

FAMILY ASSISTANCE ACT OF 1970

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

SECOND SESSION

ON

H.R. 16311

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

PART 1

APRIL 29, 30, AND MAY 1, 1970



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(II)

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John G. Veneman, Under Secretary;	
Robert E. Patricelli, Deputy Under Secretary for Policy;	
Charles E. Hawkins, Special Assistant to the Administrator for Legislative Affairs, Social and Rehabilitation Service;	
Jerome M. Rosow, Assistant Secretary for Policy, Evaluation, and Research, Department of Labor.....	Page 160

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H.R. 16311—THE FAMILY ASSISTANCE ACT OF 1970

WEDNESDAY, APRIL 29, 1970

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

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

Present: Senators Long, Anderson, Talmadge, Ribicoff, Harris, Byrd, Jr., of Virginia, Williams of Delaware, Curtis, Miller, Jordan of Idaho, and Hansen.

Also present: Senator Cooper.

The CHAIRMAN. This hearing will come to order.

Today, we are beginning hearings on H.R. 16311, the Family Assistance Act of 1970.

This bill represents the most extensive, expensive, and expansive welfare legislation ever handled by the Committee on Finance. It proposes to make at least 14 million persons eligible for welfare in addition to the 10 million persons now on the rolls, at an announced additional cost of \$4.4 billion.

It proposes to strengthen the work incentive features of the welfare law, although there certainly is some question whether it can actually achieve its announced goals.

The Committee on Finance has attempted on past occasions to deal with the problem of increasing dependency on welfare. In 1962, legislation was enacted to increase Federal support for services to prevent and reduce dependency. Unfortunately, that legislation failed to stem the tide of rising dependency.

In 1967 Congress tried once more to halt the trend to welfare dependency. We wrote into law the work incentive program which provides broad authority for the training and placement of welfare recipients. It was the congressional goal to reduce welfare by training recipients to perform gainful employment and to help them find suitable jobs, thereby adding a dignity to their existence, which welfare cannot provide.

The performance of the Department of Health, Education, and Welfare, and of the Department of Labor in implementing the work incentive program has raised serious questions about their ability to administer a program aimed at reducing dependency through work training and employment. Under present law, the welfare agency must develop a plan for each family receiving aid to families with dependent children, designed to lead that family to independence through employment.

Yet the regulations of the Department of Health, Education, and Welfare give the welfare recipient an absolute veto over the plan. If they don't like the plan, they may simply reject it.

Similarly, a mother has an absolute veto over whether she will agree to the provision of day care for her children. If she fails to agree, then, contrary to the statute, she cannot be referred for training, since the law requires that child care must be provided as a condition to work or training.

As a matter of fact, the regulations of the Department do not even require that any mothers be referred for training or employment. With this kind of laxity in the administration of the program, we can fairly doubt whether the welfare expansion proposal before us today can ever lead to a reduction in dependency.

To the contrary, these administrative indiscretions seem to have subordinated the 1967 Act to the desires of welfare militants who oppose work or training for welfare recipients and have aided them in making good on a boast to stay off the work program, in their words, " * * * 'til hell freezes over."

Frankly, without a sharp change in administrative attitudes, it is difficult to see how reenactment of the work incentive program—and on the work-training side, that is about all H.R. 16311 proposes—can do more than repeat the failures of the existing law.

Members of the Committee on Finance will be most interested in the Department's estimate of the cost of the bill and the assumptions on which the cost estimates are based. The committee has already taken a preliminary look at the Department's cost estimates and has found what can only be considered unrealistic and contradictory assumptions. Cost is going to be a significant factor in the committee's consideration of H.R. 16311; and for that reason, we need hard, reliable data. Up to now, the Department has been unable to supply it.

In an effort to provide the committee with facts about the impact of this welfare bill, I am today directing a telegram to the Governor of every State in the Union, asking him a series of questions about the coverage and cost impact of the bill in his State. I am hopeful the information we will learn from this primary source of welfare data will aid us in acting intelligently on the bill.

During this hearing, and later in executive session, the committee will also explore with the Secretary the reasons why the bill contains significant provisions to discourage a person from work. In most cases, a father working full time at low wages would have a lower total income under the bill than if he only worked part time. In many cases, his total income working full time at low wages would be less than his welfare payments under the bill if he quit work entirely. Now, that's not an estimate—that's a fact.

For example, in a State with a \$3,000 needs standard and payment level for a family of four, a father in a family of four who is completely unemployed would receive \$3,000 in welfare. If the father works full time at \$1.70 an hour, his earnings would total \$3,536. If his work expenses are \$420, his net income would be \$3,116. A family assistance payment of \$192 provided under the bill would bring his total net income up to \$3,308. If he finds a job at the same wage for only 20 hours a week, his earnings would fall to \$1,768. But under the bill, his family's welfare allowance would rise to \$2,301. If his work expenses are \$210, his total net income would be \$3,859—an increase of \$551 above his net income if he worked full time.

Work disincentives are a feature of the present law which we should certainly try to remove. Unfortunately, H.R. 16311 does little more than perpetuate and enlarge upon these work disincentives.

Just a few weeks ago, the Senate passed a bill making major improvements in the Federal-State unemployment compensation programs. We are now waiting for the House conferees to set a meeting time with us so we can settle our differences and send that bill on to the President. Among other things, that bill would create a program of extended unemployment benefits when a worker exhausts his regular benefits.

H.R. 16311, however, undermines our unemployment insurance system, so much so that I doubt the relationship between the two bills has been fully analyzed by the administration. Under the family assistance bill unemployment compensation would be subtracted dollar by dollar from family assistance payments. This means that in most cases an unemployed father would be better off simply not applying for unemployment compensation, but instead applying only for family assistance and State supplementation. And yet the unemployment compensation program is intended to be the basic program for persons temporarily unemployed.

This committee believes in the concept of "workfare, not welfare," the concept on which this bill has been advanced. We believe that the "welfare generation" can end only when the dignity of employment is understood by those who today must endure the indignity of welfare. I am hopeful that with the cooperation of the administration, we can work together to break the welfare cycle; and in doing so, solve one of the most perplexing domestic issues of our time.

We will include in the record at this point a copy of the committee's press release announcing these hearings, a copy of the bill, H.R. 16311, and the committee print entitled "Material Related to H.R. 16311" which was prepared by the staff for these hearings.

(The press release follows. The bill appears at p. 7 and the committee print at p. 107. Hearings continue on p. 158.)

PRESS RELEASE*

FOR IMMEDIATE RELEASE
April 17, 1970

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

FAMILY ASSISTANCE PROGRAM HEARINGS
ANNOUNCED BY FINANCE COMMITTEE

Senator Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today the Committee's plans to begin consideration of H. R. 16311, the Family Assistance Act of 1970. The bill was passed by the House of Representatives on Thursday, April 16, by a vote of 243 to 155.

The Chairman noted that major provisions of the bill would:

1. Authorize a family assistance plan providing basic benefits to low income families with children;
2. Provide incentives for employment, and for training to improve the capability for employment, for members of such families; and
3. Achieve greater uniformity of aged, blind and disabled recipients under the Federal-State public assistance programs.

Senator Long stated that as the first step in the consideration of the bill, the Committee would receive a briefing by its staff in executive session on Wednesday, April 22.

Public Hearings. -- The Chairman also announced that on Tuesday, April 28, and Wednesday, April 29, the Committee would hear Administration witnesses testifying in support of the Family Assistance Plan.

The Honorable Robert H. Finch, Secretary of the Department of Health, Education and Welfare, will be the lead-off witness. His testimony will be received on Tuesday, April 28.

The Honorable George P. Shultz, Secretary of Labor, will testify on Wednesday, April 29.

These hearings will be held in Room 2221, New Senate Office Building, and will begin at 10:00 a.m.

Public Witnesses. -- Senator Long said that the Committee would hear testimony from public witnesses beginning Tuesday, May 5, and he estimated the hearing would cover about two weeks. He stated that interested groups wishing to testify on the bill should make their request to Tom Vail, Chief Counsel of the Senate Finance Committee, 2227 New Senate Office Building, no later than Tuesday, April 28.

*For later press release suspending consideration of H.R. 16311, the Family Assistance Act of 1970, see appendix C, page 395.

The Chairman noted that because of the nature of the bill, an unusually large number of witnesses are expected at the hearing. For this reason, he stated that it would be necessary to very carefully control the time allotted for oral presentations before the Committee.

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

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

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

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

(1) All statements must be filed with the Committee at least two days in advance of the day on which the witness is to appear. If a witness is scheduled to testify on a Monday or a Tuesday, he must file his written statement with the Committee by the Friday preceding his appearance.

(2) All witnesses must include with their written statement a summary of the principal points included in the statement.

(3) The written statements must be typed on letter-size paper (not legal size) and at least 50 copies must be submitted to the Committee.

(4) Witnesses are not to read their written statements to the Committee, but are to confine their oral presentation to a summary of the points included in the statement.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Consolidated Testimony . -- The Chairman also stated that the Committee urges all witnesses who have a common interest and a common position in a provision in the family assistance plan to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the

Committee. He stated that this procedure would enable the Committee to receive a wider expression of views on the total bill than it might otherwise obtain. He praised witnesses who in the past have combined their statements in order to conserve the time of the Committee, and he urged very strongly that all witnesses exert a maximum effort to consolidate and coordinate their statements, not only to conserve the time of the Committee, but also to avoid repetitious testimony.

Staff Digests . -- The Chairman emphasized that the Committee staffs had been instructed to fully digest all statements submitted to the Committee so that every important point made by any witness would be called to the Committee's attention. He stated that these digests would be made available to the Committee members each morning before the witnesses involved actually appears before the Committee.

Written Submissions . -- The Chairman observed that the Committee would be pleased to receive written statements in lieu of a request for oral presentation. He also invited persons whom the Committee would be unable to schedule for oral testimony to submit a written statement of their views on the bill. He said these written statements, 5 copies of which must be received by the Committee not later than the close of business on Friday, May 22, 1970, would be given the same close consideration as though the writer had testified orally.

91ST CONGRESS
2^D SESSION

H. R. 16311

IN THE SENATE OF THE UNITED STATES

APRIL 21, 1970

Under the order of April 20, 1970, received, considered as having been read twice, and referred to the Committee on Finance

AN ACT

To authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act, with the following table of contents, may be
- 4 cited as the "Family Assistance Act of 1970".

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1 **TITLE I—FAMILY ASSISTANCE PLAN**2 **ESTABLISHMENT OF FAMILY ASSISTANCE PLAN**

3 **SEC. 101.** Title IV of the Social Security Act (42
4 U.S.C. 601 et seq.) is amended by adding after part C
5 the following new parts:

6 **"PART D—FAMILY ASSISTANCE PLAN**7 **"APPROPRIATIONS**

8 **"SEC. 441.** For the purpose of providing a basic level
9 of financial assistance throughout the Nation to needy
10 families with children, in a manner which will strengthen

1 family life, encourage work training and self-support, and
 2 enhance personal dignity, there is authorized to be appro-
 3 priated for each fiscal year a sum sufficient to carry out this
 4 part.

5 "ELIGIBILITY FOR AND AMOUNT OF FAMILY ASSISTANCE
 6 BENEFITS

7 "Eligibility

8 "SEC. 442. (a) Each family (as defined in section
 9 445) —

10 "(1) whose income, other than income excluded
 11 pursuant to section 443 (b), is less than—

12 "(A) \$500 per year for each of the first two
 13 members of the family, plus

14 "(B) \$300 per year for each additional mem-
 15 ber, and

16 "(2) whose resources, other than resources ex-
 17 cluded pursuant to section 444, are less than \$1,500,
 18 shall, in accordance with and subject to the other provisions
 19 of this title, be paid a family assistance benefit.

20 "Amount

21 "(b) The family assistance benefit for a family shall
 22 be payable at the rate of—

1 “(1) \$500 per year for each of the first two mem-
2 bers of the family, plus

3 “(2) \$300 per year for each additional member,
4 reduced by the amount of income, not excluded pursuant
5 to section 443 (b), of the members of the family.

6 “Period for Determination of Benefits

7 “(c) (1) A family’s eligibility for and its amount of
8 family assistance benefits shall be determined for each quar-
9 ter of a calendar year. Such determination shall be made on
10 the basis of the Secretary’s estimate of the family’s income
11 for such quarter, after taking into account income for a pre-
12 ceding period and any modifications in income which are
13 likely to occur on the basis of changes in conditions or cir-
14 cumstances. Eligibility for and the amount of benefits of a
15 family for any quarter shall be redetermined at such time or
16 times as may be provided by the Secretary, such redeter-
17 mination to be effective prospectively.

