attraction.	4	2.50	5	2.96
38—Parish St. YMCA Day Camp, Jackson, Miss.	Establish summer day camp to provide recreation and educational experiences for children from low-income neighborhoods.	1	4.81	26	2.93
		6	2.30		
		20	3.13		
39—Child health survey, Tacoma, Wash.	Design and conduct a child health study for families with children under 12.	3	425-4.81	3	(?)
40—Armchair education, Indiana State.	Extend education outreach and job readiness counseling services into home and neighborhood learning centers.	1	4.05	13	4.05
		12	4.03		
41—Clatsop fish production, Oregon State.	Provide salmon propagation activities in Youngs Bay area.	1	4.81	4	4.44
		1	3.47		
		2	4.74		
42—Marin County child abuse, Marin County, Calif.	To reduce child abuse and neglect and improve services for abused children and their families.	1	4.91	43	4.74
		31	4.43		
		11	5.62		
43—Community concern for senior citizens, Alachua County, Fla.	Encourage local merchants to offer discounts to senior citizens.	18	Voluntary	19	3.84
44—Project Smarter, Massachusetts State.	Train mentally retarded youth to work with more severely retarded youth.	9	(*)	12	(?)
		3	1.87-4.80		
45—Get to Work, Middlesex County, N.J.	Provide transportation to potential employment and training sites for unemployed and underemployed.	4	3.28	6	3.44
		1	3.45		
		1	4.09		
46—Work release program St. Louis County, Mo.	Provide subsidized work in private and public employment for sentenced and pretrial offenders.	50	2.50	50	2.50
47—Shellfish rehabilitation, North Carolina State.	Move thousands of bushels of shellfish from polluted waters to clean waters.	17	3.25-4.80	17	(?)
48—Low-income family food co-op, Palm Beach County, Fla.	Design and operate a food cooperative for improved purchasing prices for migrants.	10	3.17	12	3.3
49—Early childhood resources, Houston, Tex.	Develop data bank on the availability of day care services for children with special needs.	1	3.47	6	(?)
		5	4.10-4.82		
50—Cocheco River cleanup, Rockingham, N.H.	Improve recreational use of Cocheco River.	42	3.00	55	3.1
		5	3.25		
		7	3.75		
		1	4.80		
Total number of jobs:					
All projects (Average hourly wage).....		2,272	3.08		
Minus project No. 12 (1,062). (Average hourly wage).....		1,210	3.67		

\* Part-time jobs.

Senator MOYNIHAN. I would now like to begin the questioning, and I wonder if Senator Curtis would do us the honor to begin?

Senator CURTIS. Mr. Chairman, you have been very gracious throughout these hearings. I insist on yielding to my chairman for the first question.

#### CASH SUPPLEMENT REPLACING EARNINGS

Senator MOYNIHAN. Well, the first question is a hard question, Mr. Secretary. In these answers to questions which we put to you, you have been extraordinarily informative and candid in summarizing the evidence on the effect of welfare programs on work incentives.

In response to one of the questions in our letter of January 6, you said, in speaking of the effect upon work of the cash subsidies program, that—

For example, a program with a 70-percent benefit reduction rate and an income guarantee set at 75 percent of the poverty line would cause such substantial work reductions that only 45 percent of increased welfare expenditures would translate into a rise in the disposable income of recipients.

I am sure it is no accident, that these hypothetical features are approximately those which will characterize the program for better jobs and income, particularly as it has been amended in the House. Are you suggesting, that half the administration's cash supplement program would be used to replace earnings, to replace income that otherwise would have been earned? I see Dr. Allen counseling you, and I would like to encourage you all to join in.

I put to you the proposition that you suggest that about half of the cash supplement would really replace what otherwise would be earnings, and that the 70 percent reduction in benefit rates presents us with a dilemma.

Sir?

Secretary MARSHALL. I will let Dr. Allen respond to that. She did the calculations.

Senator MOYNIHAN. It is very good to have Dr. Allen here, and I would like to say for the record and to Senator Curtis, that one of the most distinguished scholars on income maintenance is here before us. She had the extraordinary insight—you only have to have one insight in your lifetime, you know; Einstein said he had two—that while people were talking about what good ideas all of these programs were, she said, why do we not try one?

That may or may not have been a mistake, but it was a good idea. Dr. Allen?

Ms. ALLEN. The findings reported in our answers pertain to a program which is only a cash assistance program, which would apply a 70-percent benefit reduction rate to all recipients irrespective of family status and which had no job component associated with it.

Now, the administration's program, as you know, departs from those features in a very important way. First off, the administration program restricts the benefit reduction rate to about 50 percent for expected-to-work families, and that is a very important feature. Furthermore, it has a lower tier benefit feature which, provides a lower benefit for "expected work" families if the family is not working than is provided to families who are not expected to work and which also

provides a generous disregard of earnings for such families when they do go to work.

Now, those are very strong work incentive features, compared to the type of program for which results were reported in our answer.

Second, of course, and most importantly, we have a job program which offers a positive incentive to work and also an earned income tax credit which has that same feature, too. Its benefits increase with earnings, rather than decrease.

The job program alone will provide some increased job opportunities for low-income families such that the hours worked by families will increase more than any reductions which might be associated with the relatively modest level of cash supplementation proposed.

So that we feel that the combined features of the program, the job program and the carefully coordinated cash assistance benefits, are very prowork effort in their orientation and that the labor supply reduction result reported will not occur under the administration program. That is, if there were any work effort reductions, they would be very modest and be much more than offset by the increased work effort associated with the job.

But it is true, that modifying the features of the cash assistance, raising the benefit reduction rate, cutting back on the job opportunities, changing the earned income tax credit, can very easily lead to a situation where you have turned the whole program around, and that is why these things are so tricky.

Senator MOYNIHAN. Right. Could I ask you to give me the name of the experiment where this work reduction came up?

Ms. ALLEN. These are the findings reported by the Seattle and Denver income maintenance experiments. The analysis for that experiment was done by the Stanford Research Institute.

Senator MOYNIHAN. Stanford Research. This is the new Seattle-Denver program of which we have heard a great deal.

Is that going to be published?

Ms. ALLEN. The labor supply findings have been published by Stanford Research Institute. There is a summary which Stanford Research published just this last winter, and we can make that available to you.

Senator MOYNIHAN. We heard some uncomfortable things about HEW's initial response to that, but we will leave that aside.

So your view is that without the employment component, we would be spending half this money to replace earnings that otherwise would have come in through work?

Ms. ALLEN. That can certainly occur, unless one is very careful about—

#### PUBLIC SERVICE EMPLOYMENT

Senator MOYNIHAN. A program for better income without a program for better jobs is going to be pretty expensive to everybody.

Ms. ALLEN. It certainly would be if you tried to come anywhere close to achieving the same total income guarantee that we are able to achieve with these two components together.

Senator MOYNIHAN. And this very strong employment component, in contrast to the earlier proposal, is a new addition to this program, and you know something about it now because you had experience with CETA in the meantime.

Mr. Secretary, you said you have almost 2 million people in CETA now?

Secretary MARSHALL. Yes, sir, we do.

Senator MOYNIHAN. And you have about 450,000 in public service jobs now?

Secretary MARSHALL. Well, we will have—

Senator MOYNIHAN. And you are going up to about 625,000?

Secretary MARSHALL. 725,000.

Senator MOYNIHAN. 725,000?

Secretary MARSHALL. We are going to 725,000. We will achieve that early next month, so that we are on—

Senator MOYNIHAN. So you are not talking about something you would like to learn how to do. You are doing it?

Secretary MARSHALL. We have tried to learn as much as we could from past experience, to examine earlier public service employment activities, to look at the experience under the WIN program now, to look at specially designed programs to create jobs for welfare recipients, but particularly also to look at the experience under the President's stimulus package last year which more than doubled the public service employment program.

Senator MOYNIHAN. Right.

Secretary MARSHALL. We had about 300,000 jobs—310,000 authorized, 285,000 actually filled last May, and we, as I have mentioned, have built that program up to—we will build it to the level of 725,000 during March.

Now, part of what we were doing since we were simultaneously planning the jobs part of welfare reform is to start looking at that program to get as much evidence as we could about the kinds of jobs to be provided as well as the kinds of participants who were in the program and we currently have underway efforts to try to improve and refine the program on the basis of what we have learned.

Senator MOYNIHAN. On the basis of what you have learned.

Well, that answers a question which had to be asked. I think you have given a good and precise answer and you introduced the problem. You did not hide from it, in sharp and extraordinary contrast to the performance of your colleague the other day.

Senator CURTIS?

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Secretary, we are delighted that you are here. I have a few questions.

First, I would like to ask you when someone is removed from the cash assistance, or the welfare rolls, and placed on a job, only provided by public funds, they are, in a sense, still on welfare; are they not?

Secretary MARSHALL. Well, in our mind, there is a significant difference, partly because when you are on welfare you are not really learning much that is going to help you.

Senator CURTIS. I understand that it may have an educational value. It may train them how to do some things. It may promote the work ethic.

So far as the overall public is concerned, they are not being elevated into the normal channel of the private sector, but are still supported by their fellow citizens.

Secretary MARSHALL. Well, I think there is another important difference, Senator Curtis, and that is that they are also producing a product that the community needs and, in our thinking, what we are trying to do is get them started onto economic independence—that is, to get them moving into the regular economy, and we are taking some initiatives to try to see to it that that happens with our public training and employment program.

The way that we do that, of course, is to get the private sector heavily involved in planning the program and to have a combination of work experience, training and actual work. We believe that, through all of those activities, we initiate the process of achieving independence. I think there is a vast difference between having people totally dependent and producing no product, acquiring no skills, not getting put on the bottom rung of any ladder, and people who are put in a work experience and training and employment program.

Senator CURTIS. I think that it is true that it is a much preferred method to have them work. But it should not be regarded as a reduction in the cost, or a graduation from public welfare. I think people ought to—the able-bodied ought to work for what they get.

But I do not think that we should treat it as an accomplishment that we have lessened the welfare rolls just because they have to work for it, even in a worthwhile thing.

We think that in the long run you can lessen the welfare rolls through this means, partly because we conceive of it as preventive.

Have you or any of your associates made a study of welfare and employment-related items in the Virgin Islands which is, of course, our territory?

Senator MOYNIHAN. If you have not, I would be willing to go down and help you.

Senator CURTIS. I think it would be very worthwhile. They have had an employment program down there to put people to work all through the years. It never ends and the private sector, when they want to hire somebody, they try to import an immigrant from some of the adjoining islands. It is not uncommon to go down there and someone finds that they are a Member of the Congress, they want you to help get an immigrant, permission for an immigrant to either stay there or come in there because they need them so desperately for employment. But this public employment just goes on and on.

Secretary MARSHALL. That is one of the reasons, Senator Curtis, that we designed this program the way we did—to avoid creating competition in these jobs with the regular economy, providing an incentive for people to move out and always trying to see to it that you earned more, your income was higher if you were in a job relative to relying on an income maintenance program and that your income would be higher in the regular economy than in these subsidized jobs.

We think that the safeguards that we have built in avoid the problem of the Virgin Islands, which we worried about. We have not studied that specific case of the Virgin Islands—but it is clear that those kinds of results could be achieved unless you were careful in designing the incentive structure.

Senator CURTIS. Now, Mr. Secretary, how much have we spent on public service jobs since the idea first became public policy?

Secretary MARSHALL. I do not know exactly what this is.

Senator CURTIS. Could you supply it for the record?

Secretary MARSHALL. Yes, sir, we could give you that figure.

[The departmental response follows:]

Federal work programs first became public policy in the thirties. During the 9-year period 1933 through 1941 about 14 billion dollars was spent on various forms of Federal works programs and emergency public assistance of which about 62 percent was for the WPA and another 14 percent for the CCC.<sup>1</sup>

The next large scale public employment program was the Emergency Employment Act (EEA, also known as PEP) in the early seventies. During the 3-year period 1972 through 1974 Federal obligations for this program totaled 2.5 billion dollars.<sup>2</sup>

The types of jobs funded under the Emergency Employment Act were continued under CETA titles II and VI. Obligations under these two titles are as follows for FY 1975 through 1977:

(In millions of dollars)

	Fiscal year—			Total
	1975	1976	1977 <sup>1</sup>	
Obligations:				
Title II.....	1,585	665	1,293	3,543
Title VI.....	872	1,624	6,003	8,499
Total.....	2,457	2,289	7,296	12,042

<sup>1</sup> Includes transitional quarter, July-September 1976.

Thus during the 6 years 1972 through 1977 Federal obligations under EEA and CETA Titles II and VI have amounted to 14.5 billion dollars. FY 1978 outlays for public service employment are estimated at 5.7 billion.

Senator CURTIS. How many persons have been over time, and are currently enrolled, in CETA?

Secretary MARSHALL. Well, the current—

Senator CURTIS. On any of these, you may supply them for the record.

Secretary MARSHALL. Yes, sir. We have that information and would be glad to supply it.

[The departmental response follows:]

The numbers of persons served under all titles of CETA is as follows:

(In thousands)

	Fiscal year—		
	1975	1976	1977
1st-time enrollments:			
Title I.....	1,126	1,250	1,422
Title II.....	227	116	372
Title III.....	70	159	220
Title IV.....	46	43	53
Title VI.....	157	372	441
Summer youth.....	716	821	907
Sec. 3(a) (PEP).....	53		
Total.....	2,394	2,716	3,416

<sup>1</sup> Includes transitional quarter, July-September 1976.

<sup>2</sup> Employment Training Report of the President, 1976, U.S.D.O.L., p. 80.

<sup>3</sup> Manpower Report of the President, U.S.D.O.L., p. 317.



A total of 8.6 million persons have been enrolled in all titles of CETA during the last three fiscal years. However, summer youth programs account for 2.4 million or about 30 percent of the total.

Senator CURTIS. How many of these were welfare recipients at the time of their enrollment?

Secretary MARSHALL. We can supply you with that.  
[The departmental response follows:]

CHARACTERISTICS OF NEW PARTICIPANTS  
[Percent on public assistance (AFDC and other)]

CETA	Fiscal year—		
	1975	1976	1977
Title I.....	27	26	26
Title II.....	16	15	14
Title VI:			
Total.....	14	13	18
Projects.....			25
Summer youth.....	37	42	(1)

<sup>1</sup> Not available.

Senator CURTIS. How many of these left the welfare rolls as a direct result of their CETA participation, in absolute numbers and in percentage terms?

How much did the welfare rolls of this country decline as a result of CETA, again in absolute numbers and in percentage terms.

You will supply that for the record?

Secretary MARSHALL. Yes, sir, we will do that.  
[The departmental response follows:]

It is not possible to establish a cause and effect relationship between CETA participation and welfare dependency, since so many other factors can enter into changes in welfare status. In any event, complete information on post-CETA welfare status is not currently available. However, there is data available from a longitudinal sample of PEP participants which shows that 12.5 percent of all participants were receiving public assistance prior to entry into PEP, and only 4.5 percent were receiving public assistance in the period (up to 2 years) after participation in PEP.<sup>1</sup>

There is also some limited and less reliable data available from the welfare demonstration project conducted under PEP in 1972-74, during which about 5,000 PEP jobs were created for AFDC recipients. Slightly over half (53 percent) of the participants reported receiving less in welfare, including 25 percent who had apparently left the welfare rolls; 8 percent reported no change, and 39 percent reported increased welfare payments. However the dollar amounts of reported welfare savings exceeded the reported welfare increases by a factor of almost 3 to 1.<sup>2</sup>

Senator CURTIS. Of the 1.4 million public service jobs that you are creating under the President's proposal, what percentage will go to welfare recipients?