18 “(2) The Secretary shall by regulation prescribe the
19 cases in which and extent to which the amount of a family
20 assistance benefit for any quarter shall be reduced by reason
21 of the time elapsing since the beginning of such quarter and
22 before the date of filing of the application for the benefit.

23 “(3) The Secretary may, in accordance with regula-
24 tions, prescribe the cases in which and the extent to which

1 income received in one period (or expenses incurred in one
2 period in earning income) shall, for purposes of determining
3 eligibility for and amount of family assistance benefits, be
4 considered as received (or incurred) in another period or
5 periods.

6 "Special Limits on Gross Income

7 "(d) The Secretary may, in accordance with regula-
8 tions, prescribe the circumstances under which the gross
9 income from a trade or business (including farming) will be
10 considered sufficiently large to make such family ineligible
11 for such benefits.

12 "Puerto Rico, the Virgin Islands, and Guam

13 "(e) For special provisions applicable to Puerto Rico,
14 the Virgin Islands, and Guam, see section 1108 (e).

15 "INCOME

16 "Meaning of Income

17 "SEC. 443. (a) For purposes of this part, income means
18 both earned income and unearned income; and—

19 "(1) earned income means only—

20 "(A) remuneration for services performed as
21 an employee (as defined in section 210 (j)), other
22 than remuneration to which section 209 (b), (c),
23 (d), (f), or (k), or section 211, would apply; and

24 "(B) net earnings from self-employment, as

1 defined in section 211 (without the application of
2 the second and third sentences following clause (C)
3 of subsection (a) (9)), including earnings for serv-
4 ices described in paragraphs (4), (5), and (6)
5 of subsection (c) ; and

6 “(2) unearned income means all other income,
7 including—

8 “(A) any payments received as an annuity,
9 pension, retirement, or disability benefit, including
10 veteran’s or workmen’s compensation and old-age,
11 survivors, and disability insurance, railroad retire-
12 ment, and unemployment benefits;

13 “(B) prizes and awards;

14 “(C) the proceeds of any life insurance policy;

15 “(D) gifts (cash or otherwise), support and
16 alimony payments, and inheritances; and

17 “(E) rents, dividends, interest, and royalties.

18 “Exclusions From Income

19 “(b) In determining the income of a family there shall
20 be excluded—

21 “(1) subject to limitations (as to amount or other-
22 wise) prescribed by the Secretary, the earned income of
23 each child in the family who is, as determined by the
24 Secretary under regulations, a student regularly attend-
25 ing a school, college, or university, or a course of voca-

1 tional or technical training designed to prepare him
2 for gainful employment;

3 “(2) (A) the total unearned income of all mem-
4 bers of a family in a calendar quarter which, as de-
5 termined in accordance with criteria proscribed by the
6 Secretary, is received too infrequently or irregularly to
7 be included, if such income so received does not exceed
8 \$30 in such quarter, and (B) the total earned income
9 of all members of a family in a calendar quarter which,
10 as determined in accordance with such criteria, is re-
11 ceived too infrequently or irregularly to be included, if
12 such income so received does not exceed \$30 in such
13 quarter;

14 “(3) an amount of earned income of a member of
15 the family equal to all, or such part (and according to
16 such schedule) as the Secretary may prescribe, of the
17 cost incurred by such member for child care which the
18 Secretary deems necessary to securing or continuing in
19 manpower training, vocational rehabilitation, employ-
20 ment, or self-employment;

21 “(4) the first \$720 per year (or proportionately
22 smaller amounts for shorter periods) of the total of
23 earned income (not excluded by the preceding para-
24 graphs of this subsection) of all members of the family
25 plus one-half of the remainder thereof;

1 “Disposition of Resources

2 “(b) The Secretary shall prescribe regulations appli-
 3 cable to the period or periods of time within which, and the
 4 manner in which, various kinds of property must be dis-
 5 posed of in order not to be included in determining a fam-
 6 ily’s eligibility for family assistance benefits. Any portion
 7 of the family’s benefits paid for any such period shall be
 8 conditioned upon such disposal; and any benefits so paid
 9 shall (at the time of the disposal) be considered over-
 10 payments to the extent they would not have been paid
 11 had the disposal occurred at the beginning of the period for
 12 which such benefits were paid.

13 “MEANING OF FAMILY AND CHILD

14 “Composition of Family

15 “SEC. 445. (a) Two or more individuals—

16 “(1) who are related by blood, marriage, or
 17 adoption,

18 “(2) who are living in a place of residence main-
 19 tained by one or more of them as his or their own home,

20 “(3) who are residents of the United States, and

21 “(4) at least one of whom is a child who (A) is
 22 not married to another of such individuals and

1 (B) is in the care of or dependent upon another
2 of such individuals,
3 shall be regarded as a family for purposes of this part and
4 parts A, C, and E. A parent (of a child living in a place
5 of residence referred to in paragraph (2)), or a spouse of
6 such a parent, who is determined by the Secretary to be
7 temporarily absent from such place of residence for the
8 purpose of engaging in or seeking employment or self-
9 employment (including military service) shall nevertheless
10 be considered (for purposes of paragraph (2)) to be living
11 in such place of residence.

12 "Definition of Child

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

20 "Determination of Family Relationships

21 "(c) In determining whether an individual is related
22 to another individual by blood, marriage, or adoption, appro-
23 priate State law shall be applied.

24 "Income and Resources of Noncontributing Adult

25 "(d) For purposes of determining eligibility for and the

1 Secretary determines will best effectuate the purposes of this
2 title.

3 “(2) Payment of the family assistance benefit of any
4 family may be made to any one or more members of the
5 family, or, if the Secretary deems it appropriate, to any
6 person, other than a member of such family, who is in-
7 terested in or concerned with the welfare of the family.

8 “(3) The Secretary may by regulation establish ranges
9 of incomes within which a single amount of family assistance
10 benefit shall apply.

11 “Overpayments and Underpayments

12 “(b) Whenever the Secretary finds that more or less
13 than the correct amount of family assistance benefits has
14 been paid with respect to any family, proper adjustment or
15 recovery shall, subject to the succeeding provisions of this
16 subsection, be made by appropriate adjustments in future
17 payments to the family or by recovery from or payment to
18 any one or more of the individuals who are or were members
19 thereof. The Secretary shall make such provision as he finds
20 appropriate in the case of payment of more than the correct
21 amount of benefits with respect to a family with a view to
22 avoiding penalizing members of the family who were without
23 fault in connection with the overpayment, if adjustment or
24 recovery on account of such overpayment in such case would
25 defeat the purposes of this part, or be against equity or

1 good conscience, or (because of the small amount involved)
2 impede efficient or effective administration of this part.

3 "Hearings and Review

4 " (c) (1) The Secretary shall provide reasonable notice
5 and opportunity for a hearing to any individual who is or
6 claims to be a member of a family and is in disagreement
7 with any determination under this part with respect to
8 eligibility of the family for family assistance benefits, the
9 number of members of the family, or the amount of the
10 benefits, if such individual requests a hearing on the matter
11 in disagreement within thirty days after notice of such deter-
12 mination is received. Until a determination is made on the
13 basis of such hearing or upon disposition of the matter
14 through default, withdrawal of the request by the individual,
15 or revision of the initial determination by the Secretary, any
16 amounts which are payable (or would be payable but for the
17 matter in disagreement) to any individual who has been
18 determined to be a member of such family shall continue to
19 be paid; but any amounts so paid for periods prior to such
20 determination or disposition shall be considered overpay-
21 ments to the extent they would not have been paid had such
22 determination or disposition occurred at the same time as
23 the Secretary's initial determination on the matter in
24 disagreement.

25 " (2) Determination on the basis of such hearing shall be

1 made within ninety days after the individual requests the
2 hearing as provided in paragraph (1).

3 “(3) The final determination of the Secretary after a
4 hearing under paragraph (1) shall be subject to judicial
5 review as provided in section 205 (g) to the same extent
6 as the Secretary’s final determinations under section 205;
7 except that the determination of the Secretary after such
8 hearing as to any fact shall be final and conclusive and not
9 subject to review by any court.

10 “Procedures; Prohibition of Assignments

11 “(d) The provisions of sections 206 and 207 and sub-
12 sections (a), (d), (e), and (f) of section 205 shall apply
13 with respect to this part to the same extent as they apply
14 in the case of title II.

15 “Applications and Furnishing of Information by Families

16 “(e) (1) The Secretary shall prescribe regulations ap-
17 plicable to families or members thereof with respect to the
18 filing of applications, the furnishing of other data and mate-
19 rial, and the reporting of events and changes in circumstances,
20 as may be necessary to determine eligibility for and amount
21 of family assistance benefits.

22 “(2) In order to encourage prompt reporting of events
23 and changes in circumstances relevant to eligibility for or
24 amount of family assistance benefits, and more accurate
25 estimates of expected income or expenses by members of

1 families for purposes of such eligibility and amount of bene-
 2 fits, the Secretary may prescribe the cases in which and the
 3 extent to which—

4 “(A) failure to so report or delay in so reporting, or

5 “(B) inaccuracy of information which is furnished
 6 by the members and on which the estimates of income or
 7 expenses for such purposes are based,

8 will result in treatment as overpayments of all or any
 9 portion of payments of such benefits for the period involved.

10 “Furnishing of Information by Other Agencies

11 “(f) The head of any Federal agency shall provide
 12 such information as the Secretary needs for purposes of
 13 determining eligibility for or amount of family assistance
 14 benefits, or verifying other information with respect thereto.

15 “REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR
 16 MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

17 “SEC. 447. (a) Every individual who is a member of
 18 a family which is found to be eligible for family assistance
 19 benefits, other than a member to whom the Secretary finds
 20 paragraph (1), (2), (3), (4), or (5) of subsection (b)
 21 applies, shall register for manpower services, training,
 22 and employment with the local public employment office
 23 of the State as provided by regulations of the Secretary of
 24 Labor. If and for so long as any such individual is found by

1 the Secretary of Health, Education, and Welfare to have
2 failed to so register, he shall not be regarded as a
3 member of a family but his income which would otherwise
4 be counted under this part as income of a family shall be so
5 counted; except that if such individual is the only member
6 of the family other than a child, such individual shall be
7 regarded as a member for purposes of determination of the
8 family's eligibility for family assistance benefits, but not
9 (except for counting his income) for purposes of determina-
10 tion of the amount of such benefits. No part of the family
11 assistance benefits of any such family may be paid to such
12 individual during the period for which the preceding
13 sentence is applicable to him; and the Secretary may, if
14 he deems it appropriate, provide for payment of such bene-
15 fits during such period to any person, other than a member
16 of such family, who is interested in or concerned with the
17 welfare of the family.

18 “(b) An individual shall not be required to register
19 pursuant to subsection (a) if the Secretary determines that
20 such individual is—

21 “(1) unable to engage in work or training by
22 reason of illness, incapacity, or advanced age;

23 “(2) a mother or other relative of a child under
24 the age of six who is caring for such child;

25 “(3) the mother or other female caretaker of a

1 child, if the father or another adult male relative is in
2 the home and not excluded by paragraph (1), (2),
3 (4), or (5) of this subsection (unless the second sen-
4 tence of subsection (a), or section 448 (a), is applicable
5 to him) ;

6 “(4) a child who is under the age of sixteen or
7 meets the requirements of section 445 (b) (2) ; or

8 “(5) one whose presence in the home on a sub-
9 stantially continuous basis is required because of the ill-
10 ness or incapacity of another member of the household.

11 An individual who would, but for the preceding sentence,
12 be required to register pursuant to subsection (a), may, if
13 he wishes, register as provided in such subsection.

14 “(c) The Secretary shall make provision for the fur-
15 nishing of child care services in such cases and for so long
16 as he deems appropriate in the case of (1) individuals reg-
17 istered pursuant to subsection (a) who are, pursuant to such
18 registration, participating in manpower services, training, or
19 employment, and (2) individuals referred pursuant to sub-
20 section (d) who are, pursuant to such referral, participat-
21 ing in vocational rehabilitation.

22 “(d) In the case of any member of a family receiving
23 family assistance benefits who is not required to register
24 pursuant to subsection (a) because of such member’s in-
25 capacity, the Secretary shall make provision for referral of

1 such member to the appropriate State agency administering
2 or supervising the administration of the State plan for vo-
3 cational rehabilitation services approved under the Vocational
4 Rehabilitation Act, and (except in such cases involving per-
5 manent incapacity as the Secretary may determine) for a
6 review not less often than quarterly of such member's inca-
7 pacity and his need for and utilization of the rehabilitation
8 services made available to him under such plan. If and for so
9 long as such member is found by the Secretary to have re-
10 fused without good cause to accept rehabilitation services
11 available to him under such plan, he shall be treated as an
12 individual to whom subsection (a) is applicable by reason
13 of refusal to accept or participate in employment or training.

14 "DENIAL OF BENEFITS IN CASE OF REFUSAL OF MANPOWER
15 SERVICES, TRAINING, OR EMPLOYMENT"

16 "SEC. 448. (a) For purposes of determining eligibility
17 for and amount of family assistance benefits under this part,
18 an individual who has registered as required under section
19 447 (a) shall not be regarded as a member of a family, but
20 his income which would otherwise be counted as income of
21 the family under this part shall be so counted, if and for so
22 long as he has been found by the Secretary of Labor, after
23 reasonable notice and opportunity for hearing (which shall
24 be held in the same manner and subject to the same conditions
25 as a hearing under section 446 (c) (1) and (2)), to have

1 refused without good cause to participate or continue to par-
2 ticipate in manpower services, training, or employment, or
3 to have refused without good cause to accept employment
4 in which he is able to engage which is offered through the
5 public employment offices of the State, or is otherwise offered
6 by an employer if the offer of such employer is determined
7 by the Secretary of Labor, after notification by such em-
8 ployer or otherwise, to be a bona fide offer of employment;
9 except that if such individual is the only member of the
10 family other than a child, such individual shall be regarded
11 as a member of the family for purposes of determination of
12 the family's eligibility for benefits, but not (except for
13 counting his income) for the purposes of determination of
14 the amount of its benefits. No part of the family assistance
15 benefits of any such family may be paid to such individual
16 during the period for which the preceding sentence is ap-
17 plicable to him; and the Secretary may, if he deems it
18 appropriate, provided for payment of such benefits during
19 such period to any person, other than a member of such
20 family, who is interested in or concerned with the welfare
21 of the family.

22 “(b) No family shall be denied benefits under this
23 part, or have its benefits under this part reduced, because
24 an individual who is (or would, but for subsection (a)), be)

1 a member of such family refuses work under any of the
2 following conditions:

3 “(1) if the position offered is vacant due directly
4 to a strike, lockout, or other labor dispute;

5 “(2) if the wages, hours, or other terms or con-
6 ditions of the work offered are contrary to or less than
7 those prescribed by Federal, State, or local law or are
8 substantially less favorable to the individual than those
9 prevailing for similar work in the locality;

10 “(3) if, as a condition of being employed, the in-
11 dividual would be required to join a company union
12 or to resign from or refrain from joining any bona fide
13 labor organization; or

14 “(4) if the individual has the demonstrated capa-
15 city, through other available training or employment
16 opportunities, of securing work that would better enable
17 him to achieve self-sufficiency.

18 “TRANSFER OF FUNDS FOR ON-THE-JOB

19 TRAINING PROGRAMS

20 “SEC. 449. The Secretary shall, pursuant to and to the
21 extent provided by agreement with the Secretary of Labor,
22 pay to the Secretary of Labor amounts which he estimates
23 would be paid as family assistance benefits under this part to
24 individuals participating in public or private employer com-

1 and rules and regulations under, sections 442 (a) (2), (c),
2 and (d), 443 (a), 444, 445, 446 (to the extent the Secre-
3 tary deems appropriate), 447, and 448, and by application
4 of the standard for determining need under the plan of such
5 State as in effect for January 1970 (which standard complies
6 with the requirements for approval under part A as in effect
7 for such month) or, if lower, a standard equal to the applicable
8 poverty level determined pursuant to section 453 (c) and in
9 effect at the time of such payments, or such higher standard
10 of need as the State may apply, with the resulting amount
11 reduced by the family assistance benefit payable under part
12 D and further reduced by any other income (earned or un-
13 earned) not excluded under section 443 (b) (except para-
14 graph (4) thereof) or under subsection (b) of this section;
15 but in making such determination the State may impose lim-
16 itations on the amount of aid paid to the extent that such limi-
17 tations (in combination with other provisions of the plan) are
18 no more stringent in result than those imposed under the plan
19 of such State as in effect for such month. In the case of any
20 State which provides for meeting less than 100 per centum of
21 its standard of need or provides for considering less than 100
22 per centum of requirements in determining need, the Secre-
23 tary shall prescribe by regulation the method or methods for
24 achieving as nearly as possible the results provided for under
25 the foregoing provisions of this subsection.

1 “(b) For purposes of determining eligibility for and
2 amount of supplementary payments to a family for any period
3 pursuant to an agreement under this part, in the case of earned
4 income to which paragraph (4) of section 443 (b) applies,
5 there shall be disregarded \$720 per year (or proportionately
6 smaller amounts for shorter periods), plus—

7 (1) one-third of the portion of the remainder of
8 earnings which does not exceed twice the amount of the
9 family assistance benefits that would be payable to the
10 family if it had no income, plus

11 (2) one-fifth (or more if the Secretary by regula-
12 tion so prescribes) of the balance of the earnings.

13 For special provisions applicable to Puerto Rico, the Virgin
14 Islands, and Guam, see section 1108 (e).

15 “(c) The agreement with a State under this part shall—

16 “(1) provide that it shall be in effect in all political
17 subdivisions of the State;

18 “(2) provide for the establishment or designation
19 of a single State agency to carry out or supervise the
20 carrying out of the agreement in the State;

21 “(3) provide for granting an opportunity for a fair
22 hearing before the State agency carrying out the agree-
23 ment to any individual whose claim for supplementary
24 payments is denied or is not acted upon with reasonable
25 promptness;

1 “(4) provide (A) such methods of administration
2 (including methods relating to the establishment and
3 maintenance of personnel standards on a merit basis, ex-
4 cept that the Secretary shall exercise no authority with
5 respect to the selection, tenure of office, and compensa-
6 tion of any individual employed in accordance with
7 such methods) as are found by the Secretary to be
8 necessary for the proper and efficient operation of the
9 agreement in the State, and (B) for the training and
10 effective use of paid subprofessional staff, with par-
11 ticular emphasis on the full- or part-time employment of
12 recipients of supplementary payments and other persons
13 of low income, as community services aides, in carrying
14 out the agreement and for the use of nonpaid or partially
15 paid volunteers in a social service volunteer program
16 in providing services to applicants for and recipients of
17 supplementary payments and in assisting any advisory
18 committees established by the State agency;

19 “(5) provide that the State agency carrying out
20 the agreement will make such reports, in such form and
21 containing such information, as the Secretary may from
22 time to time require, and comply with such provisions
23 as the Secretary may from time to time find necessary
24 to assure the correctness and verification of such reports;

25 “(6) provide safeguards which restrict the use or

1 disclosure of information concerning applicants for and
2 recipients of supplementary payments to purposes di-
3 rectly connected with the administration of this title;
4 and

5 “(7) provide that all individuals wishing to make
6 application for supplementary payments shall have op-
7 portunity to do so, and that supplementary payments
8 shall be furnished with reasonable promptness to all
9 eligible individuals.

10 “PAYMENTS TO STATES

11 “SEC. 453. (a) (1) The Secretary shall pay to any
12 State which has in effect an agreement under this part, for
13 each fiscal year, an amount equal to 30 per centum of the
14 total amount expended during such year pursuant to its
15 agreement as supplementary payments to families other than
16 families in which both parents of the child or children are
17 present, neither parent is incapacitated, and the male parent
18 is not unemployed, not counting so much of the supple-
19 mentary payment made to any family as exceeds the amount
20 by which (with respect to the period involved) —

21 “(A) the family assistance benefit payable to such
22 family under part D, plus any income of such family
23 (earned or unearned) not disregarded in determining
24 the amount of such supplementary payment, is less than

1 “(B) the applicable poverty level as promulgated
2 and in effect under subsection (c).

3 “(2) The Secretary shall also pay to each such State
4 an amount equal to 50 per centum of its administrative costs
5 found necessary by the Secretary for carrying out its agree-
6 ment.

7 “(b) Payments under subsection (a) shall be made at
8 such time or times, in advance or by way of reimbursement,
9 and in such installments as the Secretary may determine;
10 and shall be made on such conditions as may be necessary
11 to assure the carrying out of the purposes of this title.

12 “(c) (1) For purposes of this part, the ‘poverty level’
13 for a family group of any given size shall be the amount
14 shown for a family group of such size in the following table,
15 adjusted as provided in paragraph (2) :

“FAMILY SIZE:	BASIC AMOUNT
One	\$1, 020
Two	2, 460
Three	2, 040
Four	3, 720
Five	4, 440
Six	4, 080
Seven or more.....	6, 120

16 “(2) Between July 1 and September 30 of each year,
17 beginning with 1970, the Secretary (A) shall adjust the
18 amount shown for each size of family group in the table in
19 paragraph (1) by increasing such amount by the percent-
20 age by which the average level of the price index for the

1 months in the calendar quarter beginning April 1 of such
2 year exceeds the average level of the price index for months
3 in 1969, and (B) shall thereupon promulgate the amounts
4 so adjusted as the poverty levels for family groups of various
5 sizes which shall be conclusive for purposes of this part for
6 the fiscal year beginning July 1 next succeeding such
7 promulgation.

8 “(3) As used in this subsection, the term ‘price index’
9 means the Consumer Price Index (all items—United States
10 city average) published monthly by the Bureau of Labor
11 Statistics.

12 **“FAILURE BY STATE TO COMPLY WITH AGREEMENT**

13 **“SEC. 454. If the Secretary, after reasonable notice and**
14 **opportunity for hearing to a State with which he has an**
15 **agreement under this part, finds that such State is failing to**
16 **comply therewith, he shall withhold all, or such portion as he**
17 **deems appropriate, of the payments to which such State is**
18 **otherwise entitled under this part or part A or B of this title**
19 **or under title V, XVI, or XIX; but the amounts so with-**
20 **held from payments under such part A or B or under title**
21 **V, XVI, or XIX shall be deemed to have been paid to the**
22 **State under such part or title. Such withholding shall be**
23 **effected at such time or times and in such installments as the**
24 **Secretary may deem appropriate.**

1 “PART F—ADMINISTRATION

2 “AGREEMENTS WITH STATES

3 “SEC. 461. (a) The Secretary may enter into an agree-
4 ment with any State under which the Secretary will make,
5 on behalf of the State, the supplementary payments provided
6 for under part E, or will perform such other functions
7 of the State in connection with such payments as may be
8 agreed upon, or both. In any such case, the agreement shall
9 also (1) provide for payment by the State to the Secretary
10 of an amount equal to the supplementary payments the State
11 would otherwise make pursuant to part E, less any payments
12 which would be made to the State under section 453 (a), and
13 (2) at the request of the State, provide for joint audit of pay-
14 ments under the agreement.

15 “(b) The Secretary may also enter into an agreement
16 with any State under which such State will make, on behalf
17 of the Secretary, the family assistance benefit payments
18 provided for under part D with respect to all or specified
19 families in the State who are eligible for such benefits or will
20 perform such other functions in connection with the adminis-
21 tration of part D as may be agreed upon. The cost of carry-
22 ing out any such agreement shall be paid to the State by the
23 Secretary in advance or by way of reimbursement and in
24 such installments as may be agreed upon.

1 **“PENALTIES FOR FRAUD**

2 **“SEC. 462.** The provisions of section 208, other than
3 paragraph (a), shall apply with respect to benefits under
4 part D and allowances under part C, of this title, to the same
5 extent as they apply to payments under title II.

6 **“REPORT, EVALUATION, RESEARCH AND DEMONSTRATIONS,**
7 **AND TRAINING AND TECHNICAL ASSISTANCE**

8 **“SEC. 463. (a)** The Secretary shall make an annual re-
9 port to the President and the Congress on the operation and
10 administration of parts D and E, including an evaluation
11 thereof in carrying out the purposes of such parts and recom-
12 mendations with respect thereto. The Secretary is authorized
13 to conduct evaluations directly or by grants or contracts of
14 the programs authorized by such parts.