Secretary MARSHALL. About 44 percent.

Senator CURTIS. If, for some reason, these jobs do not go to the welfare recipients, how much more will the program cost per year? It is possible—well, go ahead.

<sup>1</sup> *Longitudinal Evaluation of the Public Employment Program*, Westat, U.S. DOL/OPER, 1975, Page 6-76.

<sup>2</sup> *Draft Final Report on the Welfare Demo Project, Feb. 1975*, Decision Making Information, U.S. DOL/OPER, 1975, p. 99.

Secretary MARSHALL. Well, we did not design the program, of course, only for current welfare recipients, and therefore there would be no increase in cost compared with our planned costs. We thought it was important to provide a preventive program as well as one that simply took people off welfare, because the low-income population is in considerable flux.

By trying to provide people with jobs, we think that we can keep them off welfare. That was the way that we designed the program.

Senator CURTIS. It is your contention that it would be cheaper that way?

Secretary MARSHALL. Well, it is our contention that in the long run it will be cheaper, because it is better to avoid welfare dependency. It is cheaper, in the net sense, to the society, because we think it is better to try to keep people off the welfare rolls and make it possible for them to get off, and to improve their condition and make some contribution to society rather than having them wholly dependent on welfare.

Senator CURTIS. But from purely the cost standpoint, it will cost more to provide them a job under this program than to keep them on welfare?

Secretary MARSHALL. The short term gross cost will be more. That is, in order to get at the net cost, you have to see what other costs in society you reduce by reducing the overall level of unemployment and by providing jobs for people, and you have to count the value of the product that people produce if they are in the job.

Senator CURTIS. If the 1.4 million public service jobs proposed here have the same success rate as CETA in moving people off welfare, what will be the fiscal effect? Will you supply that?

Secretary MARSHALL. Yes, sir, we will do that.

[The departmental response follows:]

Of the 950,000 persons who worked in CETA-PSE sometime during FY 1977, about 17 percent or 161,500 were public assistance recipients at the time of enrollment. If we assume that the average welfare grant reduction realized by employing these people on PSE is similar to the WIN experience in 1977,<sup>1</sup> we estimate the welfare offsets of CETA-PSE at at \$282 million or 9.9 percent of Title II and VI outlays. If the \$8.8 billion welfare reform jobs program were to achieve results similar to the CETA experience (in percentage effect), welfare offsets in FY 1978 would be about \$870 million.

Unlike existing CETA-PSE, however, the welfare reform jobs program has been designed with the principal objective being to reduce welfare dependency. The major features of the program which will further this objective area: (1) a financial incentive structure that rewards employment; and (2) the provision of enough employment opportunities for all eligible persons who want them. Consequently the welfare reform jobs program will employ a far greater number of welfare recipients, both in absolute terms and as a percent of the job participants, than has previously been the case under CETA-PSE. We estimate that 50 percent of the job participants would otherwise be receiving public assistance or food stamps and over 70 percent would otherwise be eligible for the new cash assistance payments. Of the \$8.9 billion paid in wages under the program, \$5.3 billion will result in a net increase in earned income for the job participants which in turn generates a FY 1978 reduction in welfare payments of \$2.6 billion. This is 29.3 percent of the FY 1978 budget for the jobs program.

In conclusion, the welfare reform jobs program is designed in a manner which will generate \$2.6 billion in welfare offsets. Were the program to operate in a

<sup>1</sup> Such data are not currently available for CETA-PSE. During FY 1977, welfare grant reductions per person employed through WIN were \$1,747.

manner consistent with prior CETA-PSE experience, welfare offsets would be \$1.73 billion less primarily because the current CETA system intentionally serves a broader clientele than would the welfare related jobs program.

Senator CURTIS. A little more detail about CETA. In the 300,000 PSE slots funded under CETA in 1976, approximately only 25 percent were receiving public assistance or unemployment compensation before public employment. CETA participants are classified as being from the middle of the skilled range, not as unskilled.

Fewer than 46 percent of the persons hired under CETA were persons economically disadvantaged, according to the Government's definition as one who lives in the family providing cash welfare payments are earning less than the poverty threshold.

We heard some testimony Tuesday from the Director of the Bureau of the Census who acknowledged that poverty statistics do not include in-kind income. If in-kind income is counted, what percentage of the remaining pool of persons living in families either receiving cash welfare payments or earning less than the poverty threshold were CETA participants?

Secretary MARSHALL. Yes, sir. Let me say that the information you cited earlier was before the law was changed. The early CETA program, the countercyclical part, had a much higher participation by nondisadvantaged people because we had a generally higher level of unemployment and therefore a program designed to reach the unemployed would have many more of those who are normally not disadvantaged.

We have tried to target the program more to improve it. If you look at what happened in fiscal year 1976, for example, the economically disadvantaged constituted only about 44 percent of the enrollees but the proportion of disadvantaged among new enrollees in our PSE buildup from March to September 1977 was 86.4 percent. So that is more than doubling the participation rate. AFDC recipients were 5.8 percent of participants in fiscal year 1976, but in the buildup part of PSE, they were 15.2 percent of participants; other public assistance recipients were 7.1 percent and 9 percent.

We are also, in our CETA reauthorization, attempting to focus the program even more to avoid substitution, to focus more on the serious structural problems in the economy and, of course, this program, the jobs part of the better jobs and income program, will be a highly focused program itself.

Senator CURTIS. Now, my question relating to the effect of counting in-kind benefits, if you will submit that for the record as best you can?

Secretary MARSHALL. Yes, sir.

Senator CURTIS. CETA and its predecessor program, PEP—public employment program—have been marked by a high degree of fiscal substitution, that is, the State and local governments spend Federal grant money earmarked for PSE on expenditures for goods and services they have already budgeted.

How do you plan to prevent that under your plan?

Secretary MARSHALL. There are several actions that we have already taken to avoid substitution. The evidence that we have collected, and that we will be happy to submit for the record, indicates:

that there was almost no substitution in the CETA buildup and a number of devices can be used to avoid it.

One is the wage limitation itself. You are not going to put people on the regular payroll if you limit the salaries that can be paid.

Another is that we are trying to encourage more use of the private sector, more use of both private profit and nonprofit corporations. One of the reasons that you get substitution is that any unit of government will do with this money what they are inclined to do with all of the rest of their money, so if there is no restriction on their so doing, they will, therefore, attempt to substitute.

If you try to rely more on a private, nonprofit corporation, like, for example, the Farmer's Union which runs the Green Thumb program, it does not attempt to substitute and therefore you get the funds used as intended.

Another thing that we have done is to give much greater emphasis to projects, that is, to see to it that people are put to work for a particular kind of project that is not a regular Government activity. And then there are the nonsubstitution requirements themselves, which we are trying now to enforce more rigorously, to see to it that the program is implemented as Congress intended it. We have developed mechanisms and capabilities for doing that and we think that by a combination of all of those means that we can do a great deal to almost eliminate substitution.

Now, I might also point out that in our analysis of the problem we found that it is instructive to distinguish the kinds of substitution that take place. We want to eliminate all kinds, but some kinds of substitution tend to prevent unemployment if, as in the past, where public service employment has kept people on the payrolls of local units of government who would have been discharged because those units of government did not have the resources to keep those people, then we have, in effect, at least reduced unemployment.

Now, we might not have had the same employment effects that we intend, but this is a very serious concern to us. We have devoted a lot of attention and analysis to the problem, and we would be glad to share that analysis with you.

[The departmental response follows:]

#### SUMMARY OF THE BROOKINGS INSTITUTION'S PRELIMINARY REPORT ON THE PUBLIC SERVICE EMPLOYMENT PROGRAM

Last Friday, the Brookings Institution issued a draft preliminary report on the Public Service Employment Program, which was presented for discussion by the National Commission for Manpower Policy. The study is based on a survey of 42 jurisdictions, which represent about 5 percent of the nationwide PSE positions. The jurisdictions include 16 large cities, 9 small cities—of which 5 are suburban and 4 are rural, 10 rural counties, 5 suburban counties and 2 school districts.

The study found a low level of fiscal substitution compared with previous estimates. Brookings found that of the jobs surveyed, 51 percent are new jobs, 31 percent are for program maintenance, that is, for continuing operations which would otherwise have been terminated, and 18 percent are displacement. The use of PSE for program maintenance was found to be highest in distressed cities (about 60 percent). Concomitantly, displacement was found to be highest in those jurisdictions with no fiscal pressure. Furthermore, Title VI project jobs represent a lower level of displacement (8 percent) than the average (18 percent). Brookings researchers found that where PSE was used for displace-

ment, the money "freed up" was used to prevent tax increases. In some cases it was used for other municipal purposes, and in a few cases, it was used to reduce taxes.

The Brookings Associates found little evidence that PSE is a "make work" and "leaf raking" program. The report concludes that PSE participants tend to be working in basic service areas. Large cities and fiscally hard-pressed jurisdictions tend to devote the largest proportions of their PSE positions to primary services (especially protective services and public works). Compared to the regular government labor force, PSE participants, overall, are more likely to be in public works and parks and recreation, reflecting the project orientation of the PSE program. Non-profit community organizations tend to concentrate PSE positions in social and cultural services.

Senator CURTIS. All right.

A national survey showed that over 20 percent of the PSE workers are actually employed on the day before getting their subsidized job. If this same ratio holds for the 1.4 million, how will that affect your estimates?

Secretary MARSHALL. I will let Secretary Packer answer that.

Mr. PACKER. I do not know the date of the survey, Senator, but under the title VI expansion, one had to be unemployed for 15 out of the last 20 weeks before receiving a job. Under the welfare reform proposal, you must be unemployed and searching for a job for 5 weeks prior to coming into the program.

Now, of course, if that 5-week search period were eliminated, the cost would be substantially higher.

Secretary MARSHALL. Let me also say, Senator, that—I do not know the survey—but what might have been the case is that some local units of government might have violated our rules, and wherever that has happened, what we have done with those prime sponsors is to require that they restore the funds that were used in violation of the rules, and we have done that in a number of cases and are proceeding to do it in other cases.

Now that is the only way, under the present program since the restrictions were added as a part of the title VI expansions, that you could have gotten the result that you have there. Now it might have been that this—what I have found is that there is considerable lag in thinking about these. Many of these studies are based on the PEP program or on the earlier years of the CETA program which did not have the requirements that we are trying to impose on the program now, or that we contemplate in the welfare reform proposal.

We would be happy to take a look at that survey and give you an analysis of it.

Senator CURTIS. On what unemployment rate were all of your estimates predicated for the first year, and then each of the succeeding years?

Secretary MARSHALL. 5.6 percent.

Senator CURTIS. What is the additional cost for 0.1 of a percentage point of this program for each percentage point that you are off in those estimates?

Mr. PACKER. Every additional percentage point of unemployment would add about 100,000 persons, so you asked for 0.1 of a percentage point, that would be an additional 10,000 persons coming into the program. The costs are running about \$8,000. Presumably some of these people would have been on unemployment insurance or welfare any--

way, so it is 10,000 persons, with perhaps an average cost of another \$5,000 and that would be \$50 million.

Senator MOYNIHAN. \$50 million.

Mr. PACKER. Yes.

Senator CURTIS. Mr. Chairman, I will withhold the balance of my questions and we might hear from our chairman of the full committee.

Senator MOYNIHAN. Thank you, Senator Curtis. Before we go, just a brief moment, an interjection.

You raised the question of the nature of these CETA jobs, and for reasons which I am not at liberty to reveal, I would like our witnesses to recount for us a little more detail, about the description you gave me last evening of one of the CETA jobs that has to do with pulling snakes out of bayous.

Senator LONG. You are trying to pull them out, or—

Secretary MARSHALL. Senator, we told him that it was very important to make a distinction between the kinds of snakes you pulled out, and you had to know a lot about snakes in order to do that.

Senator MOYNIHAN. God help us when the environmentalists find that we are pulling all of those snakes out.

Secretary MARSHALL. Well, we do not pull them all out, because we think that there is a difference between a cottonmouth and some other snake that you might want to—

Senator MOYNIHAN. The Secretary of Labor has a prejudice against cottonmouth, coral, and rattlesnakes. He is not openminded on this matter at all. He likes king snakes.

How much do you pay to get snakes out of bayous?

Secretary MARSHALL. The prevailing rate.

Senator MOYNIHAN. Senator Long, your witness, sir.

Senator LONG. I do not know what the modern environmentalists would think about something that happened at the time when I was going to Louisiana State University and my mother bought a home along the lake.

They dropped some rock along the lake there, some old cracked up concrete that they found somewhere and the snakes would love to crawl up there on those rocks in the Sun.

I decided that we ought to get rid of those pesky snakes, so I would take a shotgun and go around about once or twice a day, and would shoot all the snakes I could find around there. In due course, there were no more snakes.

I had not realized that because that was such a nice place for snakes to lie out there in the Sun on those hot rocks, that attracted all the snakes in the entire lake. I was the St. Patrick of University Lake.

So there were no more snakes left in our whole lake, and it is a pretty big lake, as you know. You have been around that lake, Mr. Secretary.

Secretary MARSHALL. Yes, sir.

Senator LONG. I thought that was an improvement of the environment. But has it gotten so that the snakes are supposed to be an essential part of the environment nowadays?

Secretary MARSHALL. Well, my view is that some of them ought to be extinct, but some snakes do a useful job. If you indiscriminately kill king snakes, for example, you will have more rattlesnakes, because

king snakes kill rattlesnakes. It is important to know that, to know what kind of snake that you have. Also many snakes do away with a lot of rats, so if you have field mice, it is important to have some snakes around to take care of them.

Like a lot of other things, I think that you cannot indiscriminately kill them, you have to be able to identify different kinds.

Senator LONG. Mr. Secretary, I am just not abroad on that. My impression is that when you see a chance to kill a snake, you ought to kill it. Do not ask about his pedigree, just shoot him.

I really think my credentials as a snake killer are better than yours, and the efficient way is to just shoot any snake that you get a chance to shoot. Swimming in the water, you really cannot tell one from the other, I do not think. Can you tell one from the other when they are swimming in the water?

Secretary MARSHALL. One of the main ways is that the cottonmouth will chase you, while many other snakes will run from you. You take your hat and hit it at a rattlesnake and they will back up the first time. The cottonmouth will meet your hat the first time.

One of the best ways to distinguish a cottonmouth in the water is that if you see him coming after you, the chances are pretty good that he is a cottonmouth.

Senator LONG. Well, sir, I just want to go on record as protesting in favor of just making a clean sweep. It just scares me to death if I think I am about to step on one. Because, you know, when you step on one, usually you do not see him first. You feel something under your foot, and that is a horrible feeling.

I did want to discuss one or two points here, Mr. Secretary. It seems to me that this welfare reform package, while it has been heralded as a work program, reflects a welfare bias on behalf of its sponsors.

This is what I mean. You assume that creating 1.4 million subsidized jobs will be enough, but if it turns that 1.4 million jobs are not enough, the money is not provided to go beyond that. Getting more money for the jobs part will be tough, and jobs can only be provided to the extent that the funds are available—but if the jobs are not available, the welfare payments go up automatically.

In other words, the welfare side of the bill is open-ended, while the jobs part is subject to a closed end. Would it not be better to take the approach that Congress would prefer to see people working rather than to see people sitting idly, being paid to do nothing?