15 **“ (b)** The Secretary is authorized to conduct, directly or
16 by grants or contracts, research into or demonstrations of
17 ways of better providing financial assistance to needy per-
18 sons or of better carrying out the purposes of part D, and
19 in so doing to waive any requirements or limitations in such
20 part with respect to eligibility for or amount of family
21 assistance benefits for such family, members of families, or
22 groups thereof as he deems appropriate.

23 **“ (c)** The Secretary is authorized to provide such

1 technical assistance to States, and to provide, directly or
2 through grants or contracts, for such training of personnel
3 of States, as he deems appropriate to assist them in more
4 efficiently and effectively carrying out their agreements
5 under this part and part E.

6 “(d) In addition to funds otherwise available therefor,
7 such portion of any appropriation to carry out part D or E
8 as the Secretary may determine, but not in excess of \$20,-
9 000,000 in any fiscal year, shall be available to him to carry
10 out this section.

11 “OBLIGATION OF DESERTING PARENTS

12 “SEC. 464. In any case where an individual has de-
13 serted or abandoned his spouse or his child or children and
14 such spouse or any such child (during the period of such
15 desertion or abandonment) is a member of a family receiv-
16 ing family assistance benefits under part D or supplementary
17 payments under part E, such individual shall be obligated
18 to the United States in an amount equal to—

19 “(1) the total amount of the family assistance bene-
20 fits paid to such family during such period with respect
21 to such spouse and child or children, plus the amount paid
22 by the Secretary under section 453 on account of the
23 supplementary payments made to such family during

1 such period with respect to such spouse and child or chil-
2 dren, reduced by
3 “(2) any amount actually paid by such individual
4 to or for the support and maintenance of such spouse
5 and child or children during such period, if and to the
6 extent that such amount is excluded in determining the
7 amount of such family assistance benefits;
8 except that in any case where an order for the support and
9 maintenance of such spouse or any such child has been
10 issued by a court of competent jurisdiction, the obligation of
11 such individual under this subsection (with respect to such
12 spouse or child) for any period shall not exceed the amount
13 specified in such order less any amount actually paid by such
14 individual (to or for the support and maintenance of such
15 spouse or child) during such period. The amount due the
16 United States under such obligation shall be collected (to the
17 extent that the claim of the United States therefor is not other-
18 wise satisfied), in such manner as may be specified by the
19 Secretary, from any amounts otherwise due him or becoming
20 due him at any time from any officer or agency of the United
21 States or under any Federal program. Amounts collected under
22 the preceding sentence shall be deposited in the Treasury as
23 miscellaneous receipts.

1 "TREATMENT OF FAMILY ASSISTANCE BENEFITS AS INCOME
2 FOR FOOD STAMP PURPOSES

3 "SEC. 465. Family assistance benefits paid under this
4 title shall be taken into consideration for the purpose of de-
5 termining the entitlement of any household to purchase food
6 stamps, and the cost thereof, under the food stamp program
7 conducted under the Food Stamp Act of 1964."

8 MANPOWER SERVICES, TRAINING, EMPLOYMENT, CHILD
9 CARE, AND SUPPORTIVE SERVICES PROGRAMS

10 SEC. 102. Part C of title IV of the Social Security Act
11 (42 U.S.C. 630 et seq.) is amended to read as follows:

12 "PART C—MANPOWER SERVICES, TRAINING, EMPLOY-
13 MENT, CHILD CARE, AND SUPPORTIVE SERVICES PRO-
14 GRAMS FOR RECIPIENTS OF FAMILY ASSISTANCE
15 BENEFITS OR SUPPLEMENTARY PAYMENTS

16 "PURPOSE

17 "SEC. 430. The purpose of this part is to authorize pro-
18 vision, for individuals who are members of a family receiving
19 benefits under part D or supplementary payments pursuant
20 to part E, of manpower services, training, employment,
21 child care, and related supportive services necessary to train
22 such individuals, prepare them for employment, and other-
23 wise assist them in securing and retaining regular employment
24 and having the opportunity for advancement in employment,
25 to the end that needy families with children will be restored

1 to self-supporting, independent, and useful roles in their
2 communities.

3 "OPERATION OF MANPOWER SERVICES, TRAINING, AND
4 EMPLOYMENT PROGRAMS

5 "SEC. 431. (a) The Secretary of Labor shall, for each
6 person registered pursuant to part D, in accordance with
7 priorities prescribed by him, develop or assure the develop-
8 ment of an employability plan describing the manpower
9 services, training, and employment which the Secretary of
10 Labor determines each person needs in order to enable him
11 to become self-supporting and secure and retain employment
12 and opportunities for advancement.

13 "(b) The Secretary of Labor shall, in accordance with
14 the provisions of this part, establish and assure the provision
15 of manpower services, training, and employment programs
16 in each State for persons registered pursuant to part D or
17 receiving supplementary payments pursuant to part E.

18 "(c) The Secretary of Labor shall, through such pro-
19 grams, provide or assure the provision of manpower services,
20 training, and employment and opportunities necessary to
21 prepare such persons for and place them in regular employ-
22 ment, including—

23 "(1) any of such services, training, employment,
24 and opportunities which the Secretary of Labor is author-
25 ized to provide under any other Act;

1 “(2) counseling, testing, coaching, program orienta-
2 tion, institutional and on-the-job training, work experi-
3 ence, upgrading, job development, job placement, and
4 follow up services required to assist in securing and re-
5 taining employment and opportunities for advancement;

6 “(3) relocation assistance (including grants, loans,
7 and the furnishing of such services as will aid an involun-
8 tarily unemployed individual who desires to relocate to do
9 so in an area where there is assurance of regular suitable
10 employment, offered through the public employment of-
11 fices of the State in such area, which will lead to the
12 earning of income sufficient to make such individual and
13 his family ineligible for benefits under part D and supple-
14 mentary payments under part E) ; and

15 “(4) special work projects.

16 “(d) (1) For purposes of subsection (c) (4), a ‘special
17 work project’ is a project (meeting the requirements of this
18 subsection) which consists of the performance of work in the
19 public interest through grants to or contracts with public or
20 nonprofit private agencies or organizations.

21 “(2) No wage rates provided under any special work
22 project shall be lower than the applicable minimum wage for
23 the particular work concerned.

24 “(3) Before entering into any special work project
25 under a program established as provided in subsection (b),

1 the Secretary of Labor shall have reasonable assurances
2 that—

3 “(A) appropriate standards for the health, safety,
4 and other conditions applicable to the performance of
5 work and training on such project are established and
6 will be maintained,

7 “(B) such project will not result in the displace-
8 ment of employed workers,

9 “(C) with respect to such project the conditions of
10 work, training, education, and employment are reason-
11 able in the light of such factors as the type of work, geo-
12 graphical region, and proficiency of the participant,

13 “(D) appropriate workmen’s compensation pro-
14 tection is provided to all participants, and

15 “(E) such project will improve the employability
16 of the participants.

17 “(4) With respect to individuals who are participants
18 in special work projects under programs established as pro-
19 vided in subsection (b), the Secretary of Labor shall period-
20 ically (at least once every six months) review the employ-
21 ment record of each such individual while on the special work
22 project and on the basis of such record and such other infor-
23 mation as he may acquire determine whether it would be
24 feasible to place such individual in regular employment or in
25 on-the-job, institutional, or other training.

1 "ALLOWANCES FOR INDIVIDUALS UNDERGOING TRAINING

2 "SEC. 432. (a) (1) The Secretary of Labor shall pay to
3 each individual who is a member of a family and is partici-
4 pating in manpower training under this part an incentive
5 allowance of \$30 per month. If one or more members of a
6 family are receiving training for which training allowances
7 are payable under section 203 of the Manpower Development
8 and Training Act and meet the other requirements under
9 such section (except subsection (1) (1) thereof) for the re-
10 ceipt of allowances which would be in excess of the sum of
11 the family assistance benefit under part D and supplementary
12 payments pursuant to part E payable with respect to such
13 month to the family, the total of the incentive allowances per
14 month under this section for such members shall be equal to
15 the greater of (1) the amount of such excess or, if lower,
16 the amount of the excess of the training allowances which
17 would be payable under such section 203 as in effect on
18 March 1, 1970, over the sum of such family assistance bene-
19 fit and such supplementary payments, and (2) \$30 for each
20 such member.

21 "(2) The Secretary of Labor shall, in accordance with
22 regulations, also pay, to any member of a family participat-
23 ing in manpower training under this part, allowances for
24 transportation and other costs to him which are necessary to
25 and directly related to his participation in training.

39

1 “(3) The Secretary of Labor shall by regulation provide
2 for such smaller allowances under this subsection as he deems
3 appropriate for individuals in Puerto Rico, the Virgin Is-
4 lands, and Guam.

5 “(b) Allowances under this section shall be in lieu of
6 allowances provided for participants in manpower training
7 programs under any other Act.

8 “(c) Subsection (a) shall not apply to any member
9 of a family who is participating in a program of the Sec-
10 retary of Labor providing public or private employer com-
11 pensated on-the-job training.

12 “UTILIZATION OF OTHER PROGRAMS

13 “SEC. 433. In providing the manpower training and
14 employment services and opportunities required by this part
15 the Secretary of Labor, to the maximum extent feasible, shall
16 assure that such services and opportunities are provided in
17 such manner, through such means, and using all authority
18 available to him under any other Act (and subject to all
19 duties and responsibilities thereunder) as will further the
20 establishment of an integrated and comprehensive manpower
21 training program involving all sectors of the economy and all
22 levels of government and as will make maximum use of exist-
23 ing manpower and manpower related programs and agencies.
24 To such end the Secretary of Labor may use the funds appro-
25 priated to him under this part to provide the programs

1 required by this part through such other Act, to the same
2 extent and under the same conditions as if appropriated under
3 such other Act and in making use of the programs of other
4 Federal, State, or local agencies, public or private, the Sec-
5 retary may reimburse such agencies for services rendered to
6 persons under this part to the extent such services and oppor-
7 tunities are not otherwise available on a nonreimbursable
8 basis.

9 **"RULES AND REGULATIONS**

10 "SEC. 434. The Secretary of Labor may issue such rules
11 and regulations as he finds necessary to carry out his respon-
12 sibilities under this part.

13 **"APPROPRIATIONS; NONFEDERAL SHARE**

14 "SEC. 435. (a) There is authorized to be appropriated to
15 the Secretary of Labor for each fiscal year a sum sufficient
16 for carrying out the purposes of this part (other than sections
17 436 and 437), including payment of not to exceed 90 per
18 centum of the cost of manpower services, training, and
19 employment and opportunities provided for individuals reg-
20 istered pursuant to section 447. The Secretary of Labor shall
21 establish criteria to achieve an equitable apportionment
22 among the States of Federal expenditures for carrying out
23 the programs authorized by section 431. In developing these
24 criteria the Secretary of Labor shall consider the number of
25 registrations under section 447 and other relevant factors.

1 necessary to enable the Secretary of Health, Education,
2 and Welfare to make grants to any public or nonprofit private
3 agency or organization, and contracts with any public or
4 private agency or organization, for part or all of the cost of
5 projects for the provision of child care, including necessary
6 transportation and alteration, remodeling, and renovation
7 of facilities, which may be necessary or appropriate in order
8 to better enable an individual who has been registered pur-
9 suant to part D or is receiving supplementary payments
10 pursuant to part E to undertake or continue manpower
11 training or employment under this part, or to enable an
12 individual who has been referred pursuant to section 447
13 (d) to participate in vocational rehabilitation, or to enable a
14 member of a family which is or has been (within such pe-
15 riod of time as the Secretary may prescribe) eligible for bene-
16 fits under such part D or payments pursuant to such part E
17 to undertake or continue manpower training or employment
18 under this part; or, with respect to the period prior to the
19 date when part D becomes effective for a State, to better
20 enable an individual who is receiving aid to families with
21 dependent children, or whose needs are taken into account in
22 determining the need of any one claiming or receiving such
23 aid, to participate in manpower training or employment.

24 “(2) Such grants or contracts for the provision of
25 child care in any area may be made directly, or through

1 grants to any public or nonprofit private agency which is
2 designated by the appropriate elected or appointed official or
3 officials in such area and which demonstrates a capacity to
4 work effectively with the manpower agency in such area (in-
5 cluding provision for the stationing of personnel with the
6 manpower team in appropriate cases). To the extent appro-
7 priate, such care for children attending school which is pro-
8 vided on a group or institutional basis shall be provided
9 through arrangements with the appropriate local educational
10 agency.

11 “(3) Such projects shall provide for various types of
12 child care needed in the light of the different circumstances
13 and needs of the children involved.

14 “(b) Such sums shall also be available to enable the
15 Secretary of Health, Education, and Welfare to make grants
16 to any public or nonprofit private agency or organization,
17 and contracts with any public or private agency or orga-
18 nization, for evaluation, training of personnel, technical
19 assistance, or research or demonstration projects to determine
20 more effective methods of providing any such care.

21 “(c) The Secretary of Health, Education, and Welfare
22 may provide, in any case in which a family is able to pay
23 for part or all of the cost of child care provided under a
24 project assisted under this section, for payment by the family

1 of such fees for the care as may be reasonable in the light of
2 such ability.

3 "SUPPORTIVE SERVICES

4 "SEC. 437. (a) No payments shall be made to any State
5 under title V, XVI, or XIX, or part A or B of this title,
6 with respect to expenditures for any calendar quarter begin-
7 ning on or after the date part D becomes effective with re-
8 spect to such State, unless it has in effect an agreement with
9 the Secretary of Health, Education, and Welfare under
10 which it will provide health, vocational rehabilitation, coun-
11 seling, social, and other supportive services which the Sec-
12 retary under regulations determines to be necessary to per-
13 mit an individual who has been registered pursuant to part
14 D or is receiving supplementary payments pursuant to part
15 E to undertake or continue manpower training and employ-
16 ment under this part.

17 "(b) Services under such an agreement shall be pro-
18 vided in close cooperation with manpower training and em-
19 ployment services provided under this part.

20 "(c) The Secretary of Health, Education, and Welfare
21 shall from time to time, in such installments and on such con-
22 ditions as he deems appropriate, pay to any State with which
23 he has an agreement pursuant to subsection (a) up to 90
24 per centum of the cost of such State of carrying out such
25 agreement. There are authorized to be appropriated for each

1 fiscal year such sums as may be necessary to carry out this
2 section.

3 "ADVANCE FUNDING

4 "SEC. 438. (a) For the purpose of affording adequate
5 notice of funding available under this part, appropriations
6 for grants, contracts, or other payments with respect to indi-
7 viduals registered pursuant to section 447 are authorized to
8 be included in the appropriation Act for the fiscal year
9 preceding the fiscal year for which they are available for
10 obligation.

11 "(b) In order to effect a transition to the advance fund-
12 ing method of timing appropriation action, subsection (a)
13 shall apply notwithstanding that its initial application will
14 result in enactment in the same year (whether in the same
15 appropriation Act or otherwise) of two separate appropria-
16 tions, one for the then current fiscal year and one for the
17 succeeding fiscal year.

18 "EVALUATION AND RESEARCH; REPORTS TO CONGRESS

19 "SEC. 439. (a) (1) The Secretary shall (jointly with
20 the Secretary of Health, Education, and Welfare) provide
21 for the continuing evaluation of the manpower training and
22 employment programs provided under this part, including
23 their effectiveness in achieving stated goals and their impact
24 on other related programs. The Secretary may conduct re-

1 search regarding, and demonstrations of, ways to improve
2 the effectiveness of the manpower training and employment
3 programs so provided and may also conduct demonstrations
4 of improved training techniques for upgrading the skills of
5 the working poor. The Secretary may, for these purposes,
6 contract for independent evaluations of and research regard-
7 ing such programs or individual projects under such pro-
8 grams, and establish a data collection, processing, and
9 retrieval system.

10 “(2) There are authorized to be appropriated such
11 sums, not exceeding \$15,000,000 for any fiscal year, as
12 may be necessary to carry out paragraph (1).

13 “(b) On or before September 1 following each fiscal year
14 in which part D is effective with respect to any State—

15 “(1) the Secretary shall report to the Congress on
16 the manpower training and employment programs pro-
17 vided under this part in such fiscal year, and

18 “(2) the Secretary of Health, Education, and Wel-
19 fare shall report to the Congress on the child care and
20 supportive services provided under this part in such fiscal
21 year.”

22 CONFORMING AMENDMENTS RELATING TO ASSISTANCE

23 FOR NEEDY FAMILIES WITH CHILDREN

24 SEC. 103. (a) Section 401 of the Social Security Act
25 (42 U.S.C. 601) is amended—

1 (1) by striking out “financial assistance and” in
2 the first sentence; and

3 (2) by striking out “aid and” in the second sen-
4 tence.

5 (b) (1) Subsection (a) of section 402 of such Act (42
6 U.S.C. 602) is amended—

7 (A) by striking out “aid and” in the matter pre-
8 ceding clause (1);

9 (B) by inserting, before “provide” at the be-
10 ginning of clause (1), “except to the extent permitted
11 by the Secretary,”;

12 (C) by striking out clause (4);

13 (D) (i) by striking out “recipients and other
14 persons” in clause (5) (B) and inserting in lieu thereof
15 “persons”, and

16 (ii) by striking out “providing services to ap-
17 plicants and recipients” in such clause and inserting in
18 lieu thereof “providing services under the plan”;

19 (E) by striking out clauses (7) and (8);

20 (F) by striking out “aid to families with dependent
21 children” in clause (9) and inserting in lieu thereof
22 “the plan”;

23 (G) by striking out clauses (10), (11), and (12);

24 (H) (i) by striking out “section 406 (d)” in clause

1 (14) and inserting in lieu thereof "section 405 (c)",
2 (ii) by striking out "for each child and relative
3 who receives aid to families with dependent children, and
4 each appropriate individual (living in the same home as
5 a relative and child receiving such aid whose needs
6 are taken into account in making the determination
7 under clause (7))" in such clause and inserting in lieu
8 thereof "for each member of a family receiving assist-
9 ance to needy families with children, each appropriate
10 individual (living in the same home as such family)
11 whose needs would be taken into account in determining
12 the need of any such member under the State plan (ap-
13 proved under this part) as in effect prior to the enact-
14 ment of part D, and each individual who would have
15 been eligible to receive aid to families with dependent
16 children under such plan", and

17 (iii) by striking out "such child, relative, and in-
18 dividual" each place it appears in such clause and insert-
19 ing in lieu thereof "such member or individual";

20 (I) by striking out clause (15) and inserting in
21 lieu thereof the following: "(15) (A) provide for the
22 development of a program, for appropriate members
23 of such families and such other individuals, for prevent-
24 ing or reducing the incidence of births out of wedlock
25 and otherwise strengthening family life, and for imple-

1 menting such program by assuring that in all appropriate
2 cases family planning services are offered to them, but
3 acceptance of family planning services provided under
4 the plan shall be voluntary on the part of such members
5 and individuals and shall not be a prerequisite to eligi-
6 bility for or the receipt of any other service under the
7 plan; and (B) to the extent that services provided
8 under this clause or clause (8) are furnished
9 by the staff of the State agency or the local agency
10 administering the State plan in each of the political
11 subdivisions of the State, for the establishment of a
12 single organizational unit in such State or local agency,
13 as the case may be, responsible for the furnishing of such
14 services;"

15 (J) by striking out "aid" in clause (16) and
16 inserting in lieu thereof "assistance to needy families
17 with children";

18 (K) (i) by striking out "aid to families with de-
19 pendent children" in clause (17) (A) (i) and inserting
20 in lieu thereof "assistance to needy families with chil-
21 dren",

22 (ii) by striking out "aid" in clause (17) (A) (ii)
23 and inserting in lieu thereof "assistance", and

24 (iii) by striking out "and" at the end of clause

1 (i), and adding after clause (ii) the following new
2 clause:

3 “(iii) in the case of any parent (of a child
4 referred to in clause (ii)) receiving such assistance
5 who has been deserted or abandoned by his or her
6 spouse, to secure support for such parent from such
7 spouse (or from any other person legally liable
8 for such support), utilizing any reciprocal arrange-
9 ments adopted with other States to obtain or enforce
10 court orders for support, and”;

11 (L) by striking out “clause (17) (A)” in clause
12 (18) and inserting in lieu thereof “clause (11) (A)”;

13 (M) by striking out clause (19) and inserting in
14 lieu thereof the following: “(19) provide for arrange-
15 ments to assure that there will be made a non-Federal
16 contribution to the cost of manpower services, training,
17 and employment and opportunities provided for indivi-
18 duals registered pursuant to section 447, in cash or kind,
19 equal to 10 per centum of such cost;”;

20 (N) by striking out “aid to families with depend-
21 ent children in the form of foster care in accordance
22 with section 408” in clause (20) and inserting in lieu
23 thereof “payments for foster care in accordance with
24 section 406”;

25 (O) (i) by striking out “of each parent of a

1 dependent child or children with respect to whom aid
 2 is being provided under the State plan" in clause (21)
 3 (A) and inserting in lieu thereof "of each person who
 4 is the parent of a child or children with respect to
 5 whom assistance to needy families with children or
 6 foster care is being provided or is the spouse of the
 7 parent of such a child or children",

8 (ii) by striking out "such child or children" in
 9 clause (21) (A) (i) and inserting in lieu thereof "such
 10 child or children or such parent",

11 (iii) by striking out "such parent" each place it
 12 appears in clause (21) (B) and inserting in lieu thereof
 13 "such person", and

14 (iv) by striking out "section 410;" in clause (21)
 15 (C) and inserting in lieu thereof "section 408; and";

16 (P) (i) by striking out "a parent" each place it
 17 appears in clause (22) and inserting in lieu thereof "a
 18 person",

19 (ii) by striking out "a child or children of such
 20 parent" each place it appears in such clause and inserting
 21 in lieu thereof "the spouse or a child or children of such
 22 person",

23 (iii) by striking out "against such parent" in such
 24 clause and inserting in lieu thereof "against such per-
 25 son", and

1 (iv) by striking out "aid is being provided under
2 the plan of such other State" each place it appears in
3 such clause and inserting in lieu thereof "assistance to
4 needy families with children or foster care payments are
5 being provided in such other State"; and

6 (Q) by striking out "; and (23)" and all that
7 follows and inserting in lieu thereof a period.

8 (2) Clauses (5), (6), (9), (13), (14), (15), (16),
9 (17), (18), (19), (20), (21), and (22) of section 402
10 (a) of such Act, as amended by paragraph (1) of this
11 subsection, are redesignated as clauses (4) through (16),
12 respectively.

13 (c) Section 402 (b) of such Act is amended to read as
14 follows:

15 "(b) The Secretary shall approve any plan which ful-
16 fills the conditions specified in subsection (a), except that
17 he shall not approve any plan which imposes, as a condition
18 of eligibility for services under it, any residence requirement
19 which denies services or foster care payments with respect
20 to any individual residing in the State."

21 (d) Section 402 of such Act is further amended by
22 striking out subsection (c).

23 (e) (1) Subsection (a) of section 403 of such Act (42
24 U.S.C. 603) is amended—

25 (A) by striking out "aid and services" and insert-

1 ing in lieu thereof "services" in the matter preceding
2 paragraph (1) ;

3 (B) by striking out paragraph (1) and inserting in
4 lieu thereof the following :

5 "(1) an amount equal to the sum of the following
6 proportions of the total amounts expended during such
7 quarter as payments for foster care in accordance with
8 section 406—

9 "(A) five-sixths of such expenditures, not
10 counting so much of any expenditures with respect
11 to any month as exceeds the product of \$18 multi-
12 plied by the number of children receiving such
13 foster care in such month; plus

14 "(B) the Federal percentage of the amount
15 by which such expenditures exceed the maximum
16 which may be counted under subparagraph (A),
17 not counting so much of any expenditures with
18 respect to any month as exceeds the product of
19 \$100 multiplied by the number of children receiv-
20 ing such foster care for such month;";

21 (C) by striking out paragraph (2) ;

22 (D) (i) by striking out "in the case of any State,"
23 in the matter preceding subparagraph (A) in para-
24 graph (3),

25 (ii) by striking out "or relative who is receiving aid

1 under the plan, or to any other individual (living in the
2 same home as such relative and child) whose needs
3 are taken into account in making the determination
4 under clause (7) of such section" in clause (i) of sub-
5 paragraph (A) of such paragraph and inserting in lieu
6 thereof "receiving foster care or any member of a family
7 receiving assistance to needy families with children
8 or to any other individual (living in the same home
9 as such family) whose needs would be taken into ac-
10 count in determining the need of any such member
11 under the State plan approved under this part as in
12 effect prior to the enactment of part D",

13 (iii) by striking out "child or relative who is apply-
14 ing for aid to families with dependent children or" in
15 clause (ii) of subparagraph (A) of such paragraph
16 and inserting in lieu thereof "member of a family",

17 (iv) by striking out "likely to become an applicant
18 for or recipient of such aid" in clause (ii) of subpara-
19 graph (A) of such paragraph and inserting in lieu
20 thereof "likely to become eligible to receive such
21 assistance", and

22 (v) by striking out "(14) and (15)" each place it
23 appears in subparagraph (A) of such paragraph and
24 inserting in lieu thereof "(8) and (9)";

25 (E) by striking out all that follows "permitted"

1 in the last sentence of such paragraph and inserting in
2 lieu thereof "by the Secretary; and";

3 (F) by striking out "in the case of any State," in
4 the matter preceding subparagraph (A) in paragraph
5 (5);

6 (G) by striking out "section 406 (e)" each place
7 it appears in paragraph (5) and inserting in lieu thereof
8 "section 405 (d)"; and

9 (H) by striking out the sentences following para-
10 graph (5).