If we are going to take an open-ended approach, why not guarantee everybody a job opportunity in preference to guaranteeing everybody a welfare payment?

Secretary MARSHALL. Well, this was a very serious thing that we tried to work out, of course—how many jobs will be needed and whether or not you could have a job guarantee.

We made the very best estimate that we could in arriving at the requirement on that 1.4 million jobs. We also, of course, are trying, in the CETA reauthorization, to take care of other job needs—if unemployment is really higher than we think it is, for example, then we believe that we ought to have a trigger that would make more jobs available as unemployment rose.

We also think that we have some time to find out, following up on one of your ideas when we talked with you earlier, we think we ought to do some experimenting with that question, and to try to see whether or not the jobs program, as we have outlined it, would work or whether we would, in fact, get swamped with so many applicants for these jobs that the cost would become very high.

So we have, in our fiscal year 1979 budget request, asked for funds to provide for some carefully controlled demonstration projects to test some of these ideas. Now, it could well be that when we get through with those projects, our conclusions would be firmer about how many jobs we are going to need and whether or not the program will work the way that we think it will.

And fortunately, we have some time to be able to answer some of those questions. We have also tried to find out as much as we could so far from the CETA buildup and have studied it very carefully to try to find out what the experience under welfare reform would be.

But we feel that the best way we can proceed is to make these estimates about how many jobs we would need as carefully as we can, and to also undertake some demonstration projects.

We are comfortable with the estimates that we have made and with the safeguards that we have developed. There is a fear that to do it otherwise is to accept the idea of a job guarantee and that would cause the cost of the program to be too great.

Senator LONG. Well, I have not been sold on the idea that we ought to federalize the welfare program. I find myself thinking that it would be simple to give the money for the program to the average mayor or county commissioner or, in Louisiana, to a police jury. We would tell them they could spread that money around, if they wanted to, by sending the people on welfare a check for income maintenance.

On the other hand, if they prefer, they can pay those people to do something that is useful to the community, anything that might make it a better community to live in, improve the environment, make it a little safer, or provide better guidance for the children, just anything.

My experience is that the average mayor, I would say 99 percent of them, and 99 of these police jurors would pay that money to these people to do something. They would give them something to do.

It might be that those jobs were not the most efficient jobs in the world, but they would feel that it was better for the people, and it was also better for society, for those people to be paid to do something.

We have not been able to get that thinking through over there at the Department of Health, Education, and Welfare. They are still working on the theory that people are poor because they do not have money, and the way to solve that problem is to mail them a check.

My reaction to that is to agree that you can mail them a check all right, but if you try to solve the poverty problem that way, as fast as you expand the rolls, you are going to have more applicants standing in line to get on those rolls.

On the other hand, if you provide them with jobs, and what they are doing is a meaningful contribution to society for their pay, if the job is reasonably demanding and you expect something for your money—then you are not going to have all that many people standing in line to take the jobs, so there will be less pressure on the funds available and you can make the money go further.



Dollar for dollar, are we not better off by paying people to do something useful rather than paying them just to sit there?

Secretary MARSHALL. Well, we certainly agree that is true for people who can work, in the so-called expected-to-work category. That is the reason that the jobs component of this thing is so important.

The cost of providing the same level of benefits for families with children that we are talking about there without the jobs component—what did we figure, \$30 billion?

Ms. ALLEN. \$35 billion.

Secretary MARSHALL. \$35 billion, you know, so that the jobs component makes it possible to provide income to get every family with children above the poverty line—13 percent above it if they are in one of our public service jobs and 20 percent above it if they move into the regular economy.

Now, you could not accomplish that unless you had a significant jobs component to this program. The cost would be too great.

Senator LONG. Well, it just seems to me, Mr. Secretary, that we have no business paying any citizen to sit there and do nothing, just to sit there and vegetate, if we have the option to pay that person to make a useful life and to be a useful citizen. I think that the test of whether the program is a success or not is the extent to which it reduces dependency.

Do you agree with me on the general proposition that it is a lot cheaper to subsidize a job than it is just to pay the whole cost of a job?

Secretary MARSHALL. Yes, sir, no question.

Senator LONG. A job that you have to create?

Secretary MARSHALL. Yes, sir.

Senator LONG. All right. So to the extent that we can subsidize jobs, we are getting a better run for our money than if we are paying the whole cost of them by trying to create the jobs. To the extent that we pay people to do something, we are doing better.

I know you are up here testifying for a bill and you have the administration's position to support, but you come in here not as the Secretary of HEW, you come in here as the Secretary of Labor. If I were privileged to speak for myself and I had your job, and if I had the choice in designing a program between the welfare handout being open ended and the job part being open ended, I would make the job part the open ended one.

Secretary MARSHALL. Well, I think that in order to answer that we would need to know more about what the implications of making the job program open ended were. I think we will have better evidence to answer the question of making the jobs an open ended program after we undertake these experimental programs.

Senator LONG. Furthermore, Mr. Secretary, it leaves me cold for someone to suggest that mothers with children 6 years old or less than 6 should not be expected to work. I saw a press release the other day issued by a business group, I think they are known as the Conference Board. They are a well-respected group of business people. They are talking about the so-called affluent people in the country; those are the people whose incomes are \$25,000 a year or more. According to the statistics they published, 77 percent of the wives in that group are working. I think you would find a lot of those wives have small children.

Now, some years ago it shocked those of us on the committee to have a witness come before us and explain that there is a higher percentage of mothers in middle-income families working than there are mothers in low-income families working.

We thought that over for awhile, and it became obvious to us why that is the case, why there is a higher percentage of mothers working in middle-income families than there are in low-income families: that is why they are middle-income families, because the mother is working.

It would seem to me that instead of providing money to have retired schoolteachers or displaced schoolteachers take jobs in day care centers at \$12,000 a year, we ought to break those jobs up two ways. People tell me that welfare mothers can do those jobs very well, and that really the essential ingredient to being a good worker in a day care center is that they are people who love little children. Love is a better ingredient in that respect than a college diploma.

If these mothers can do a good job—and I am told that they can—you can pay a welfare mother to work in the center. Instead of paying one retired or displaced schoolteacher \$12,000, break that job down and have one mother pick up her child along with her and come to the day care center, work a half-day, have a hot lunch and go home at noon, and have another mother come in and share the meal at noon and stick around for the afternoon work and bring the children with her.

One can go with the children, the other come back with them. You can take two families off the welfare rolls by doing that.

That costs nothing, and is just a matter of hiring two welfare families and taking them off the welfare rolls rather than hiring one of these schoolteachers—fine people, but their husband probably has a job anyhow. Before you provide two good jobs for one family, it is better to provide a job for the two families.

If we pursue that type of approach, it seems to me that we could put a lot of mothers to work, including mothers who have small children.

What is your attitude toward that type of plan?

Secretary MARSHALL. Well, that is one of the reasons that, of this 1.4 million jobs, 300,000 are part time. It could well be that we need more flexibility than that, and that is one of the things I think we will learn when we undertake these demonstration projects. But we agree with the basic principle that the more we can create flexibility and make it possible to meet the needs of particular groups of people, the more likely we are to be able to get them into the work force.

We also have some evidence on what is happening so far. Why do I not ask Dr. Allen to give you that in response to your earlier comment?

Ms. ALLEN. This applies more to what we expect under the welfare reform program. It is important to stress that, while the mothers with small children, that is, under 6, do not face a work requirement, they are equally eligible for the subsidized jobs under the program along with the so-called expected to work.

We estimate that about 425,000 of such mothers with small children will participate in the program over the course of the year, so we are

putting a lot of emphasis on providing a lot of job opportunities of just the kind that you are mentioning.

Senator LONG. I am glad to hear that. But I do not find much appeal to paying people for doing nothing. It seems to me that if you are going to pay a mother just to stay home, she is being paid to look after those children. Somebody ought to see to it that she does, that she sweeps out the place, makes the beds, that the place is not just a rat's nest from morning to night.

I have known what it is to bachelor quite a bit, when I was doing my own housework and sometimes the bed did not get made, just crawled in and out of the same bed without making it up the way my wife would do. If we are paying somebody to look after those children and to make a home, it seems to me that somebody ought to take a look and see that she is actually doing it.

Do you know whether there are any plans to see if people are actually doing something?

Secretary MARSHALL. Yes, we are trying, in all of these programs, trying to give heavy emphasis to seeing to it that the work is really useful work that needs to be done. Our attitude about it is that there are many things that need to be done and that make work that is absolutely unnecessary and that it is really bad for people who are involved in it as well as for the whole society, because of the needs that society has.

So in the job programs that we already have, and the ones that we are planning, we are trying to emphasize the need for work and work discipline and work that really needs to be done, and we are also trying to develop an administrative mechanism to try to see that these objectives are met.

It is very hard to accomplish all of the objectives. We are also trying to keep the system simple, and avoid an elaborate bureaucracy. That is the reason we try to build in as many financial incentives into the program as we can, as the best way to deal with those problems.

But we also feel that at least in outlining the nature of the work that should be done and what we expect of people who participate in the program, that we should, to the extent that we can, without an elaborate bureaucracy, see to it that useful work is being done.

Senator LONG. Mr. Secretary, in revising the welfare program, it seems to me that we should take into consideration the other programs, such as unemployment compensation. In 1976, the unemployment compensation amendments directed the administration to put together a national commission and one of the things we wanted to study was the appropriate role of unemployment compensation in income maintenance and its relationship to other social insurance and income maintenance programs.

Can you tell us why that Commission has never met? I understand that former HEW Secretary Wilbur Cohen has now been appointed to chair that Commission. What are the prospects for meeting the statutory requirements for an interim report by September 30 of this year?

Secretary MARSHALL. The reason it has never met is we have not gone through the process of getting it appointed. Ex-Secretary Cohen has agreed and we have all of the members in the process of getting

appointed. I do not really know what the status is, but we hope that we are able to meet that statutory requirement.

Because we got a late start, I think the plan has been to ask for some delay in making the report, but we have proceeded as fast as we could to try to get the members appointed.

We had some trouble initially because the process had not been completed when the administration came in, and it had been done in such a way that we could not get the membership balance that the act required, so we had to reconstitute that committee and that took some time, to get that done, and to get Wilbur Cohen to agree to serve, and all of the other members in place.

But that is underway and this is one of the things that they will be looking at.

Senator LONG. Well, I am sure that the Commission, with Wilbur Cohen, could make a real contribution. He is much beloved by the people who serve on this committee. Not all the Senators agree with him, but they all love him. His heart is in the right place. He is a sweet, warm, human person who really has the interests of people at heart, and I am sure that if the Commission does meet and come up with a recommendation, it would be useful.

I have some other questions that were prepared by members of the staff and I would like to submit them and ask you to answer them for the record in the next day or so.<sup>1</sup>

Thank you.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Mr. Chairman.

I would like to ask one question of the Secretary. The Department of Labor, as we understand it, has recently begun a demonstration project in Minnesota designed to pilot test some of the crucial aspects of the jobs portion of the administration's welfare reform proposal. I wonder if you could describe this, and tell me if you have any thought on providing wage subsidies to private employers as some component of your wage program. And I wonder, perhaps most of all, why you chose Minnesota?

Did Omaha never occur to you, or Baton Rouge, or Albany?

Secretary MARSHALL. Well, I had better let Mr. Packer answer that question. He is more familiar with it than anybody.

Mr. PACKER. That Minnesota project really was started before we came into office, Senator. In fact, we are trying to bend it toward being a demonstration of the welfare reform proposal. Given its past history, we really will not be successful in doing it completely, but we think it will tell us some of the things we are interested in.

Senator MOYNIHAN. What are you doing?

Mr. PACKER. The Minnesota project is called the work equity project. It will be in St. Paul and in rural portions of Minnesota. There will not be any private sector subsidies, that is, subsidies for any private jobs, but it is currently planned that there will be a series of 13-week public service jobs for people on welfare or on public assistance, both within the city and within the rural area.

The program would not be as open as the welfare reform program would be in terms of eligibility, nor will the jobs be of the duration

<sup>1</sup> See Part 2, Appendix B.

that are intended for welfare reform because of the previous history of the project.

The new programs, the new demonstration projects, that we are asking money for for this year will, of course, be really the first demonstrations of the program as intended.

We are just trying to take advantage of this past history.

Senator MOYNIHAN. Well, surely, and you ought to.

Can I, then, ask something of you? Can you put into your planning some form of wage subsidy for private sector employment in this area? Would you?

Mr. PACKER. Well, we are going to do things like on-the-job training in which we are going to defer the extra costs that employers have for people who are not as well trained as the people they usually employ. But we are very careful to avoid a situation in which we provide a windfall profit for employers and, in a sense, cut the wages that they would otherwise pay.

Senator MOYNIHAN. That is, well, not a loaded word, but it suggests a judgment about it.

May I just say to you that there are members of this committee who think that subsidizing private employment may be an important route to providing jobs for low-income people. Would you think about it, and not just with the perhaps too quick terror or alarm that our brothers in the AFL-CIO feel about these things?

You have a constituency, and you ought to have, but it makes them value your cooperation all the more if, every once in a while, you do not cooperate.

I give you that thought

I have a series of other questions which I would like to submit for the record, as I know Senator Curtis has not quite completed his questioning and would like to do.

Senator CURTIS. Mr. Chairman, I will ask one more question and then I have questions that I will submit for the record, and I would like to ask that all of my questioning appear at one place in the record.<sup>1</sup>

Senator MOYNIHAN. It is so ordered.

Senator CURTIS. I started awhile ago and yielded to the chairman. I think it will be a little better to have the questions in one place.

Mr. Secretary, I have been advised that the Department of Labor has admitted that before the August 6 release of the proposal, they had not seen the HEW model used to develop the 1.4 million job estimate. Is that correct?

Ms. ALLEN. Senator, we did not have detailed specifications for the model, but we had met at considerable length with the designers of the model at HEW to discuss what the characteristics of the model were and to compare them with the characteristics of an alternative model that we had developed for ourselves. We also had an independent consultant come in, to advise us as to whether we should continue using our own model or to use the HEW model and, on the basis of his judgment, we confirmed our own belief that the HEW model was not only a valid model but a superior model to the model that we had been using.

Senator CURTIS. But you had not seen it, prior to the—

Mr. PACKER. Senator, the 1.4 million estimate was our original estimate.

<sup>1</sup> See Part 2, Appendix B

Ms. ALLEN. From our own model.

Mr. PACKER. From our own model, and it was confirmed by the HEW model that made us able to analyze the program on a State-by-State basis while our program would only provide national figures.

Senator CURTIS. And who was the independent authority that was called in?

Ms. ALLEN. Edward Gramlich, a professor at the University of Michigan was the authority whom we asked to come in and evaluate the two models for us.

Senator CURTIS. Mr. Secretary, your Department has acknowledged that the administration proposal does not necessarily increase the work incentive of welfare recipients, that more will be working, but this is simply because the universe is larger and there will be public jobs available.

Is this correct?

Mr. PACKER. No, that is not correct. The total program, we think, will increase the work incentives and the work done. Now, if you took away the jobs program, we feel that the cash program by itself will reduce work incentives but that is not a true characterization of the total program.

Senator CURTIS. Along the line of the chairman's questioning about subsidizing jobs in the private sector, how many youth now unemployed could be employed if it were possible for someone who certified that they had never had a job—they were under 25 and had never had a job for any continuous period—and that they wanted to work at any agreed wage for a year. And by that, I mean less than the minimum wage.