11 (2) Paragraphs (3) and (5) of section 403 (a) of
12 such Act, as amended by paragraph (1) of this subsection,
13 are redesignated as paragraphs (2) and (3), respectively.

14 (f) Section 403 (b) of such Act is amended—

15 (1) by striking out "(B) records showing the
16 number of dependent children in the State, and (C)"
17 in paragraph (1) and inserting in lieu thereof "and
18 (B)"; and

19 (2) by striking out "(A)" in paragraph (2), and
20 by striking out ", and (B)" and all that follows in such
21 paragraph and inserting in lieu thereof a period.

22 (g) Section 404 of such Act (42 U.S.C. 604) is
23 amended—

24 (1) by striking out "(a) In the case of any State

1 plan for aid and services” and inserting in lieu thereof

2 “In the case of any State plan for services”; and

3 (2) by striking out subsection (b).

4 (h) Section 405 of such Act (42 U.S.C. 605) is
5 repealed.

6 (i) Section 406 of such Act (42 U.S.C. 606) is redес-
7 igned as section 405, and as so redesignated is amended—

8 (1) by striking out subsections (a) and (b) and
9 inserting in lieu thereof the following:

10 “(a) The term ‘child’ means a child as defined in sec-
11 tion 445 (b).

12 “(b) The term ‘needy families with children’ means
13 families who are receiving family assistance benefits under
14 part D and who (1) are receiving supplementary payments
15 under part E, or (2) would be eligible to receive aid to fam-
16 ilies with dependent children, under a State plan (approved
17 under this part) as in effect prior to the enactment of part D,
18 if the State plan had continued in effect and if it included
19 assistance to dependent children of unemployed fathers pur-
20 suant to section 407 as it was in effect prior to such enact-
21 ment; and ‘assistance to needy families with children’ means
22 family assistance benefits under such part D, paid to such
23 families.”;

24 (2) by striking out subsection (c) and redesignat-

1 ing subsections (d) and (e) as subsections (c) and
2 (d), respectively;

3 (3) (A) by striking out "living with any of the
4 relatives specified in subsection (a) (1) in a place of
5 residence maintained by one or more of such relatives
6 as his or their own home" in paragraph (1) of subsec-
7 tion (d) as so redesignated and inserting in lieu thereof
8 "a member of a family (as defined in section 445 (a))",
9 and

10 (B) by striking out "because such child or rela-
11 tive refused" and inserting in lieu thereof "because such
12 child or another member of such family refused".

13 (j) Section 407 of such Act (42 U.S.C. 607) is
14 repealed.

15 (k) Section 408 of such Act (42 U.S.C. 608) is re-
16 designated as section 406, and as so redesignated is
17 amended—

18 (1) by striking out everything (including the head-
19 ing) which precedes paragraph (1) of subsection (b)
20 and inserting in lieu thereof the following:

21 "FOSTER CARE

22 "SEC. 406. For purposes of this part—

23 "(a) 'foster care' shall include only foster care which is
24 provided in behalf of a child (1) who would, except for his

1 removal from the home of a family as a result of a judicial
2 determination to the effect that continuation therein would
3 be contrary to his welfare, be a member of such family re-
4 ceiving assistance to needy families with children, (2) whose
5 placement and care are the responsibility of (A) the State
6 or local agency administering the State plan approved under
7 section 402, or (B) any other public agency with whom the
8 State agency administering or supervising the administration
9 of such State plan has made an agreement which is still in
10 effect and which includes provision for assuring development
11 of a plan, satisfactory to such State agency, for such child as
12 provided in paragraph (e) (1) and such other provisions as
13 may be necessary to assure accomplishment of the objectives
14 of the State plan approved under section 402, (3) who has
15 been placed in a foster family home or child-care institution
16 as a result of such determination, and (4) who (A) received
17 assistance to needy families with children in or for the month
18 in which court proceedings leading to such determination
19 were initiated, or (B) would have received such assistance
20 to needy families with children in or for such month if appli-
21 cation had been made therefor, or (C) in the case of a child
22 who had been a member of a family (as defined in section
23 445 (a)) within six months prior to the month in which such
24 proceedings were initiated, would have received such assist-
25 ance in or for such month if in such month he had been a

1 member of (and removed from the home of) such a family
2 and application had been made therefor;

3 “(b) ‘foster care’ shall, however, include the care de-
4 scribed in paragraph (a) only if it is provided—”;

5 (2) (A) by striking out “‘aid to families with de-
6 pendent children’” in subsection (b) (2) and inserting
7 in lieu thereof “foster care”,

8 (B) by striking out “such foster care” in such sub-
9 section and inserting in lieu thereof “foster care”, and

10 (C) by striking out the period at the end of such
11 subsection and inserting in lieu thereof “; and”;

12 (3) by striking out subsection (c) and redesignat-
13 ing subsections (d), (e), and (f) as subsections (c),
14 (d), and (e), respectively;

15 (4) by striking out “paragraph (f) (2)” and “sec-
16 tion 403 (a) (3)” in subsection (c) (as so redesignated)
17 and inserting in lieu thereof “paragraph (e) (2)” and
18 “section 403 (a) (2)” respectively;

19 (5) by striking out “aid” in subsection (d) (as
20 so redesignated) and inserting in lieu thereof “services”;

21 (6) by striking out “relative specified in section
22 406 (a)” in subsection (e) (1) (as so redesignated) and
23 inserting in lieu thereof “family (as defined in section
24 445 (a))”; and

25 (7) by striking out “522” and “part 3 of title V”

1 in subsection (e) (2) (as so redesignated) and inserting
2 in lieu thereof "422" and "part B of this title", re-
3 spectively.

4 (l) (1) Section 409 of such Act (42 U.S.C. 609) is
5 repealed.

6 (m) Section 410 of such Act (42 U.S.C. 610) is re-
7 designated as section 407; and subsection (a) of such section
8 (as so redesignated) is amended by striking out "section 402
9 (a) (21)" and inserting in lieu thereof "section 402 (a)
10 (15)".

11 (n) (1) Section 422 (a) (1) (A) of such Act is amended
12 by striking out "section 402 (a) (15)" and inserting in lieu
13 thereof "section 402 (a) (9)".

14 (2) Section 422 (a) (1) (B) of such Act is amended by
15 striking out "provided for dependent children" and inserting
16 in lieu thereof "provided with respect to needy families with
17 children".

18 (o) References in any law, regulation, State plan, or
19 other document to any provision of part A of title IV of the
20 Social Security Act which is redesignated by this section
21 shall (from and after the effective date of the amendments

1 made by this Act) be considered to be references to such
2 provision as so redesignated.

3 **CHANGES IN HEADINGS**

4 **SEC. 104. (a)** The heading of title IV of the Social
5 Security Act (42 U.S.C. 601, et seq.) is amended to read
6 as follows:

7 **"TITLE IV—FAMILY ASSISTANCE BENEFITS,**
8 **STATE SUPPLEMENTARY PAYMENTS, WORK**
9 **INCENTIVE PROGRAMS, AND GRANTS TO**
10 **STATES FOR FAMILY AND CHILD WELFARE**
11 **SERVICES".**

12 (b) The heading of part A of such title IV is amended
13 to read as follows:

14 **"PART A—SERVICES TO NEEDY FAMILIES WITH**
15 **CHILDREN".**

16 **TITLE II—AID TO THE AGED, BLIND, AND**
17 **DISABLED**

18 **GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND**
19 **DISABLED**

20 **SEC. 201.** Title XVI of the Social Security Act (42
21 U.S.C. 1381 et seq.) is amended to read as follows:

1 "TITLE XVI—GRANTS TO STATES FOR AID TO
2 THE AGED, BLIND, AND DISABLED

3 "APPROPRIATIONS

4 "SEC. 1601. For the purpose of enabling each State to
5 furnish financial assistance to needy individuals who are
6 sixty-five years of age or over, blind, or disabled and for the
7 purpose of encouraging each State to furnish rehabilitation
8 and other services to help such individuals attain or retain
9 capability for self-support or self-care, there are authorized
10 to be appropriated for each fiscal year sums sufficient to
11 carry out these purposes. The sums made available under this
12 section shall be used for making payments to States having
13 State plans approved under section 1602.

14 "STATE PLANS FOR FINANCIAL ASSISTANCE AND SERVICES
15 TO THE AGED, BLIND, AND DISABLED

16 "SEC. 1602. (a) A State plan for aid to the aged, blind,
17 and disabled must—

18 "(1) provide for the establishment or designation
19 of a single State agency to administer or supervise the
20 administration of the State plan;

21 "(2) provide such methods of administration as are
22 found by the Secretary to be necessary for the proper and
23 efficient operation of the plan, including methods relat-
24 ing to the establishment and maintenance of personnel
25 standards on a merit basis (but the Secretary shall exer-

1 cise no authority with respect to the selection, tenure of
2 office, and compensation of individuals employed in
3 accordance with such methods) ;

4 “(3) provide for the training and effective use of
5 social service personnel in the administration of the plan,
6 for the furnishing of technical assistance to units of State
7 government and of political subdivisions which are fur-
8 nishing financial assistance or services to the aged, blind,
9 and disabled, and for the development through research
10 or demonstration projects of new or improved methods
11 of furnishing assistance or services to the aged, blind,
12 and disabled;

13 “(4) provide for the training and effective use of
14 paid subprofessional staff (with particular emphasis on
15 the full-time or part-time employment of recipients and
16 other persons of low income as community service aides)
17 in the administration of the plan and for the use of non-
18 paid or partially paid volunteers in a social service vol-
19 unteer program in providing services to applicants and
20 recipients and in assisting any advisory committees
21 established by the State agency;

22 “(5) provide that all individuals wishing to make
23 application for aid under the plan shall have opportunity
24 to do so and that such aid shall be furnished with reason-
25 able promptness with respect to all eligible individuals;

1 “(6) provide for the use of a simplified statement,
2 conforming to standards prescribed by the Secretary, to
3 establish eligibility, and for adequate and effective meth-
4 ods of verification of eligibility of applicants and recip-
5 ients through the use, in accordance with regulations
6 prescribed by the Secretary, of sampling and other
7 scientific techniques;

8 “(7) provide that, except to the extent permitted
9 by the Secretary with respect to services, the State plan
10 shall be in effect in all political subdivisions of the State,
11 and, if administered by them, be mandatory upon them;

12 “(8) provide for financial participation by the
13 State;

14 “(9) provide that, in determining whether an in-
15 dividual is blind, there shall be an examination by a
16 physician skilled in the diseases of the eye or by an
17 optometrist, whichever the individual may select;

18 “(10) provide for granting an opportunity for a
19 fair hearing before the State agency to any individual
20 whose claim for aid under the plan is denied or is not
21 acted upon with reasonable promptness;

22 “(11) provide for periodic evaluation of the opera-
23 tions of the State plan, not less often than annually, in
24 accordance with standards prescribed by the Secretary,
25 and the furnishing of annual reports of such evaluations

1 to the Secretary together with any necessary modifica-
2 tions of the State plan resulting from such evaluations;

3 “(12) provide that the State agency will make such
4 reports, in such form and containing such information,
5 as the Secretary may from time to time require, and
6 comply with such provisions as the Secretary may from
7 time to time find necessary to assure the correctness
8 and verification of such reports;

9 “(13) provide safeguards which restrict the use or
10 disclosure of information concerning applicants and re-
11 cipients to purposes directly connected with the adminis-
12 tration of the plan;

13 “(14) provide, if the plan includes aid to or on
14 behalf of individuals in private or public institutions, for
15 the establishment or designation of a State authority or
16 authorities which shall be responsible for establishing and
17 maintaining standards for such institutions;

18 “(15) provide a description of the services which
19 the State makes available to applicants for or recipients
20 of aid under the plan to help them attain self-support or
21 self-care, including a description of the steps taken to
22 assure, in the provision of such services, maximum
23 utilization of all available services that are similar or
24 related; and

1 “(16) assure that, in administering the State plan
2 and providing services thereunder, the State will observe
3 priorities established by the Secretary and comply with
4 such performance standards as the Secretary may, from
5 time to time, establish.