How many jobs would be provided?

Secretary MARSHALL. Do you mean in the private sector?

Senator CURTIS. Oh, yes, in the private sector.

Secretary MARSHALL. Well, it depends, of course, on what level you made the minimum wage. No new jobs would be created by lowering the minimum wage. It would be very difficult to see, for example, how a lower minimum wage would get jobs into places where unemployed youth really are.

What might happen, and what we would expect to happen, is that you would substitute youth for adults. You might get more young people employed, but I doubt very seriously that the total employment would increase in any significant way.

Now, what we believe is that the employment effects of the youth differential, of the minimum wage itself, for young people is not very great and that the best way to deal with the problems of youth unemployment is to try to do what we are doing. That is, to provide incentives for people to stay in school, which we are doing as a part of the Youth Employment and Demonstration Projects Act: provide work experience that is organized and then try to improve the incentives to move into the regular economy as a result of better training and better work experience rather than trying to deal with that problem indirectly through a youth minimum wage differential.

What we are afraid of is that, not only would you get substitution of adult unemployment for youth unemployment, but that in many of these subminimum wage jobs, young people would not get the kind of work experience and training that they really need to get them into the regular economy.

Senator CURTIS. Well, now, Mr. Secretary, I do not care to take the time here to debate that issue with you, and I shall not, but I seriously challenge it and I think the rank and file of the American people do not believe the argument that you put up.

I think that many places they need some additional help, they need somebody to do something, and if young men and young women could go to an employer and say, I have never had a job, I do not know how to do it, but I would like to work to any figure, what it is worth, so I could learn something, that there would be great numbers of jobs found.

I think that is one angle. I think the other angle is that they are constantly buying machines, laborsaving machines, for the same reason. I know the stock answer against this. I know where it comes from. I seriously challenge it and I think the vast majority of Americans are on that side. And I would hope that you would reconsider it.

Secretary MARSHALL. Well, I have studied it very carefully, because it was one of the things that we were very much concerned about in our minimum wage proposal and I know that people disagree.

But let me also point out that we do have provision in the minimum wage now for young people who are learners and part-time workers to get less than the minimum wage—we pay less than the prevailing wage in training programs and for example, apprenticeship programs start people at half the journeyman rate—and we think that that kind of arrangement, for learners, is good.

What we do not think is good is if you permit young people to compete directly with older people in the same labor market at a lower wage.

Senator CURTIS. Well, I do not think that that argument is valid. I believe that one of the greatest sources of employment, employing a substantial number of the people in this country who are employed, are small employers. By that, I am not taking the definition of small employers that, for instance, the Small Business Administration is, I mean people who employ one, two, three, or half a dozen. They cannot create a training program, but many of those could take on additional help, would be glad to do it. And so it is not only that group, it is the group that are buying labor-saving machines, and so on.

I think it is unfair to the youth of the country not to give that a trial, to just stand pat and hold the ground of the vested interest that demands that particular principle be followed.

Mr. Chairman, I will submit my other questions for the record.

Senator MOYNIHAN. Thank you, Senator Curtis, and let me say that I know your feelings in this, and all of us, in some part of our head, share them. I think that you will find in Secretary Marshall a man who will try to get as honest a response as evidence brings forth.

Mr. Secretary, just to conclude, as you know, the success of the program for better jobs and income—shall we begin calling it PBJI? No; it does not work—depends on restraints, on wage levels, on levels of benefits, and on marginal rates of taxation.

The problem of welfare reform is that there are strong and sometimes seemingly insuperable political forces which push against those restraints, and there is no question that those forces have been in evidence in the House. A program which the President initially insisted should cost no more than existing programs has now been pushed

up to a level where we are adding 1 percent of GNP to this program. There is a sense in which I think political agreement has been purchased in the House side by that process and I would like to say how refreshing and encouraging it is to hear the testimony of someone who recognizes the need for restraints, and who acknowledges that in their absence, the enterprise may inevitably fail.

Say that you agree.

Secretary MARSHALL. I agree.

Senator MOYNIHAN. You agree.

I would like to thank——

Senator CURTIS. May I ask one more question?

Senator MOYNIHAN. Please, Senator.

Senator CURTIS. Mr. Secretary, how long is a generation, how many years?

Secretary MARSHALL. My statistical experts here say 33.

Senator CURTIS. Thirty-three. Well, there was another distinguished Texan who said he was going to abolish poverty in one generation. But I read in your paper that, by 1981, every family with children with one parent employed in the regular economy will be assured a minimum income of 20 percent above the poverty line. I wish you success.

I would like to include in the record an article from the Washington Post of February 7, relating to some of the House action.

Senator MOYNIHAN. Surely, sir.

[The following was subsequently supplied for the record:]

[From the Washington Post, Feb. 7, 1978]

#### MAXIMUM SALARY OF \$10,500 BACKED FOR SOME WELFARE PUBLIC SERVICE JOBS

(By Spencer Rich)

A special House subcommittee yesterday voted to allow wages of up to \$10,500 a year for some public service jobs for welfare clients under President Carter's omnibus welfare revision bill.

The \$10,500 figure, to be permitted for a relatively small number (15 percent of supervisory jobs) would apply when the new program became fully effective in 1982, according to the subcommittee vote.

Most public service jobs under the program would pay between \$7,000 and \$9,200 in 1982, depending on local wage scales. But the subcommittee, led by Rep. Augustus F. Hawkins (D-Calif.), recommended a \$10,500 maximum so that jobs in high wage areas like Detroit, the District of Columbia and San Francisco would be paid closer to the level received in private industry or regular city jobs.

The permissible scales represent a substantial revision of Carter's initial proposal to create over 1 million public service jobs at the minimum wage (\$7,000 in 1982) for welfare clients capable of working but unable to find private jobs.

Labor unions, led by the American Federation of State, County and Municipal Employees and the AFL-CIO, argued that wage scales are much higher than \$7,000 in many areas and that the bill would therefore create a pool of low-wage "welfare" labor that could undercut wage scales in those areas and take jobs away from existing workers.

Spokesman for AFSCME and the AFL-CIO said they are still not happy with the wage-scale provisions because by 1982, wage levels in ordinary jobs in many localities will exceed even the \$10,500 welfare job maximum. They said the average wage and maximum are simply too low.

However, both the Carter administration and Hawkin's declined to go any higher. One official pointed out, "These are special jobs for welfare clients," not permanent new jobs. Under the subcommittee decision, a welfare client could keep the job for only 18 months during which, it is hoped skills needed to obtain a non-welfare job would be learned.



In another action, the subcommittee, reversing itself at the unions request, endorsed an amendment by Charles B. Rangel (D-N.Y.) allowing welfare families to collect full \$80 a week benefits as soon as they get on the rolls instead of reducing the benefits for the first five weeks while any employable adult seeks a job.

Senator MOYNIHAN. I would just like to say that the Senator's wish for success is heartfelt and genuine and that this entire committee wishes you success. We are so pleased that you have come here. The contrast, and I will make one final reference to it, to the performance on Tuesday, suggests that—I do not know about the public service jobs program, but—the public service you are performing, sir, is impressive, indeed.

Dr. Packer and Dr. Allen, we thank you for accompanying the Secretary.

Secretary MARSHALL. Thank you, Mr. Chairman.

Senator MOYNIHAN. Would our guests clear the front of the room, as we have another witness?

We now have the pleasure of hearing from Carol Tucker Foreman who is the Assistant Secretary for Food and Consumer Affairs of the Department of Agriculture.

Secretary Foreman, we welcome you to this committee. I am afraid that my associates, Senator Long and Senator Curtis, had to leave because of other engagements, and this, in part, was my fault because we had to begin late, as the Senate Committee on Intelligence was introducing its charters for the intelligence community.

But you have my undivided attention, and I have some questions which I will later submit on behalf of Senator Curtis and Senator Long.\*

Ms. FOREMAN. Thank you very much, Mr. Chairman.

With me today is Bob Greenstein who is assistant to the Secretary of Agriculture and who worked closely with the welfare reform task force in drafting portions of that legislation.

Senator MOYNIHAN. We welcome you, Mr. Greenstein.

**STATEMENT OF CAROL TUCKER FOREMAN, ASSISTANT SECRETARY FOR FOOD AND CONSUMER AFFAIRS, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ROBERT GREENSTEIN, ASSISTANT TO THE SECRETARY**

Ms. FOREMAN. I am pleased to appear today before you as you consider the important area of welfare reform.

As you know, of course, the administration has submitted a major proposal based on a number of months of intensive work, to revamp the entire welfare system. The proposed legislation is designed to rationalize the welfare structure, to put more Americans to work, and enhance work incentives.

The Department of Agriculture was represented on the consulting group formed by HEW Secretary Califano in early 1977 and par-

\* See Part 2, Appendix C.

ticipated in the meetings of this consulting group. The Department of Health, Education, and Welfare, the Department of Labor, and the Department of the Treasury used information generated by this group, information from other consultations within the administration, and from meetings with the governors and other interested parties as they designed the administration's plan.

The Department of HEW and the Department of Labor will administer the cash and job components of the new program, and it is appropriate that these departments are presenting and explaining the administration's proposal to the committee.

We, at the Department of Agriculture, will not actually be involved in administering the new plan, but I would be happy to answer any questions that the committee may have about the proposal, or about the food stamp program which, along with other programs, would be replaced by the new plan.

I should add that we are completely confident that we can work hand in hand with the Department of Health, Education, and Welfare, the Department of Labor and the Treasury Department to effect an orderly transfer from the operation of current programs such as food stamps to the implementation of the new welfare reform proposal when the Congress approves it.

Senator MOYNIHAN. I thank you, Madam Secretary, and I will take this occasion to repeat an observation which I made on Tuesday, which is that the behavior of the Department of Agriculture in this matter contrasts strikingly with that of the Department of Housing and Urban Development.

The Department of Housing and Urban Development has a large cash assistance program to low-income persons that is known as the section 8 program. In some cases it provides up to \$9,000 a year to families, and obviously provides a good living for a number of bureaucrats. Although the President and the Office of Management and Budget vigorously sought to get HUD to give up their \$450 million and to put it into the pot for welfare reform, the answer from the bureaucracy was adamant. It does not matter what the President wants, we need our jobs, and we will not give up one damned thing. That is a way to make yourself really respected up here on Capitol Hill.

The contrast with Department of Agriculture's readiness to see food stamps cashed out is really quite striking and altogether refreshing and that is one reason this is one of the most well-regarded Departments in the Government.

I would like to ask you or Mr. Greenstein whether there will be consequences for nutrition or well-being, to move from scrip, that is used for food, to money that is used for just about anything.

Do you have any thoughts on that, and would you like to tell us what they are.

Ms. FOREMAN. Yes, sir. First, if I could just respond to your first comment, it would be unfortunate if anyone were to assume that the Department's cooperation in the welfare reform plan indicated that the Department of Agriculture does not appreciate the importance of the food stamp program or that the Department of Agriculture wishes to be rid of the food stamp program.

Senator MOYNIHAN. Right.

Ms. FOREMAN. In a previous administration, that was true. In this Department of Agriculture, Secretary Bergland supports the welfare proposal because he believes that, on balance it is preferable to this strange, jerry-built system of a multitude of different programs that we have now, programs in which a large number of people fall between the cracks because they are childless or because there are two parents in the home.

We support the welfare reform programs because we believe that, on balance, because of the provision of almost a million and a-half new jobs and because of expanded coverage for cash assistance, it is preferable to the present system.

As long as the food stamp program continues in existence we will administer that program as efficiently and effectively as we can and it will have the full support of the Secretary and of the Food and Nutrition Service.

Based on our past record, I feel that it is important that that appear in the record.

Senator MOYNIHAN. What did you mean by your reference to a previous administration that wanted to get rid of food stamps?

Ms. FOREMAN. Well, in a previous administration, the Secretary of Agriculture had, on a number of occasions, proposed to get the food stamp program out of his Department.

Senator MOYNIHAN. To where?

Ms. FOREMAN. To the Health, Education, and Welfare Department.

Senator MOYNIHAN. Oh, I see, I see.

Well, there is a question, I suppose of bureaucratic jurisdiction. I understand you would be happy with jurisdiction over food stamps but you recognize that if these programs are to be consolidated, it makes sense to give up jurisdiction.

Ms. FOREMAN. That is correct.

Senator MOYNIHAN. You do not have any alarm about the consequences for nutrition?

Ms. FOREMAN. I would like to refer to that. We do have some studies that might be helpful. I walked in here awhile ago as they were discussing varieties of snakes down in Louisiana and I am from Arkansas. We have snakes over there, too.

We have one that is really unique to our State, the coral snake. It is a very attractive snake, very pretty.

Senator MOYNIHAN. It looks like a king snake.

Ms. FOREMAN. And it is very deadly, and the idea that poor people are poor because they do not use their money well is kind of like a coral snake. It is very attractive and it is deadly, poisonous and dead wrong.

We do have some studies that show that low-income people use their money very well. That, in fact, they probably use it a little bit better than the upper-income people.

Going back to the 1965-66 survey of household food consumption done by the Department of Agriculture, the Department found that, in fact, low-income people generally get more nutrients per dollar expended for food than upper-income people do.

They still did not get enough nutrients because they did not have enough money in total to spend for food, but on a per dollar expended basis, they did get more nutrients.

In addition, we have some studies that indicate that over 60 percent of the people presently in the food stamp program spend more than their monthly allotment of food stamps for food. I believe about 30 percent of those spend more than \$26 a month more than their food stamp allotment for food, and virtually all of that 63 percent spent at least \$5 more per month than their food stamp allotment for food.

In determining whether or not the ending of the purchase requirement for food stamps might cause a decrease in total food purposes, the Economic Research Service did look at these figures and we found no reason to believe that food purchases generally would drop off.

It might, under the new welfare reform program. They would drop off very slightly under our elimination of the purchase requirement. But because the welfare reform program introduces into the system over \$2 billion of new expenditures it was the feeling of the Economic Research Service that this would more than make up for any slight dropoff that might occur in food purchases as a result of going to a cash system, and we cannot find any reason to believe that the \$180 billion a year spent for food in this country is likely to decrease as a result of the institution of the welfare program.

Senator MOYNIHAN. A good, clear statement.

I wonder if I could ask you to submit for the record which we are making in these hearings those studies that compare the purchasing habits and nutrition dollar and that kind of thing that you referred to?

Ms. FOREMAN. Yes, sir. We have all of these and we will submit them for the record.

Senator MOYNIHAN. Well, do not submit them all, just submit the ones that you think are the most helpful.

Ms. FOREMAN. The only caveat that I would have on this is that the Household Consumption Survey is 10 years old. We are in the process now of updating that and, by the end of the year, I believe, should have new information.

Senator MOYNIHAN. Well, give us your latest and best data.

Ms. FOREMAN. The 63 percent, Bob informs me, is the 1976 study. It was the nutrients per dollar that is the 10-year-old study.

Senator MOYNIHAN. Let's get both.

Ms. FOREMAN. Thank you.

Senator MOYNIHAN. Please submit both.

I think we would appreciate it if you would summarize and cite, as we would like to use this material, and we will not read your original study but we will read your summary of it, and that is the reality.

[The departmental response follows. Oral testimony continues on p. 199.]

U.S. DEPARTMENT OF AGRICULTURE,  
ECONOMIC RESEARCH SERVICE,  
Washington, D.C., October 4, 1977.

To: Robert Greenstein, Special Assistant to the Secretary.

Subject: Food Expenditure Consequences of Welfare Reform.

In our memorandum dated September 19, 1977 we concluded that total food expenditures and farm income would likely not be adversely affected by passage of the Administration's proposal for Better Jobs and Income (BJIP). In development of that estimate we assumed that poor households would spend about 35 to 40 percent of any cash grant on food. Further, we stressed that the BJIP

would replace grants of \$17.4 billion (\$5.8 billion for food stamps plus \$12.1 billion for AFDC and SSI benefits) with a simple cash transfer of \$19.2 billion. The purpose of this memorandum is to clarify both (a) our assumption regarding the preparation of a total cash grant which would likely be spent for food and, (b) our decision to focus on only the cash assistance aspects of the two welfare programs.

1. Our assumption that the poor would spend about 85 to 40 percent of any cash assistance for food has its primary basis in household expenditure data collected during 1973-74 by the Bureau of Labor (BLS). Such data, called Consumer Expenditure Surveys (CES), have been collected periodically by BLS since 1888. The CES of 1972-73 is the eighth major survey of its type and is the first since 1960-61. The data provide the only comprehensive source of detailed information on expenditures, income, changes in assets and liabilities related to socioeconomic and demographic characteristics of families in the United States.

Food purchase data for the 1973-74 period were obtained from approximately 12,000 households during two one-week intervals. Each respondent was asked to record all expenses incurred by the household during the survey week. Purchase information on more than 1,700 separate code items were obtained. Food purchase data were then summarized by income class.

More detail on sample design and sampling procedures is available in an article entitled "The 1972-73 Consumer Expenditure Survey" printed in the December 1974 issue of Monthly Labor Review, pp. 16-23 (copy attached). If additional information, explanations, or tabulations of the data are needed, please advise.

Another primary source of food expenditure data for various income classes in the United States Department of Agriculture Food Consumption Survey (FCS). These data are collected by the Agriculture Research Service (ARS) about once every ten years. The most recently published data are from 1965-66. These data were also used to help develop our estimate. While they are somewhat dated, they do agree with results from the CES. Data for the period 1977-78 are now being collected. We expect they will be available for preliminary analyses during the later half of FY 78.

FCS data, like CES data, are obtained from a sample of households. The FCS sample is slightly larger, about 15,000. As with CES, the households are statistically selected to represent those in metropolitan areas, cities of various sizes, rural farm and nonfarm areas in all parts of the U.S.

2. In our September 19 memorandum we focused on only the simple cash assistance aspects of the two welfare programs. This was done in order to make the comparison more manageable. As we indicated then, the data needed for the development of precise magnitude estimates for all aspects of the alternatives are just not available. Very little is known, for example, about how the poor "spend" the Earned Income Tax Credit. Furthermore, there is apparently some uncertainty about just how large (in terms of cash outlays) the proposed Employment and Training Program will need to be. Our assumption, in the September 19 memorandum, was that the positive food expenditure effects of the proposed employment program, income tax credit, emerging assistance grant and the child care deduction would likely be largely offset by elimination of CETA and WIN, extended unemployment compensation, the wellhead tax revenues and the approximately \$1.6 billion other "offsets".

The August 6, 1977 welfare proposal does however add \$2.8 billion to the total welfare outlay. We actually only accounted for the food expenditure consequences of about \$1.8 billion of that increase. In the absence of better data, one might reasonably estimate that about 80 to 35 percent of the additional \$1 billion would be spent for food (the proportion is resolved slightly from the 35 to 40 percent to reflect the changed nature of the transfer).

That would add about \$0.8 billion to our September 19 estimate of total food expenditures expected with adoption of the welfare reform proposal. The conclusion, however, would remain unchanged: total food expenditures and therefore

farm income will, for practical purposes, be largely unaffected by adoption of the proposed program. Food expenditures for domestically produced foods and farm income will likely remain at about the \$180 billion and \$56 billion (1977 dollars) level respectively.

Hopefully, the information provided is sufficiently detailed to answer your questions. If not, or if we can be of help in any other way, please advise.

WILLIAM T. BOEHM,  
*Project Leader, Consumer Economics and Demand Analysis,  
National Economic Analysis Division.*

Attachment.

#### DOCUMENTATION ON EXPENDITURES OF POOR HOUSEHOLDS

The following chart shows the percentages of consumer expenditures that families at two income levels devoted to food, housing, and other goods and services in 1960. Families designated as "poor" had family incomes under \$3,000 in 1960. "Well-off" families had family incomes of \$15,000 or more in 1960. These data come from the 1960-61 Survey of Consumer Expenditures and Income, conducted by the Bureau of Labor Statistics.

The chart shows that poor families spend a larger proportion of their income on food, housing, and medical care—and a smaller proportion of their income on transportation, clothing, alcohol, and recreation.

#### HOW DO PEOPLE SPEND THEIR MONEY

(In percent)

	Poor	Well off
Other.....	7	10
Alcohol.....	1	2
Tobacco.....	2	1
Recreation.....	2	5
Clothing.....	7	12
Medical care.....	9	6
Transportation.....	9	15
Housing.....	34	28
Food.....	29	28

Source: "Consumer Expenditures and Income: Survey Guidelines," Bureau of Labor Statistics Bulletin 1684 (1971), pp. 104-105, table 4-17. Presented in Browning, Edgar K., "Redistribution and the Welfare System," American Enterprise Institute for Public Policy Research, Washington, D.C., Evaluative Studies 22, July 1975, p. 47.

#### PERCENTAGE DISTRIBUTION OF FAMILY EXPENDITURES BY INCOME CLASS, 1960

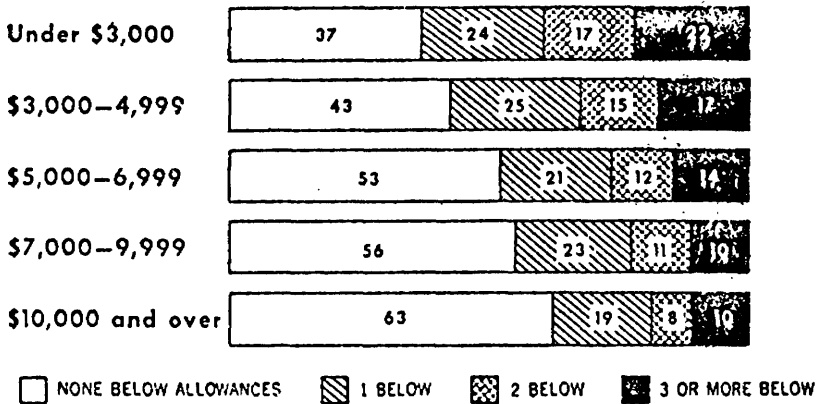
Category	Money income class		
	Under \$3,000	\$5,000 to \$7,499	\$15,000 and over
Food.....	29.4	24.7	20.1
Housing <sup>1</sup> .....	34.4	29.1	29.1
Transportation.....	8.6	16.0	14.9
Medical care.....	8.5	6.6	6.1
Clothing.....	7.1	9.9	12.2
Recreation.....	2.3	3.8	4.7
Tobacco.....	2.1	2.0	1.1
Alcohol.....	1.0	1.5	1.9
Other.....	6.6	6.4	9.9

<sup>1</sup> Includes shelter and other home-related expenses.

Source: "Consumer Expenditures and Income: Survey Guidelines," Bureau of Labor Statistics Bulletin 1684 (1971), pp. 104-105, table B-17.

## DIETARY LEVELS OF HOUSEHOLDS IN THE UNITED STATES, SPRING 1965

U.S. DEPARTMENT OF AGRICULTURE, AGRICULTURAL RESEARCH SERVICE

DIETS BY NUMBER OF NUTRIENTS  
BELOW ALLOWANCES,\* BY INCOME (percent)

U.S. HOUSEHOLDS, 1 WEEK IN SPRING, 1965

\* RECOMMENDED DIETARY ALLOWANCES (1963)

U.S. DEPARTMENT OF AGRICULTURE

Neg. ARS BN 34064

Agricultural Research Service

VARIOUS LEVELS OF INCOME WITH DIETS BELOW RECOMMENDED ALLOWANCES FOR CALCIUM, VITAMIN A VALUE,  
AND ASCORBIC ACID

[In percent]

Income	Diets below allowances for—		
	Calcium	Vitamin A value	Ascorbic acid
Under \$3,000.....	36	36	42
\$3,000 to \$4,999.....	35	26	33
\$5,000 to \$6,999.....	29	24	24
\$7,000 to \$9,999.....	26	20	20
\$10,000 and over.....	24	18	12

Some differences in the kinds of foods used at different income levels resulted from household characteristics other than income. For example, larger proportions of low- than high-income households lived on farms and were from the South. Families with low incomes were smaller, on the average, and included a larger proportion of elderly persons than those with high incomes. Furthermore, some families have incomes that fluctuate from year to year, and such families tend to maintain their usual food patterns even though their incomes fluctuate. In the survey, households reporting temporarily high or low income probably continued to use kinds and quantities of food typical of their usual food patterns.

Low-income households had greater returns in calories and most nutrients per food dollar, on the average, than high-income households. Returns in ascorbic acid were about the same for all incomes. Nutrients furnished by a dollar's worth of food and money value of food, by income:

Income	Food energy (cal)	Protein (g)	Calcium (mg)	Vitamin A value (IU)	Ascorbic acid (mg)	Value of food per person per week <sup>1</sup>
Under \$3,000.....	3,150	99	1,090	6,860	85	\$6.93
\$3,000 to \$4,999.....	2,868	82	970	6,320	80	7.74
\$5,000 to \$6,999.....	2,578	85	890	5,990	81	8.78
\$7,000 to \$9,999.....	2,380	79	830	5,320	80	9.66
\$10,000 and over.....	2,108	72	750	5,180	82	11.02

<sup>1</sup> Includes food bought at prices reported by households, and foods home produced or received as gift or pay (including federally donated) valued at retail prices.

A higher average return in nutrients per food dollar for low-income families may not necessarily mean they consciously chose more nutritious foods than families with high incomes. Low-cost diets usually include some foods that are bought in large quantities for a relatively small amount of money. Several of these foods—such as enriched flour and bread, some cereals, dry beans, and potatoes—furnish substantial amounts of certain nutrients. A small part of the food used by the low-income families—representing about 3 percent of total calories—was federally donated. In general, donated foods are those that give high nutrient return per dollar of value.

Despite the high nutrient returns for their food dollars, low-income families more often than higher income families had diets that did not meet allowances, partly because they did not spend as much for food.

#### URBAN AND RURAL

The percentage of good diets generally increased as income increased for both urban and rural households.

Income	Diets meeting allowances		
	Urban	Rural nonfarm	Rural farm
Under \$3,000.....	39	34	38
\$3,000 to \$4,999.....	43	42	48
\$5,000 to \$6,999.....	54	51	57
\$7,000 to \$9,999.....	56	59	56
\$10,000 and over.....	62	71	64

#### FOOD STAMPS AND SPENDING ON FOOD: THE EMPIRICAL EVIDENCE

Proposed elimination of the purchase requirement in the Food Stamp Program raises questions about its impact on food expenditures. Two effects are important: (a) the effect of the elimination of the purchase requirement on food expenditures of households already participating in the Food Stamp Program; (b) the impact on food expenditures of households not currently participating in the Food Stamp Program but who are induced to participate as a result of the elimination of the purchase requirement.

There are no comprehensive studies on this topic, although selected pieces of evidence are available. These pieces will be briefly summarized below.

#### FOOD EXPENDITURES OF FOOD STAMP RECIPIENTS

In a recent survey (the 1976 Survey of Income and Education, Bureau of the Census and DHEW), Food Stamp recipients were asked whether they purchased in a store more food in a month than could be paid for with food stamps. Some 63 percent of Food Stamp recipients said they purchased food over and above the program coupon allotment. Virtually all of these households spent more than \$5 a month on food over and above the coupon allotment and 33 percent of Food Stamp recipients reported spending \$26 a month or more above the



allotment on food.<sup>1</sup> For these 63 percent of recipients, the Food Stamp Program is not inducing any higher food expenditures than would an equivalent cash grant.

Preliminary data on food expenditures from the 1972-1973 Consumer Expenditure Survey (CES) are available. They show that on average for various household size and income classes, food expenditures for Food Stamp recipients were generally higher than coupon allotments. For the lower incomes, however, food expenditures did not exceed allotments, although many of these households will pay nothing for their Food Stamps whether the purchase requirement is eliminated or not since their net countable incomes (i.e., gross income less the standard and work expense deductions) will be zero.

Utilizing these CES data, Hoagland<sup>2</sup> estimated that 43 percent of the bonus transfer was used to free income for non-food purchases while the remaining 57 percent goes toward food expenditures. These estimates show less freeing of income than actually occurs since, if given cash, Food Stamp recipients would have purchased some food out of their income supplement, that is, their marginal propensities to consume food would not be zero.

Another study using less recent data estimated that about 60 percent of Food Stamp bonuses led to increased food expenditures, as compared with an estimated 20-30 percent share to food out of cash.<sup>3</sup>

Several studies have estimated the extent to which spending patterns of Food Stamp recipients are constrained. These are studies of the so-called cash equivalent of in-kind income.<sup>4</sup> Cash equivalents were lowest for households with the lowest incomes, and averaged some 85 percent of government cost. These measures cannot be easily translated into food expenditure impacts. Moreover, they use out-of-date (1960-61) expenditure information and, in some cases, faulty estimation techniques.

Hymans and Shapiro studied food consumption utilizing the Panel Study of Income Dynamics. They found Food Stamp bonus values to be more strongly devoted to food consumption than cash income. However, food subsidies were "... sufficiently small as a source of income (even for the target group) that their effect on the income elasticity of food consumption is small."<sup>5</sup> A study by Teh-wei Hu,<sup>6</sup> using a similar methodology, also found spending on food out of cash income. In fact, his estimated marginal propensities to expend on food out of Food Stamp bonuses were 1.29, a theoretically unacceptable finding.

Another study utilizing food expenditure data from the Panel Study of Income Dynamics found low-income households, including some Food Stamp households, to have spent large fractions of their income on food (around 50 percent) in 1974 and this fraction grew from 1972.<sup>7</sup>

<sup>1</sup> These data are from preliminary tabulations by the Bureau of the Census using the Survey of Income and Education (SIE). The SIE is a sample survey of about 150,000 households conducted by the Bureau of the Census between April and July 1976. The SIE was undertaken in response to a Congressional mandate (Education Amendments of 1974, Section 822(a)) to furnish current data for each State with respect to the number of school-age children living in families at or below the poverty level.

At HEW's request, additional income-related information was collected on the SIE. Some of this information pertained to the Food Stamp Program. In addition to items such as receipt and the total value of the stamps, households reporting that they received food stamps were asked the following question:

"Does this household usually buy more food in a month than can be paid for with food stamps, not including nonfood items or restaurant meals?"

If their response was yes, they were asked:

"How much more is usually spent on food?"

less than \$5.

\$5 to \$15.

\$16 to \$25.

over \$25?"

The numbers reported here are based on preliminary tabulations of the responses to these questions by the 10,302 survey households who reported receiving food stamps.

<sup>2</sup> Congressional Budget Office, *The Food Stamp Program: "Income Or Food Supplementation?"*, January 1977.

<sup>3</sup> Economic Research Service, USDA, "Bonus Food Stamps and Cash Income Supplements", Marketing Research Report No. 1034, October 1974.