6 Notwithstanding paragraph (1), if on January 1, 1962,
7 and on the date on which a State submits (or submitted) its
8 plan for approval under this title, the State agency which
9 administered or supervised the administration of the plan of
10 such State approved under title X was different from the
11 State agency which administered or supervised the admin-
12 istration of the plan of such State approved under title I and
13 the State agency which administered or supervised the ad-
14 ministration of the plan of such State approved under title
15 XIV, then the State agency which administered or supervised
16 the administration of such plan approved under title X may be
17 designated to administer or supervise the administration of
18 the portion of the State plan for aid to the aged, blind, and
19 disabled which relates to blind individuals and a separate
20 State agency may be established or designated to administer
21 or supervise the administration of the rest of such plan; and
22 in such case the part of the plan which each such agency
23 administers, or the administration of which each such agency
24 supervises, shall be regarded as a separate plan for purposes
25 of this title.

1 “(b) The Secretary shall approve any plan which
2 fulfills the conditions specified in subsection (a) and in
3 section 1603, except that he shall not approve any plan
4 which imposes, as a condition of eligibility for aid under the
5 plan—

6 “(1) an age requirement of more than sixty-five
7 years;

8 “(2) any residency requirement which excludes
9 any individual who resides in the State;

10 “(3) any citizenship requirement which excludes
11 any citizen of the United States, or any alien lawfully
12 admitted for permanent residence who has resided in
13 the United States continuously during the five years im-
14 mediately preceding his application for such aid;

15 “(4) any disability or age requirement which ex-
16 cludes any persons under a severe disability, as deter-
17 mined in accordance with criteria prescribed by the
18 Secretary, who are eighteen years of age or older; or

19 “(5) any blindness or age requirement which ex-
20 cludes any persons who are blind as determined in
21 accordance with criteria prescribed by the Secretary.

22 In the case of any State to which the provisions of section
23 344 of the Social Security Act Amendments of 1950 were
24 applicable on January 1, 1962, and to which the sentence
25 of section 1002 (b) following paragraph (2) thereof is

1 applicable on the date on which its State plan was or is
2 submitted for approval under this title, the Secretary shall
3 approve the plan of such State for aid to the aged, blind, and
4 disabled for purposes of this title, even though it does not
5 meet the requirements of section 1603 (a), if it meets all
6 other requirements of this title for an approved plan for aid
7 to the aged, blind, and disabled; but payments to the State
8 under this title shall be made, in the case of any such plan,
9 only with respect to expenditures thereunder which would
10 be included as expenditures for the purposes of this title
11 under a plan approved under this section without regard
12 to the provisions of this sentence.

13 "DETERMINATION OF NEED

14 "SEC. 1603. (a) A State plan must provide that, in
15 determining the need for aid under the plan, the State agency
16 shall take into consideration any other income or resources
17 of the individual claiming such aid as well as any expenses
18 reasonably attributable to the earning of any such income;
19 except that, in making such determination with respect to
20 any individual—

21 "(1) the State agency shall not consider as re-
22 sources (A) the home, household goods, and personal
23 effects of the individual, (B) other personal or real prop-
24 erty, the total value of which does not exceed \$1,500,
25 or (C) other property which, as determined in accord-

1 ance with and subject to limitations in regulations of the
2 Secretary, is so essential to the family's means of self-
3 support as to warrant its exclusion, but shall apply the
4 provisions of section 442 (d) and regulations thereunder;

5 “(2) the State agency may not consider the
6 financial responsibility of any individual for any appli-
7 cant or recipient unless the applicant or recipient is the
8 individual's spouse, or the individual's child who is under
9 the age of twenty-one or is blind or severely disabled;

10 “(3) if such individual is blind, the State agency
11 (A) shall disregard the first \$85 per month of earned
12 income plus one-half of earned income in excess of \$85
13 per month, and (B) shall, for a period not in excess of
14 twelve months, and may, for a period not in excess of
15 thirty-six months, disregard such additional amounts of
16 other income and resources, in the case of any such indi-
17 vidual who has a plan for achieving self-support ap-
18 proved by the State agency, as may be necessary for the
19 fulfillment of such plan;

20 (4) if such individual is not blind but is severely
21 disabled, the State agency (A) shall disregard the
22 first \$85 per month of earned income plus one-half of
23 earned income in excess of \$85 per month, and (B)
24 shall, for a period not in excess of twelve months, and
25 may, for a period not in excess of thirty-six months, dis-

1 regard such additional amounts of other income and re-
2 sources, in the case of any such individual who has a plan
3 for achieving self-support approved by the State agency,
4 as may be necessary for the fulfillment of the plan, but
5 only with respect to the part or parts of such period dur-
6 ing substantially all of which he is undergoing vocational
7 rehabilitation;

8 “(5) if such individual has attained age sixty-five
9 and is neither blind nor severely disabled, the State
10 agency may disregard not more than the first \$60 per
11 month of earned income plus one-half of the remainder
12 thereof; and

13 “(6) the State agency may, before disregarding any
14 amounts under the preceding paragraphs of this subsec-
15 tion, disregard not more than \$7.50 of any income.

16 For requirement of additional disregarding of income of
17 OASDI recipients in determining need for aid under the
18 plan, see section 1007 of the Social Security Amendments
19 of 1969.

20 “(b) A State plan must also provide that—

21 “(1) each eligible individual, other than one who
22 is a patient in a medical institution or is receiving insti-
23 tutional services in an intermediate care facility to which
24 section 1121 applies, shall receive financial assistance
25 in such amount as, when added to his income which is

1 not disregarded pursuant to subsection (a), will provide
2 a minimum of \$110 per month;

3 “(2) the standard of need applied for determining
4 eligibility for and amount of aid to the aged, blind, and
5 disabled shall not be lower than (A) the standard ap-
6 plied for this purpose under the State plan (approved
7 under this title) as in effect on the date of enactment of
8 part D of title IV of this Act, or (B) if there was no
9 such plan in effect for such State on such date, the stand-
10 ard of need which was applicable under—

11 “(i) the State plan which was in effect on such
12 date and was approved under title I, in the case of
13 any individual who is sixty-five years of age or older,

14 “(ii) the State plan in effect on such date and
15 approved under title X, in the case of an individual
16 who is blind, or

17 “(iii) the State plan in effect on such date and
18 approved under title XIV, in the case of an individ-
19 ual who is severely disabled,

20 except that if two or more of clauses (i), (ii), and (iii)
21 are applicable to an individual, the standard of need
22 applied with respect to such individual may not be lower
23 than the higher (or highest) of the standards under the
24 applicable plans, and except that if none of such clauses
25 is applicable to an individual, the standard of need

1 applied with respect to such individual may not be lower
 2 than the higher (or highest) of the standards under the
 3 State plans approved under titles I, X, and XIV which
 4 were in effect on such date; and

5 “(3) no aid will be furnished to any individual
 6 under the State plan for any period with respect to
 7 which he is considered a member of a family receiving
 8 family assistance benefits under part D of title IV or
 9 supplementary payments pursuant to part E thereof, or
 10 training allowances under part C thereof, for purposes of
 11 determining the amount of such benefits, payments, or
 12 allowances (but this paragraph shall not apply to any
 13 individual, otherwise considered a member of such a
 14 family, if he elects in such manner and form as the Sec-
 15 retary may prescribe not to be considered a member
 16 of such a family).

17 “(c) For special provisions applicable to Puerto Rico,
 18 the Virgin Islands, and Guam, see section 1108 (e).

19 “PAYMENTS TO STATES FOR AID TO THE AGED, BLIND,
 20 AND DISABLED

21 “SEC. 1604. From the sums appropriated therefor, the
 22 Secretary shall pay to each State which has a plan approved
 23 under this title, for each calendar quarter, an amount equal

1 to the sum of the following proportions of the total amounts
2 expended during each month of such quarter as aid to the
3 aged, blind, and disabled under the State plan—

4 “(1) 90 per centum of such expenditures, not
5 counting so much of any expenditures as exceeds the
6 product of \$65 multiplied by the total number of recipi-
7 ents of such aid for such month; plus

8 “(2) 25 per centum of the amount by which such
9 expenditures exceed the maximum which may be counted
10 under paragraph (1), not counting so much of any
11 expenditures with respect to such month as exceeds the
12 product of the amount which, as determined by the Sec-
13 retary, is the maximum permissible level of assistance per
14 person in which the Federal Government will partici-
15 pate financially, multiplied by the total number of recipi-
16 ents of such aid for such month.

17 In the case of any individual in Puerto Rico, the Virgin
18 Islands, or Guam, the maximum permissible level of assist-
19 ance under paragraph (2) may be lower than in the case
20 of individuals in the other States. For other special provisions
21 applicable to Puerto Rico, the Virgin Islands, and Guam, see
22 section 1108 (e).

1 **"ALTERNATE PROVISION FOR DIRECT FEDERAL PAYMENTS**
2 **TO INDIVIDUALS**

3 "SEC. 1605. The Secretary may enter into an agreement
4 with a State under which he will, on behalf of the State,
5 pay aid to the aged, blind, and disabled directly to individuals
6 in the State under the State's plan approved under this title
7 and perform such other functions of the State in connection
8 with such payments as may be agreed upon. In such case
9 payments shall not be made as provided in section 1604
10 and the agreement shall also provide for payment to the
11 Secretary by the State of its share of such aid (adjusted to
12 reflect the State's share of any overpayments recovered under
13 section 1606).

14 **"OVERPAYMENTS AND UNDERPAYMENTS**

15 "SEC. 1606. Whenever the Secretary finds that more or
16 less than the correct amount of payment has been made to
17 any person as a direct Federal payment pursuant to section
18 1605, proper adjustment or recovery shall, subject to the
19 succeeding provisions of this section, be made by appropriate
20 adjustments in future payments of the overpaid individual
21 or by recovery from him or his estate or payment to him.
22 The Secretary shall make such provision as he finds appro-
23 priate in the case of payment of more than the correct amount
24 of benefits with a view to avoiding penalizing individuals
25 who were without fault in connection with the overpayment,

1 if adjustment or recovery on account of such overpayment
2 in such case would defeat the purposes of this title, or be
3 against equity or good conscience, or (because of the small
4 amount involved) impede efficient or effective administration.

5 "OPERATION OF STATE PLANS

6 "SEC. 1607. If the Secretary, after reasonable notice and
7 opportunity for hearing to the State agency administering
8 or supervising the administration of the State plan approved
9 under this title, finds—

10 "(1) that the plan no longer complies with the
11 provisions of sections 1602 and 1603; or

12 "(2) that in the administration of the plan there is
13 a failure to comply substantially with any such provision;
14 the Secretary shall notify such State agency that all, or such
15 portion as he deems appropriate, of any further payments
16 will not be made to the State or individuals within the State
17 under this title (or, in his discretion, that payments will be
18 limited to categories under or parts of the State plan not af-
19 fected by such failure), until the Secretary is satisfied that
20 there will no longer be any such failure to comply. Until he
21 is so satisfied he shall make no such further payments to the
22 State or individuals in the State under this title (or shall
23 limit payments to categories under or parts of the State plan
24 not affected by such failure).