<sup>4</sup> Summaries can be found in Peakin, "In-Kind and The Measurement of Poverty", DHEW.

<sup>5</sup> Hymans & Shapiro, "The Allocation of Household Income to Food Consumption" in *Five Thousand American Families—Patterns of Economic Progress*, Volume II, 1974.

<sup>6</sup> Teh-wei Hu et. al., "Expenditure Patterns of Welfare Households, Aged Households, and Disabled Households," Prepared for SRS and SSA, Grant No. 10-P-56078/3-01, March 1974.

<sup>7</sup> Greg Duncan, "Food Expenditure Changes Between 1972 and 1974" in *Five Thousand American Families—Patterns of Economic Progress*, Volume IV, 1976.

#### FOOD EXPENDITURE IMPACTS OF ELIMINATION OF THE PURCHASE REQUIREMENT

The studies summarized above provide empirical evidence supporting the statement that elimination of the purchase requirement will lead to a reduction in food expenditures of households currently participating in the Food Stamp Program. Probably the best of these estimates is that from the Survey of Income and Education, namely that 63 percent of Food Stamp recipients are already spending more on food than the coupon allotment and should have no reduction in food expenditures. This leaves some 37 percent of current recipients whose food expenditures might decline. Of these, some will be made ineligible by new program rules, primarily the poverty line cutoff and standardization of deductions, and others will pay nothing for their stamps since countable incomes are zero; any change in their food expenditures cannot be attributed to elimination of the purchase requirement (EPR). Perhaps only a quarter of current recipients are then likely to be affected by EPR.

How much their food expenditures might decline is unknown. At this point, we do not know by how much their stamps will be reduced as a result of EPR as we do not know how they are distributed by income level and household size. Since low-income households spend their money much like other households, as can be seen on the attached graph, food expenditures of these households shouldn't be greatly altered.

In terms of impacts on aggregate food spending, some, if not most, of the reduction in food expenditures of affected program participants (numbering around 4 million persons) will be offset by increased food expenditures of households induced to participate by EPR (estimated at around 3 million persons). The latter households may well be those with unusually low food expenditures either as a result of high non-food needs or low incomes. In short, the downward impact, if any, on aggregate food expenditures as a result of EPR is not likely to be sizeable. Nutrition impacts, if indeed there are any, will mirror the changes in food expenditures.

#### RESULTS OF PANEL STUDY OF INCOME DYNAMICS

The Panel Study of Income Dynamics conducted by the Michigan Survey Research Center in 1975 found that 71.3 percent of the food stamp households interviewed spent more than their food stamp allotment on food. This figure is similar to the 63 percent figure disclosed by the Survey of Income and Education.

U.S. DEPARTMENT OF AGRICULTURE,  
ECONOMIC RESEARCH SERVICE,  
*Washington, D.O., September 19, 1977.*

Subject: Farm Income Consequences of Food Stamp Cash-Out.

To: Carol Foreman, Assistant Secretary for Food and Consumer Services.

The proposed Better Jobs and Incomes Program would eliminate the Food Stamp Program (FSP), Aid to Families with Dependent Children (AFDC), and Supplemental Security Income (SSI). In their place would be a new program emphasizing jobs and simple cash assistance.

Objectives of the FSP, in particular, include the improvement of diets for the poor and support of farm income. Elimination of the program, therefore, raises questions about what impacts such an action would have on food expenditures and farm incomes. The key question is how effective a cash transfer program would be in increasing food expenditures relative to continuance of the FSP.

The food expenditure—farm income consequences of the Administration's welfare proposal are difficult to ascertain. Simply put, the data needed for the development of magnitude estimates are not now available, nor is enough known about human purchasing behavior. However, using what data are available and making what appear to be reasonable assumptions about behavior it is possible to develop estimates for the domestic economy which indicate the expected direction of change.

Total expenditures for domestically-produced foods (excludes imported foods and fish) are expected to be \$180 billion in 1977. Of this total, \$29 billion (16 percent) is attributable to purchases by households with incomes below \$5,500 per year (approximate level for poverty households). The current programs (FSP, AFDC, and SSI) are thought to account for about \$7 billion (less than 4 percent) of the total expenditures.

The 1977 Food and Agriculture Act authorizes elimination of the food stamp purchase requirement. While this provision will simplify program operations

and make it easier for some households to participate, it will likely affect the program's potential to increase food expenditures. At comparable levels of assistance (\$17.4 billion), the demand expansion potential of the 1978 programs would, therefore, be about \$6.6 billion (1977 dollars). Total food expenditures would be \$179.5 billion. Farm value would be \$55.8 billion, down slightly from the present \$56 billion.

The Administration's welfare reform proposal authorizes a cash assistance of \$19.2 billion, \$1.8 billion more than present programs.

Assuming participant households spend 35 to 40 percent of this cash grant on food (an estimate based on Bureau of Labor Statistics Consumer Expenditures Survey data), total food expenditures would remain unchanged at \$179.5 billion. Farm value would be \$55.8 billion. The increased level of funding (\$19.2 vs. \$17.4 billion) included in the welfare reform proposal partially explains why food expenditures and farm income, for practical purposes, will likely be unaffected by the change. This same amount of increase, of course, transferred in the form of free stamps would result in even more food purchasing and thus farm income.

In developing such an estimate, it is important to consider the net effect from changing five operational aspects of the programs:

1. The FSP is only one of the public assistance programs which influence the consumption and purchasing of food by the poor. Under the welfare reform proposal the special feeding programs (National School Lunch, Summer Food Service, Special Milk, etc.) remain intact. Therefore, to obtain an estimate of the total food expenditure consequences implied by passage of the welfare reform proposal, it is necessary to consider the impact of changes in all programs including the proposal elimination of the present cash assistance programs (SSI and AFDC).

2. Historically, only about one-half of the more than 12 million technically eligible households (35 million individuals) have participated in the FSP. Even with the purchase requirement eliminated, estimates are that participation will not exceed 65 percent of those eligible (CBO estimate). In contrast, the Administration's welfare reform proposal is expected to impact 14 million of the potentially eligible households. Some of the cash distributed to those households not now participating in the FSP will be spent for food and this must also be considered.

3. Food coupons do not increase food purchases on a dollar-for-dollar basis. While all stamps issued must be spent for food, the distribution of stamps, with or without a purchase requirement, enables households to divert some of the cash previously spent for food for nonfood purchases. On the other hand, while not as effectively, simple cash transfers do influence food purchases. Historical data indicate that poor households spend about 35 to 40 percent of each additional dollar for food. Calculation of the overall impact of the proposed transition to all cash transfers must consider both aspects of purchasing behavior.

4. Food expenditures by households earning less than \$5,500 per year, with the FSP in effect, account for about 16 percent of the total \$180 billion spent for domestically-produced foods. Those households' expenditures generate about \$9 billion of the total \$56 billion farm value. Farm value of the demand expansion by the FSP is estimated at about \$1 billion. All \_\_\_\_\_ programs increase demand by about 2.25 billion. Therefore, while some adjustment in the operation of public assistance programs for food may be of major consequence to those poor households who participate, the potential for such changes to generate wide fluctuations in farm income is minimal.

The development of these impact estimates required the analysis of data and use of simplifying assumptions not specifically outlined in this memorandum. We would be pleased to review these with you or any member of your staff. If we can be of further assistance, please advise.

JOHN E. LEE  
*Director, National Economic Analysis Division.*

**SUMMARY OF SURVEY ON THE IMPACT OF THE FOOD STAMP IN PUERTO RICO--  
CASE STUDIES IN MOCA, GUAYAMA, AND BARRIO OBRERO**

This study reports on the results of two surveys done in three areas of Puerto Rico in 1974 and 1975. The first survey covered food retailers and wholesalers, 171 establishments in 1974 and 155 in 1975. The second survey included house-

holds certified as eligible to participate in the Food Stamp Program. In 1974, 562 households were included and in 1975, 483.

The 1974 surveys were taken before the Food Stamp Program was implemented in the areas studied, and the 1975 surveys were taken after the program had been in operation for one year. The intent was to assess the impact of the program on food sales and on household expenditures for food.

#### *Retail Food Sales*

Between the 1974 and 1975 surveys, there was a dramatic increase in food sales for retailers in the areas surveyed. Allowing for the general rise in food costs, retail food sales increased by 20 percent between the two surveys. Since there was no significant increase in consumer income, this increase in food demand can be attributed to the Food Stamp Program.

This increase in demand did not bring about a corresponding increase in food prices, however. Food prices in Puerto Rico rose about 7.8 percent between the two surveys, a figure similar to the percentage increase in food prices on the U.S. Mainland.

#### *Household Expenditures for Food*

This study estimated that for every dollar of bonus food stamps provided to participating households, food expenditures increased by 40 cents. The other 60 cents replaced household income previously spent on food.

This displacement effect is due in part to the very low incomes of Puerto Rican households. Only a very few households in the sample in 1974 and 1975 had total income above the 1970 poverty level. Unemployment on the Island is very high—20 percent in 1976. The survey also showed that of those heads of food stamp households who were employed, nearly half were employed on a part-time or temporary basis.

[From the Monthly Labor Review, December 1974]

### THE 1972-73 CONSUMER EXPENDITURE SURVEY

(By Michael D. Carlson)

Periodically, since 1888, the Bureau of Labor Statistics has conducted surveys of consumer expenditures, savings, and income. These surveys have been the only comprehensive sources of detailed information on expenditures, income, and changes in assets and liabilities related to the socioeconomic and demographic characteristics of families in the United States. The Consumer Expenditure Survey of 1972-73, the eighth major survey of this type, and the first since 1960-61, extends this tradition. Unlike previous surveys, the collection of data was carried out by the U.S. Bureau of the Census under contract to the Bureau of Labor Statistics. Past surveys have been designed to meet a great variety of user demands. The 1972-73 survey was undertaken in part to revise the weights and associated pricing samples in the current Consumer Price Index, and in part to help meet the need for timely, accurate, and detailed information of how American families earn and spend their income. Satisfying these two objectives is particularly important in view of inflation and rapid economic change.

The revised index is expected to be ready for release in April 1977. The survey results will begin to appear in 1976 when the necessary processing of the voluminous body of data is completed.

#### DESIGN OF THE 1972-73 SURVEY

*Purpose and uses.*—The design of the 1972-73 Consumer Expenditure Survey departs from the past in its collection techniques. The new design does, however, provide continuity with the content of the Bureau's previous surveys. Many of the previous expenditure surveys have been conducted to provide new expenditure weights for the Consumer Price Index and to establish a framework from which the selection of a sample of items to be priced for the CPI could be made. Revision of the Consumer Price Index remains a primary reason for undertaking such an extensive survey but other uses of the data have become increasingly important. (See exhibit 1.)

## EXHIBIT 1.—Uses of data from the 1972-73 Consumer Expenditure Survey

Activity	Specific uses
Revise weights in Consumer Price Index.....	Select a new market basket; reflect the current distribution of consumer expenditures; reflect the current composition of the population; reflect the geographic location of the population.
Evaluate economic policies..	Determine the influence of prices; determine the rate of growth of income; assess the effects of various types of taxes; analyze variations in levels of living among diverse socioeconomic groups and in different geographic locations; and assess the impact of economic policy on household consumption.
Econometric analysis.....	Provide data for use in models to estimate consumer demand and income.
Social welfare planning.....	Provide governmental and nongovernmental agencies with data relating to social problems such as health care, low-income families, and the aged population.
National consumer accounts	Supplement data available for use in compiling estimates of gross national product (GNP) and the personal consumption component of the GNP.
Family budgets.....	Provide a base for developing the data necessary to produce standard family budgets.
Market research.....	Supply basic data needed for analyzing various markets for products and services.
Consumer information and counseling .....	Provide information on which to base studies of typical spending and saving patterns of American families and provide information needed to assist families in the analysis of their household budgets.

*Types of surveys.*—The 1972-73 Consumer Expenditure Survey consists of two separate surveys each with its own questionnaire and sample: (1) a quarterly panel survey in which each consumer unit<sup>1</sup> in the sample is visited by an interviewer every 3 months over 15 months, and (2) a diary or recordkeeping survey completed at home by the respondent for two 1-week periods. This design differed markedly from that of all previous surveys, including the most recent one (1960-61). In that survey, a one-time questionnaire covering a years' expenditures was filled out by a Bureau of Labor Statistics interviewer who also completed a detailed supplemental schedule covering 1 week of food and other purchases.

Acting as agent for the BLS, the Census Bureau conducted the first year of the quarterly survey between January 1972 and March 1973. Interviewing for the second year ran from January 1973 to March 1974. The first year of the diary survey covered the period from the last week in June 1972 through the third week of June 1973. The second year covered the period from the last week in June 1973 through the third week of June 1974.

It is estimated that the quarterly survey obtained detailed data for 60 to 70 percent of total family expenditures. Aggregate estimates, for example of food and beverages, were used to collect an additional 20 to 25 percent of total expenditures. The detail by item for these aggregate estimates was collected in the diary survey as was the balance of total expenditures for inexpensive and frequently purchased items not included in the quarterly survey.

All procedures conform to the confidentiality requirements of the Bureau of the Census and the Bureau of Labor Statistics which prevent the disclosure of respondents' identity. Within this context, the cooperation of respondents was

<sup>1</sup> A consumer unit is defined as "(1) a family of two persons or more usually living together who pool their income and draw from a common fund for their major items of expense, or (2) a single consumer who is financially independent of any family group. The single consumer (or one-person family) may be living either by himself in a separate housing unit: as a roomer in a private home, lodging house, or hotel; or sharing a unit." The 1972-73 Consumer Expenditure Survey represents all noninstitutional consumer units living in the United States. All persons residing at a selected sample address were eligible for the survey except for periods in the survey year that they resided in military posts, camps, or reservations (except for periods of 45 days or less for training with National Guard or reserve units); in homes for the aged, asylums, jails, and similar "long-stay" institutes; or in foreign countries (except on vacations or business trips). See *Consumer Expenditures and Income: Survey Guidelines*, Bulletin 1684 (Bureau of Labor Statistics, 1971), pp. 1-2.

excellent. Preliminary response rates for the quarterly survey indicate that 88 percent of eligible sample units responded in 1972 and nearly 90 percent in 1973, the percentages representing 9,914 units interviewed in 1972 and 10,158 in 1973. For the diary survey, response rates were 80 percent in 1972 and 90 percent in 1973 with the percentages representing 20,392 completed 1-week diaries in 1972 and 23,355 in 1973.

*Quarterly survey sample.*—The address sample for the quarterly survey<sup>2</sup> was selected from data appearing in the 1970 Census of Population 20-percent tape. This tape dealt with families that completed an extended or long form 1970 census questionnaire which contained some 80 housing questions and 41 general questions about population characteristics. These returns were stratified on the basis of tenure, size of primary family, and primary family income. Areas included in the quarterly sample consisted of 216 primary sampling units (PSU) of which 162 were selected using probability sampling and 54 were selected primarily because of the size of the population in the areas to be represented. The selected primary sampling units included both urban and rural farm and nonfarm populations and are either Standard Metropolitan Statistical Areas, single counties, or groups of counties.

A final sample of 23,000 addresses was divided into two representative subsamples, one for 1972 and one for 1973. This split was undertaken in an attempt to protect against a 1-year survey period which might coincide with abnormal economic conditions. The sample was divided as follows: (1) The 30 largest primary sample units were included in both survey years with one-half the sample addresses included in each year; and (2) the other 186 units were paired into two groups, one for each year.

*Quarterly questionnaire.*—Testing of collection methodology was performed by the Bureau of Labor Statistics and by the Survey Research Laboratory of the University of Illinois. These tests and the experience of other countries revealed that high quality data could be obtained in the Consumer Expenditure Survey, if questionnaires were tailored so that information on larger and more easily recalled expenditures were collected by periodic recall and small less expensive items were collected by day-by-day recordkeeping. It was this finding that led to the creation of quarterly and diary questionnaires. Furthermore, the quarterly design took account of the notion that some items are easily recalled over long periods while others are accurately remembered only over short periods.

The initial quarterly interview provided socio-economic characteristics of the consumer unit, an inventory of major durable items, and data covering a great variety of regularly purchased items bought since the first of the year.

Subsequent quarterly interviews continued the collection of detailed expenses. In addition, in quarters two through five, global estimates for food and beverages were obtained, permitting the possible integration with detailed food item estimates collected by diary. Also, at the second quarter, a global estimate of consumer unit income for the previous year was collected.

The fifth and final interview yielded information on housing expenses, work experience, changes in assets and liabilities, expenses for most goods and services previously requested, and estimates of consumer unit income. Data on the latter involved highly detailed income information ranging from wage and salary earnings by each member of the consumer unit to consumer unit totals of royalties and realized dividends taken in cash from sources such as life insurance policies or common stock.

The rationale for collection of detailed income and savings information in the fifth quarter was based on the belief that interviewer rapport built up over the year would help to lessen the reluctance of respondents to cooperate in providing such answers. As in other parts of the questionnaire, respondents were urged to refer to records. With this in mind, the timing of the detailed income queries was designed to coincide with the period during which respondents normally filled in personal income tax returns.

As noted, the recall period for reporting data varied according to the difficulty of recall for a class of items. Frequently purchased or relatively inexpensive items such as clothing and utilities were collected each quarter. A 6-month recall period was used for relatively expensive items such as furniture and small kitchen appliances. A 12-month recall period was used for major appliances, real estate, motor vehicles, and other items which are expensive or infrequently purchased. A similar 12-month period was used to collect data on income, assets, and liabilities. (See exhibit 2 for a sample page from the quarterly survey.)

<sup>2</sup> See U.S. Bureau of the Census, "Study Plan for the Consumer Expenditure Program (Revised)" (Unpublished paper, Dec. 14, 1971), available on request from the Bureau of Labor Statistics.

Exhibit 2.  
A sample  
page  
from the  
quarterly  
survey

Form No.	Section 13 - ALL AUTOMOBILES AND OTHER VEHICLES - INVENTORY AND PURCHASES - Continued	INTERVIEWER	01 - Add sheet 1, Part B and complete one column in Part B for each vehicle B (See instruction on page 19, Part B) 02 - Complete Part C for each vehicle in column of 01. Then add page 2, Part A, and complete Parts B and C for each additional vehicle B.
<p>Part D - Detailed Ownership</p> <p>VEHICLE NUMBER 1 2                      PROCEED WITH VEH ONLY -- 1 13 859 § -- 1 13 827 §</p>			
<p>1. VEHICLE CODE (If purchased from new by Part A) ...</p> <p>2. General use plus 1, 2, 3 and 4 for motor, other use, and multipurpose categories</p> <p>3. What is the make, model, and year?</p> <p>OF PRICE USE ONLY - Auto code</p>			
<p>4. How many cylinders does it have?</p> <p>5. Does it have -                      a. Automatic steering?                      b. Power steering?                      c. Power windows?                      d. Air conditioning?                      e. Radio?                      f. Tinted top?</p>			
<p>6a. Is it used entirely or partly for business?                      b. If partly for business - What percent of the mileage is covered by a business purpose?</p>			
<p>7. Was it used or sold when you acquired it?</p> <p>8. Was this vehicle ...?                      a. Purchased for new use                      b. Purchased as gift to others                      c. Received as gift - Of, go to near vehicle                      d. Received as gift - Of, go to near vehicle</p>			
<p>9. In what month and year did you acquire it?                      01 - In previous 12 mos. on this vehicle                      02 - 12 mos. before 01</p> <p>10. Did you receive a trade-in allowance? If YES - How much?                      a. What was the amount you paid for it after trade-in allowance and discount?                      b. Did this price include sales tax?                      c. Was any of this cost paid by an employer?                      d. If a loan - Did the price include the cost of a loan?                      e. If purchased in 1969 or later                      f. Did you pay it for cash or credit?                      g. Add or 01 only - How many payments made in 1977?</p>			
<p>11. What was the amount of the downpayment?                      12a. What was the source of profit?                      12b. How much was borrowed?                      13. What was the number of payments contracted for?                      14. In what month and year was the first payment made?                      15. What is the amount of each payment?                      16. What portion is covered by each payment?                      17. Does the borrower and lender both insurance required by the contract?                      18. Does the loan or credit include credit life insurance required by the contract?</p>			
<p>Part C</p> <p>19. If 01 credit payments were made in 1977                      20. How many vehicle trips did you take during 1977                      21. How many other payments did you in 1977? If YES - How much?                      22. Do you own ...?                      23. In what month and year ...?                      24. How much did you pay for it?                      25. How many trips did you take in 1977?                      OF PRICE USE ONLY - Year income changes</p>			

A mere listing of the broad areas of expenditures surveyed would provide only cursory insight into the vast amount of detail collected. In the clothing section of the questionnaire, for example, not only were the items of apparel narrowly defined (dress shirts, sport shirts, work shirts, blouses or tops, other shirts), but age and sex codes were assigned for both purchases of clothing for family members and gifts of clothing purchased for others. Data collected in the house furnishings and home appliance sections included codes for new or used purchases, and purchases financed in part by trade-ins were also identified. In addition, the quarterly survey collected detailed information pertaining to out-of-town trips and vacations.

When a family moved away from the sample address during the 15-month interviewing period they were not followed to their new address. The interviewing was terminated. New families which moved into sample addresses during the survey period were screened for eligibility and, if qualified, included in the survey. Consumer units entering the survey after the first quarter were screened to determine if the family existed as a consumer unit prior to moving to the sample address. If it did, all expenses at previous residences during the survey year were included in the survey. A special questionnaire was used for these replacement families to facilitate collection of a complete record for their period of eligibility.

*Diary survey.*—The diary survey completed by the respondent was used primarily to obtain expenditure information which was either not collected in the quarterly survey or was collected as a global estimate. Expenditures for individual items in the areas of food and beverages and personal care products and services are thought to be poorly recalled by respondents. The diary survey, however, was not limited to those types of expenditures, but, rather, included all expenses which the family incurred during the survey week.

Prior to leaving a diary with a consumer unit, the interviewer first collected information on selected socioeconomic characteristics of members of the unit. These would permit the diary to be linked to similarly classified schedules in the quarterly survey. Each unit in the diary survey was then requested to maintain a daily record of all expenditures for 1 week omitting only out-of-town expenses.

#### HISTORICAL NOTE ON CONSUMER EXPENDITURE SURVEYS

The Bureau of Labor Statistics first conducted a survey of expenditures in 1888-91 in order to provide the U.S. Government with living cost data for American workers in connection with setting tariffs. The surveys of 1901 and 1917-19 were conducted in response to rapid price changes occurring at the turn of this century and during the first World War. It was from these two surveys that BLS first produced a Cost-of-Living Index which eventually evolved into the current Consumer Price Index. The economic depression of the 1930's renewed interest in consumer expenditure surveys. The 1933-36 Study of Consumer Purchases, sponsored by BLS in cooperation with four other Federal agencies, expanded the scope of previous surveys. The sample was designed to represent all segments of the U.S. population residing in both urban and rural areas, thus permitting general economic analyses rather than just analyses of selected economic groups. During this period an Advisory Committee of the American Statistical Association, acting on a request of the Secretary of Labor, made recommendations leading to a comprehensive revision of the then Cost-of-Living Index. In order to make this revision, BLS in 1934-36 undertook a comprehensive Survey of Money Disbursements of Wage Earners and Clerical Workers.

In 1941-42, BLS collaborated with the U.S. Department of Agriculture in a nationwide survey of urban and rural families to obtain information on which to base decisions affecting the U.S. civilian economy during the second World War. In 1944, BLS sponsored a Survey of Prices Paid by Consumers, addressing a nationwide sample of urban families. For each of the years 1946 to 1949, BLS collected family income and expenditure information in one to three large U.S. cities. Culminating with the 1949 Memphis Consumer Expenditure Survey, these surveys tested a number of procedures being considered for a nationwide urban survey in 1950. The principal tests pertained to improving schedule designs and data collection techniques such as diary account keeping or recall reporting or food purchases; interviewer or respondent recorded schedules; variations on the wording of questions, and question organization; and the effect of interview revisits to balance accounts (in which annual family expenditures plus annual net changes in assets and liabilities equal annual family income).

Improvements emanating from these tests were incorporated in the 1950 Survey of Consumer Expenditures. This survey was intended to permit revision of weights and pricing samples in the Consumer Price Index; however, the concepts involved in the survey samples and questionnaire anticipated a much broader use of data for general economic analyses. (The term "Cost-of-Living Index" was dropped in September 1945 and replaced with the term "Consumer Price Index.") Sample families were drawn to be representative of all classes of consumers in 91 urban areas of the United States ranging in size from 2,500 inhabitants to the greater New York area with over 9 million. The survey obtained reports from 12,489 consumer units which represented a cooperation rate



of over 76 percent. Dissemination of the 1950 data was made in 1956 in cooperation with the Wharton School of Finance and Commerce of the University of Pennsylvania. Eighteen volumes of statistical tables were published with the aid for the first time of electronic data-processing equipment.

The most recent Consumer Expenditure Survey sponsored by the Bureau of Labor Statistics covered 1960-61. This survey was the most ambitious of its type ever undertaken by BLS up to that time. Extensive testing of collection methods was made during a pilot survey conducted in 1959 in Cincinnati, Ohio. Concurrently, the Bureau began consultations with advisory committees of the Office of Statistical Standards of the Bureau of the Budget (now the Office of Management and Budget), the U.S. Department of Agriculture, other government agencies, and numerous private organizations planning to use the results of the survey.

As in the past, the major justification of the CES was to support a revision of the Consumer Price Index. However, the growing interest of market researchers, government officials, and other private users in current detailed consumer expenditure and income information had an effect on the scope and coverage of the survey. A total sample of 17,283 living quarter addresses (with an alternate for each) was selected from both urban and rural areas of the United States with 16,987 of these producing full-year consumer units eligible for scheduling, with 13,728 usable schedules being obtained from the eligible units. (Usable schedules were those consumer unit reports which met certain criteria for data screening, consistency, and completeness.) The "cooperation rate" was over 80 percent. Those sample returns enabled the Bureau to generate estimates of consumer unit expenditure behavior at various geographical levels classified by a host of family characteristics.

Two basic questionnaires were used to obtain the required data. All information on income, savings, and expenditures with the exception of food detail and related purchases was collected by annual recall schedules administered by interviewers.

After completion of the food section in the annual expenditure record, interviewers completed a supplementary 7-day recall questionnaire designed to obtain details on food and related purchases made in the week preceding the interview.

In 1962, after extensive screening and processing, the Bureau began publishing tables derived from the survey. In 1965, the Bureau also made available for sale a general purpose computer tape of the survey data to service the needs of the analytic, research, and marketing community.

*Diary sample.*—The 2-year diary sample consisted of a separate panel of 27,000 households. The sample design was identical to that used for the quarterly survey. The diary survey yielded more than 40,000 1-week completed diaries over a 2-year period. From these diaries, data are being compared and in some expenditure areas will be integrated with quarterly survey data.

The sample for each year of the diary was divided into 52 weekly subsamples so as to cover the entire year and to expose seasonal variations in expenditure patterns. The weekly sample was expanded during the December holiday season to reflect the rise in family expenditures for items generally bought only during that period.

*Diary questionnaire.*—The diary questionnaire was divided by day of purchase and by broad classifications of goods and services—meat, fish, and poultry; laundry and diaper service, beauty and barber shop; household help, babysitters, and so on. This breakdown was used to aid the respondent when recording daily purchases. It also facilitated the coding of individual purchases so that meaningful aggregates and subaggregates of individual purchases could be presented in tables. The respondent was instructed to record a detailed description of the goods or services purchased, for example, milk: whole, skim, half and half, chocolate, condensed, and so forth. This detail was required in order for items to be represented in the Consumer Price Index according to their relative importance. (See exhibit 3 for a sample page from the diary survey.)

Within the category food and beverages for home consumption, information was requested on the number of units purchased, net weight or volume per unit, type of packaging (fresh, frozen, canned, packaged), and total cost. For meals and snacks purchased at a restaurant, carryout, and so forth, information was requested on kind of purchase, type of outlet, and total cost including tips.

For drugs or medical supplies the respondent was requested to indicate whether the item purchased was prescribed by a physician. Information was requested

regarding the age and sex of individual members of the consumer unit for whom clothing purchases were made. Rent, utility, fuel, phone, and insurance expenses were collected in relation to the period covered by the expense. All gifts to persons outside the consumer unit were specially noted.

The data collected by the diary survey was subject to detailed classification by the computer. More than 1,700 separate codes were developed to differentiate purchases by class and description.

At the end of the first week, the interviewer picked up the diary, reviewed the entries, clarified any questions, and left a second diary for the following week. At the end of the second week the interviewer again collected the diary.

At this time, the interviewers also collected information on the work experience, occupation, industry, retirement status, and member earnings from wages and salary, net income from business or profession, and net income from one's own farm. Family income from other sources—retirement annuities, estates, trusts, dividends, interest, alimony, and Federal and State payments under public assistance and unemployment and workmen's compensation—was collected. This will permit determination of the eligibility of the consumer unit for inclusion in the population covered by the Consumer Price Index.<sup>3</sup> Also at the end of the week, followup was made to insure that the 2-week expenditure report was as complete as possible.

#### PROCESSING THE DATA

After all the data were collected in the quarterly and diary surveys, the problem of processing it came to the fore. One reason for the lead time between the completion of the data collection and the dissemination of the data in large-scale expenditure surveys is the necessity to carefully screen, code, and—where appropriate—adjust the data collected. In the 1972-73 expenditure survey, responsibility for these operations was shared by the Bureau of the Census and the Bureau of Labor Statistics. The BLS had sole responsibility in all previous surveys. The Census Bureau will provide as clean, that is, error-free, and complete a data base as possible. The BLS will take this data and adjust it as necessary to meet the requirements of the revision of the Consumer Price Index as well as to produce annual family income and expenditure data.

#### EXHIBIT 3.—A SAMPLE PAGE FROM THE DIARY SURVEY

Please provide the following information when recording these items:

##### FOOD AND BEVERAGES

- Milk—Specify if whole, skim, half and half, chocolate, condensed, etc.
- Cheese—Specify if sold cheese, cheese spread, or cheese dip.
- Bread—Specify if white, whole-wheat, rye, pumpernickel, etc.
- Beef—Specify the cut and describe, such as round steak, sirloin steak, ground beef, prime ribs, etc.
- Pork—Specify the cut and describe, such as loin roast, fresh whole ham, spareribs, bacon, etc.
- Chicken—Specify if fryer, broiler, parts (sold separately) or other chicken.
- Soft Drinks—Specify if cola or other type. If not cola, specify if carbonated or noncarbonated.
- Coffee—Specify if instant or ground; if ground, indicate if in bags or cans.
- Tea—Specify if instant, tea bags, or loose.
- Sugar—Specify if white, brown, granulated, confectioners', or powdered.
- Cereal—Specify type (corn flakes) or brand name.
- Flour—Specify if white, all purpose, cake, whole-wheat or other flour.
- Detergents—Specify if for laundry, household cleaning, or dishwasher and if liquid or powder.
- Doctor bills—Specify type of doctor visited, such as general practitioner, internist, etc.
- Dentist bills—Specify the type of work, such as extractions, teeth straightening, etc.
- Toys—Specify, such as games, electric train set, doll, etc.

<sup>3</sup> For a discussion of population coverage of the Consumer Price Index, see Julius Shiskin, "Updating the Consumer Price Index—an overview," *Monthly Labor Review*, July 1974, pp. 11-16.

▶ EXAMPLES OF SOME FOOD ITEMS

FOOD AND BEVERAGES									
OFFICE USE ONLY	Item (Describe the item purchased, such as whole milk, T-bone steak, dried apricots, all purpose flour, saltines, etc.)	Number of cans, bottles, packages, etc.	Net weight or volume per unit (Examples: 6 oz. jar, 5 lbs., etc.)	Is this item - (Mark only one)				Total cost (Exclude sales tax)	
				Fresh	Frozen	Canned	Package	Dollars	Cents
- 50 013	Baby and Battery Products (Indicate if used for delivery)								
A	Milk - 2%	1	1/2 gal.	X				\$	58
B	Cottage cheese	1	2 lbs.	X					65
C	Eggs	1 doz		X					57
	Meat, Poultry, and Poultry (Indicate the use of organ)								
L	Beef pot roast	1	2.63 lb.	X				\$	2.89
M	Chicken parts	1	1.39 lb.	X					97
N	Pork chops	1	.56 lb.	X					1.19
- 50 021	Fruit and Vegetable Products (Indicate if dried)								
A	Apples	2	100g.	X				\$	59
B	Strawberries	1	1 pint	X					29

MEALS AND SNACKS PURCHASED AT A RESTAURANT, CARRY-OUT, ETC.

OFFICE USE ONLY	Item (Include breakfasts, dinners, school lunches, snacks, and drinks purchased at a restaurant, bar, vending machine, etc.)	Was this purchased at a - (Mark one)					Total cost (Include tips)	
		Restau- rant	Carri- er	Drive-in carry-out	Vending machine	Other	Dollars	Cents
- 30 049								
A	Lunch	X					\$	1.37
B	Coffee				X			.15
C	2 school lunches	X						.90

▶ EXAMPLES OF SOME OTHER DAILY ENTRIES

ALL OTHER PURCHASES AND EXPENSES							
OFFICE USE ONLY	Item (Describe the item purchased)	Total cost (Exclude sales tax)		OFFICE USE ONLY	Item (Describe the item purchased)	Total cost (Exclude sales tax)	
		Dollars	Cents			Dollars	Cents
- 20 057	Wax paper	\$	29	- 20 081	Washbasket	\$	99
A	Liquid laundry detergent		49	B	Light bulb		99
- 20 065	Repair	\$	89	- 20 099	Shampoo	\$	4.95
A	Allegory doc		15.00	B	Bun		75

Operationally, the Bureau of the Census is responsible for clerical editing and coding of the data, for estimation of population parameters, and for a number of critical computer edits and adjustments. A number of detailed computer edits and adjustments will then be done by the Bureau of Labor Statistics.

Extensive manual operations had to be performed in order to translate item descriptions in the diary survey into machine codes. In some cases, respondents gave incomplete descriptions for items purchased. Special group codes were developed in order to identify these items. At a later stage of processing at the BLS, these items will be statistically allocated among the detailed codes making up each group. Screening operations were performed to insure diaries contained consistent and accurate responses. Some 70 separate checks for each diary were made.

The Bureau of the Census instituted strict key-punch verification procedures in an attempt to minimize errors of both omission and commission. The Bureau of Labor Statistics supplemented these procedures with additional updated screening and performed statistical tests to expose extreme values. Such values were

cross-referenced with the actual entry reported in the diary and where discrepancies existed, updates were performed. The final data tape will then be used to produce test tabulations of expenses by various family characteristics. Ultimately, final tabulations will be specified from these preliminary tabulations.

#### PUBLICATION AND TAPES

With all the processing completed, the initial tabulations from the 1972-78 expenditure survey will be used to revise the Consumer Price Index. After the needs of the CPI are met, the Bureau will then publish tabulations of the data as well as make available for public use, magnetic computer tapes containing the disaggregated CES data. Release of these statistical reports and tapes which will be available to any interested person or organization is scheduled for mid-1976. BLS will continue to follow its non-disclosure policy which will guarantee the confidentiality of the data collected from the individual respondents while allowing users access to microeconomic detail. In part, the BLS policy on the statistical reports is to make the tables comparable to those produced for 1960-61, insofar as that is possible.

The statistical reports will present averages for major components of family spending and income for consumer units classified by characteristics such as: family income after taxes, family size, age of family head, occupation of head, type of housing tenure, education of the head, race, family type,<sup>4</sup> and number of full time earners. While the list of characteristics is still being developed, it is known that some of the above characteristics will ultimately be used in cross-classified summaries. In many instances, the percentage of families reporting expenditures, income, or savings will accompany the tabulated data. As in previous expenditure surveys, the averages and percentages in all statistical tables will be based on all families in each class. The statistical reports will include measures of sampling error.

Future articles on the Consumer Expenditure Survey will analyze the economic significance of the data collected and trace the historical changes in patterns of expenditures and in demographic characteristics. A bulletin documenting the planning, operation, and evaluation of the survey is scheduled for publication after the statistical reports have been issued.

Senator MOYNIHAN. A last question, which is speculative and on which you do not have to go any further than you think prudent, or the limits of your own information, is whether the national program that the President has proposed, which will certainly level the great disparities in available public assistance and employment between different jurisdictions, might very well lead to some reverse migration from city to countryside.

I wonder if you have thought about that and, in particular. I wonder if you have given any thought to the impact of the food stamp program on the migration to and from the Commonwealth of Puerto Rico. The speculation has it—I have not seen any data—that the reversal of the migration to the mainland about 6 years ago, followed fairly directly upon the establishment in Puerto Rico of food stamps under the previous administration—and that Secretary may not have thought that food stamps belonged in his Department, but he certainly brought about a tenfold increase in the program, did he not?

Ms. FOREMAN. Well, sir. I think the situation with the economy, the high unemployment and the rapid increase in food prices was responsible for the increase in the food stamp program during the years 1972 to 1976.

<sup>4</sup> Consumer Expenditure Survey consumer units will be classified into several types on the basis of the relationship of family members and the age of the children of the household head. The tenure classification differentiates between consumer units which reside in owner-occupied housing and those which reside in rental units.

Senator MOYNIHAN. Say that again?

Ms. FOREMAN. The increase in unemployment and the very rapid increase in the cost of food between 1972 and 1976 appear to be the factors responsible for the very great increase.

Senator MOYNIHAN. How did they do that?

Ms. FOREMAN. Because this is an entitlements program that is geared to increases in the cost of living and because of increased unemployment, larger numbers of people were eligible to participate in the program. There were no great substantive statutory changes made during that period.

Senator MOYNIHAN. Well, I will not pursue the matter. I thought that in 1970 there was, but—

Ms. FOREMAN. Well, I am saying 1972 to 1976.

Senator MOYNIHAN. But I am talking about the changes in 1970.

Ms. FOREMAN. Yes, sir. You are correct in that.

Senator MOYNIHAN. Have you thought about the matter? There is no reason you should have, but do you think that there was an impact on migration in the one case we can really—

Ms. FOREMAN. Mr. Greenstein has a couple of comments on the Puerto Rican situation.

Mr. GREENSTEIN. We will go back and check if we have any actual data on the migration issue. There has been certainly speculation—

Senator MOYNIHAN. The migration data is easily got.

Mr. GREENSTEIN. We can certainly look at that. You are certainly right that in the 1969, 1970, 1971 period, the changes made in the food stamp program at that point were significant in the southern part of the country. The food stamp program went to national eligibility standards for the first time, and I remember looking several years ago at what this did to eligibility standards in the South, and at the point when national eligibility standards were instituted, I think there was an average increase from something like \$250 a month for a family of four up to \$360 in the net income limit, which was substantial.

In South Carolina, I recall that the income limit for food stamps doubled at that point.

Senator MOYNIHAN. Right.

Mr. GREENSTEIN. So there were major changes then. I am not aware of any data that we have right now, but it could be a factor in a migration issue.

In terms of Puerto Rico, again, I am not aware of any specific migration data. We do have a study that looked at food prices in Puerto Rico. There was some concern that when the food stamp program entered Puerto Rico in a large way that the additional demand for food created by the additional food stamps might cause an increase in the inflation of food prices in Puerto Rico. The study showed that this was not the case, and it is a very interesting study, showing that there was marginal, or no effect, on food prices and on inflation in Puerto Rico as a result of the expansion of the food stamp program.

But, of course, what we do know in Puerto Rico is that we have a somewhat skewed situation in which AFDC and OABD benefits are very low, food stamp benefits are comparable to those in the United

States, and we have a situation where, for low-income people, a very high percentage of their total income is in the form of a food stamp, which is not a very rational situation.

Senator MOYNIHAN. Right. You have a majority of the population in Puerto Rico receiving food stamps?

Mr. GREENSTEIN. It has dropped some. I think it is now slightly under half, but close to half of the population is on the food stamp program.

Senator MOYNIHAN. Well, would you give us that cost of living study. We would appreciate that; and maybe you could give us a table of migration, noodle the numbers around for an afternoon, and see if anything occurs to you.

Mr. GREENSTEIN. We will be glad to.

[The departmental response follow:]

#### FOOD STAMPS AND MIGRATION—THE PUERTO RICAN CASE

The migration stream between the United States and Puerto Rico for the eight year period 1969-1976 showed an abrupt change in direction in 1972. Between 1969 and 1971, there was a net outflow of 104,000 Puerto Rican citizens to the United States (see table 1). In 1972 there was a dramatic shift from net out-migration from Puerto Rico to net in-migration. Thirty-eight thousand persons from the United States came to stay in Puerto Rico in that year, which was a net change of 55,000 persons from the previous year. Between 1972 and 1976, 93,000 persons have shifted their residence from the United States to Puerto Rico. Eighty-three percent of these, or 77,000 persons, changed their residence in the 1972-1974 period, and only 16,000 changed residence in 1975 and 1976, after the introduction of the Food Stamp Program in July 1974.

The large decrease in the net in-migration in 1975 and 1976 relative to 1972-1974 was probably due to the high unemployment rates in Puerto Rico in 1975 and 1976 (see table 2). Net in-migration to Puerto Rico fell from an average of 28,000 persons in the 1972-1973 period to an average of 8,000 persons in the 1975-1976 period. This decrease of 20,000 persons, or 71 percent, occurred when the average unemployment rate rose by 57 percent from 12.2 percent in the earlier period to 19.1 percent in the latter period.

The introduction of the Food Stamp Program in 1974 probably had an impact in slowing the out-migration during the 1975 to 1976 period of high unemployment when the Program reached maturity in the level of participation, even though on a net basis there continued to be some in-migration. Participation in the Food Stamp Program in 1975 was about twice the participation in the Food Distribution Program for 1974 (see table 2). The average benefit per person was over three times larger than that under the Food Distribution Program. The average food stamp bonus in 1975 and 1976 was \$25.81 and \$28.64 per person per month or \$98.71 and \$111.70 per household, respectively. Benefits under the Food Distribution Program were slightly over \$7 per person or \$27.30 per household. The average gross monthly income for food stamp households was about \$205 in both years which made the average bonus stamp value about 48 to 54 percent of gross monthly money income. These benefits provided under the Food Stamp Program suggest that the poverty status of the individual or household coincident with high unemployment did not provide the same incentive to migrate to the United States that it might have provided in years prior to the implementation of the Food Stamp Program (see table 3).

In summary, the data over the eight year period 1969-1976 suggest that reverse migration, from a net outflow of persons from Puerto Rico to a net inflow to Puerto Rico, began at least two years before the introduction of the Food Stamp Program in Puerto Rico. However, the benefits under this Program probably decreased out-migration in 1975 and 1976 from what might have been expected from the high rates of unemployment in Puerto Rico in this latter time period.

TABLE 1.—PARTICIPATION RATES IN FOOD DISTRIBUTION, UNEMPLOYMENT RATE, AND NET MIGRATION FROM PUERTO RICO TO THE UNITED STATES

Year	Food distribution for needy families (thousands)	Unemployment rate (percent)	Net migration <sup>1</sup> (+) in-migration (-) out-migration (thousands)
1969.....	<sup>2</sup> 521	.....	-12
1970.....	537	10.8	-75
1971.....	552	11.6	-17
1972.....	528	12.3	+38
1973.....	558	12.1	+20
1974.....	609	13.3	+19
	Food stamp program		
1975.....	<sup>3</sup> 1,090	18.2	+9
1976.....	1,564	20.0	+7

<sup>1</sup> The next flow of passenger travel between the United States and Puerto Rico. See Estado Libre Asociado de Puerto Rico, Junta de Planificación, Informe Económico al Gobernador, 1975, Santurce, P.R. Moreover, Mr. Don Starsinic of the Census Bureau presented figures in close support to those found in the Informe Económico report. His data was developed from passenger statistics of airlines but also included military air transportation passengers up to 1972.

<sup>2</sup> Yearend.

<sup>3</sup> Simple average of monthly participation levels.

TABLE 2.—Monthly values of food distribution program and bonus value of food stamp program per participant for 1969-76

Food distribution program :	Amount
1969.....	\$3.37
1970.....	4.18
1971.....	5.02
1972.....	5.86
1973.....	7.24
1974.....	7.26
Food stamp program :	
1975.....	25.31
1976.....	28.61

TABLE 3.—PASSENGER TRAFFIC TO AND FROM OVERSEAS COUNTRIES, FISCAL YEARS

(In thousands)

Date	Arrival to Puerto Rico from United States	Departure to United States from Puerto Rico	Difference
1969.....	1,494	1,506	12
1970.....	1,447	1,522	75
1971.....	1,479	1,496	17
1972.....	1,605	1,567	-38
1973.....	1,712	1,692	-20
1974.....	1,799	1,780	-19
1975.....	1,631	1,622	-9
1976.....	1,571	1,564	-7

Junta de Planificación de Puerto Rico, Informe Económico al Gobernador, 1976, p. A-17.

Senator MOYNIHAN. Well, we are running late, and we wanted to ask you, Secretary Foreman, to give us the opportunity to express our appreciation to the Department of Agriculture for its work.

I have a series of questions which Senator Curtis asked me to submit to you, the answers to which may be provided for the record.

Ms. FOREMAN. We certainly will.\*

\* See Part 2, Appendix C.

Senator MOYNIHAN. Finally, I would like to say that I think that we have had a good set of hearings. After a weak start we have finished strong, and my commitment, the commitment of this subcommittee chairman, to the Presidents' program remains undiminished. If anything, it has been strengthened by the things we have heard today, and we now await the actions of the House of Representatives.

With that, I will close these hearings.

Ms. FOREMAN. Thank you.

[Thereupon, at 12:35 p.m. the hearing in the above-entitled matter was recessed and reconvened on Monday, April 17, 1978.]