1 as likely to prevent or reduce dependency, so pro-
2 vided to the applicants for or recipients of aid, or

3 “(C) any of the services prescribed pursuant to
4 subsection (a), and any of the services specified in
5 subparagraph (B) of this paragraph, which the
6 Secretary may specify as appropriate for individuals
7 who, within such period or periods as the Secretary
8 may prescribe, have been or are likely to become
9 applicants for or recipients of aid under the plan,
10 if such services are requested by the individuals and
11 are provided to them in accordance with subsection
12 (c), or

13 “(D) the training of personnel employed or
14 preparing for employment by the State agency or
15 by the local agency administering the plan in the
16 political subdivision; plus

17 “(2) one-half of so much of such expenditures (not
18 included under paragraph (1)) as are for services pro-
19 vided (in accordance with subsection (c)) to applicants
20 for or recipients of aid under the plan, and to individuals
21 requesting such services who (within such period or
22 periods as the Secretary may prescribe) have been or
23 are likely to become applicants for or recipients of such
24 aid; plus

25 “(3) one-half of the remainder of such expenditures.

1 “(c) The services referred to in paragraphs (1) and
2 (2) of subsection (b) shall, except to the extent specified
3 by the Secretary, include only—

4 “(1) services provided by the staff of the State
5 agency, or the local agency administering the State plan
6 in the political subdivision (but no funds authorized
7 under this title shall be available for services defined as
8 vocational rehabilitation services under the Vocational
9 Rehabilitation Act (A) which are available to individ-
10 uals in need of them under programs for their rehabilita-
11 tion carried on under a State plan approved under that
12 Act, or (B) which the State agency or agencies admin-
13 istering or supervising the administration of the State
14 plan approved under that Act are able and willing to
15 provide if reimbursed for the cost thereof pursuant to
16 agreement under paragraph (2), if provided by such
17 staff), and

18 “(2) subject to limitations prescribed by the Sec-
19 retary, services which in the judgment of the State
20 agency cannot be as economically or as effectively pro-
21 vided by the staff of that State or local agency and are
22 not otherwise reasonably available to individuals in need
23 of them, and which are provided, pursuant to agreement
24 with the State agency, by the State health authority or
25 the State agency or agencies administering or supervis-

1 ing the administration of the State plan for vocational
2 rehabilitation services approved under the Vocational
3 Rehabilitation Act or by any other State agency which
4 the Secretary may determine to be appropriate (whether
5 provided by its staff or by contract with public (local)
6 or nonprofit private agencies).

7 Services described in clause (B) of paragraph (1) may be
8 provided only pursuant to agreement with the State agency
9 or agencies administering or supervising the administration of
10 the State plan for vocational rehabilitation services approved
11 under the Vocational Rehabilitation Act.

12 “(d) The portion of the amount expended for admin-
13 istration of the State plan to which paragraph (1) of
14 subsection (b) applies and the portion thereof to which
15 paragraphs (2) and (3) of subsection (b) apply shall be
16 determined in accordance with such methods and procedures
17 as may be permitted by the Secretary.

18 “(e) In the case of any State whose plan approved
19 under section 1602 does not meet the requirements of
20 subsection (a) of this section, there shall be paid to the
21 State, in lieu of the amount provided for under subsection
22 (b), an amount equal to one-half the total of the sums
23 expended during each quarter as found necessary by the
24 Secretary for the proper and efficient administration of the
25 State plan, including services referred to in subsections (b)

1 and (c) and provided in accordance with the provisions of
2 those subsections.

3 “(f) In the case of any State whose State plan in-
4 cluded a provision meeting the requirements of subsection
5 (a), but with respect to which the Secretary finds, after
6 reasonable notice and opportunity for hearing to the State
7 agency administering or supervising the administration of
8 the plan, that—

9 “(1) the provision no longer complies with the
10 requirements of subsection (a), or

11 “(2) in the administration of the plan there is a
12 failure to comply substantially with such provision,
13 the Secretary shall notify the State agency that all, or such
14 portion as he deems appropriate, of any further payments
15 will not be made to the State under subsection (b) until
16 he is satisfied that there will no longer be any such failure
17 to comply. Until the Secretary is so satisfied, no such fur-
18 ther payments with respect to the administration of and
19 services under the State plan shall be made, but, instead,
20 such payments shall be made, subject to the other provisions
21 of this title, under subsection (e).

22 “COMPUTATION OF PAYMENTS TO STATES

23 “SEC. 1609. (a) (1) Prior to the beginning of each
24 quarter, the Secretary shall estimate the amount to which a
25 State will be entitled under sections 1604 and 1608 for

1 that quarter, such estimates to be based on (A) a report
2 filed by the State containing its estimate of the total sum
3 to be expended in that quarter in accordance with the pro-
4 visions of sections 1604 and 1608, and stating the amount
5 appropriated or made available by the State and its political
6 subdivisions for such expenditures in that quarter, and, if
7 such amount is less than the State's proportionate share of the
8 total sum of such estimated expenditures, the source or
9 sources from which the difference is expected to be derived,
10 and (B) such other investigation as the Secretary may find
11 necessary.

12 “(2) The Secretary shall then pay in such installments
13 as he may determine, the amount so estimated, reduced or
14 increased to the extent of any overpayment or underpay-
15 ment which the Secretary determines was made under this
16 section to the State for any prior quarter and with respect
17 to which adjustment has not already been made under this
18 subsection.

19 “(b) The pro rata share to which the United States is
20 equitably entitled, as determined by the Secretary, of the
21 net amount recovered during any quarter by a State or
22 political subdivision thereof with respect to aid furnished
23 under the State plan, but excluding any amount of such aid
24 recovered from the estate of a deceased recipient which is not

1 in excess of the amount expended by the State or any political
2 subdivision thereof for the funeral expenses of the deceased,
3 shall be considered an overpayment to be adjusted under
4 subsection (a) (2).

5 “(c) Upon the making of any estimate by the Secre-
6 tary under this section, any appropriations available for
7 payments under this title shall be deemed obligated.

8 “DEFINITION

9 “SEC. 1610. For purposes of this title, the term ‘aid to
10 the aged, blind, and disabled’ means money payments to
11 needy individuals who are 65 years of age or older, are blind,
12 or are severely disabled, but such term does not include—

13 “(1) any such payments to any individual who is
14 an inmate of a public institution (except as a patient in
15 a medical institution) ; or

16 “(2) any such payments to any individual who has
17 not attained 65 years of age and who is a patient
18 in an institution for tuberculosis or mental diseases.

19 Such term also includes payments which are not included
20 within the meaning of such term under the preceding sen-
21 tence, but which would be so included except that they are
22 made on behalf of such a needy individual to another indi-
23 vidual who (as determined in accordance with standards
24 prescribed by the Secretary) is interested in or concerned
25 with the welfare of such needy individual, but only with

1 respect to a State whose State plan approved under section
2 1602 includes provision for—

3 “(A) determination by the State agency that the
4 needy individual has, by reason of his physical or mental
5 condition, such inability to manage funds that making
6 payments to him would be contrary to his welfare and,
7 therefore, it is necessary to provide such aid through pay-
8 ments described in this sentence;

9 “(B) making such payments only in cases in which
10 the payment will, under the rules otherwise applicable
11 under the State plan for determining need and the
12 amount of aid to the aged, blind, and disabled to be paid
13 (and in conjunction with other income and resources),
14 meet all the need of the individuals with respect to whom
15 such payments are made;

16 “(C) undertaking and continuing special efforts to
17 protect the welfare of such individuals and to improve,
18 to the extent possible, his capacity for self-care and to
19 manage funds;

20 “(D) periodic review by the State agency of the
21 determination under clause (A) to ascertain whether
22 conditions justifying such determination still exist, with
23 provision for termination of the payments if they do not
24 and for seeking judicial appointment of a guardian, or
25 other legal representative, as described in section 1111,

1 if and when it appears that such action will best serve
2 the interests of the needy individual; and

3 “(E) opportunity for a fair hearing before the State
4 agency on the determination referred to in clause (A)
5 for any individual with respect to whom it is made.

6 Whether an individual is blind or severely disabled shall be
7 determined for purposes of this title in accordance with
8 criteria prescribed by the Secretary.”

9 REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL
10 SECURITY ACT

11 SEC. 202. Titles I, X, and XIV of the Social Security
12 Act (42 U.S.C. 301 et seq., 1201 et seq., and 1351 et
13 seq.) are hereby repealed.

14 ADDITIONAL DISREGARDING OF INCOME OF OASDI RECIPI-
15 ENTS IN DETERMINING NEED FOR AID TO THE AGED,
16 BLIND, AND DISABLED

17 SEC. 203. Section 1007 of the Social Security Amend-
18 ments of 1969 is amended by striking out “and before July
19 1970”.

20 TRANSITION PROVISION RELATING TO OVERPAYMENTS
21 AND UNDERPAYMENTS

22 SEC. 204. In the case of any State which has a State
23 plan approved under title I, X, XIV, or XVI of the Social
24 Security Act as in effect prior to the enactment of this sec-
25 tion, any overpayment or underpayment which the Secretary

1 determines was made to such State under section 3, 1003,
2 1403, or 1603 of such Act with respect to a period before
3 the approval of a plan under title XVI as amended by this
4 Act, and with respect to which adjustment has not already
5 been made under subsection (b) of such section 3, 1003,
6 1403, or 1603, shall, for purposes of section 1609 (a) of such
7 Act as herein amended, be considered an overpayment or
8 underpayment (as the case may be) made under title XVI
9 of such Act as herein amended.

10 **TRANSITION PROVISION RELATING TO DEFINITIONS OF**
11 **BLINDNESS AND DISABILITY**

12 **SEC. 205.** In the case of any State which has in operation
13 a plan of aid to the blind under title X, aid to the permanently
14 and totally disabled under title XIV, or aid to the aged, blind,
15 or disabled under title XVI, of the Social Security Act as
16 in effect prior to the enactment of this Act, the State plan of
17 such State submitted under title XVI of such Act as amended
18 by this Act shall not be denied approval thereunder, with
19 respect to the period ending with the first July 1 which
20 follows the close of the first regular session of the legislature
21 of such State which begins after the enactment of this Act,
22 by reason of its failure to include therein a test of disability
23 or blindness different from that included in the State's plan
24 (approved under such title X, XIV or XVI of such Act)
25 as in effect on the date of the enactment of this Act.

1 plan approved under title XVI or XIX, or eligibility for
2 and amount of payments pursuant to part D or E of title
3 IV, shall not be taken into consideration in determining the
4 eligibility for and amount of such aid, assistance, or payments
5 for any other individual under such other State plan or such
6 part D or E.”;

7 (5) (A) by striking out “I, X, XIV, and” in sec-
8 tion 1111, and

9 (B) by striking out “part A” in such section and
10 inserting in lieu thereof “parts D and E”;

11 (6) (A) by striking out “I, X, XIV,” in the mat-
12 ter preceding clause (a) in section 1115, and by strik-
13 ing out “part A” in such matter and inserting in lieu
14 thereof “parts A and E”,

15 (B) by striking out “of section 2, 402, 1002,
16 1402,” in clause (a) of such section and inserting in lieu
17 thereof “of or pursuant to section 402. 452,” and

18 (C) by striking out “3. 403, 1003, 1403, 1603,”
19 in clause (b) of such section and inserting in lieu thereof
20 “403, 453, 1604, 1608.”;

21 (7) (A) by striking out “I, X, XIV,” in subsec-
22 tions (a) (1), (b), and (d) of section 1116, and

23 (B) by striking out “4, 404, 1004, 1404, 1604,”
24 in subsection (a) (3) of such section and inserting in
25 lieu thereof “404, 1607, 1608.”;

1 (8) by repealing section 1118;

2 (9) (A) by striking out "I, X, XIV," in section
3 1119,

4 (B) by striking out "part A" in such section and in-
5 serting in lieu thereof "services under a State plan ap-
6 proved under part A", and

7 (C) by striking out "3 (a), 403 (a), 1003 (a),
8 1403 (a), or 1603 (a)" in such section and inserting in
9 lieu thereof "403 (a) or 1604"; and

10 (10) (A) by striking out "a plan for old-age assist-
11 ance, approved under title I, a plan for aid to the blind,
12 approved under title X, a plan for aid to the permanently
13 and totally disabled, approved under title XIV, or a plan
14 for aid to the aged, blind, or disabled" in section 1121
15 (a) and inserting in lieu thereof "a plan for aid to the
16 aged, blind, and disabled", and

17 (B) by inserting "(other than a public nonmedical
18 facility)" in such section after "intermediate care facili-
19 ties" the first time it appears.

20 **AMENDMENTS TO TITLE XVIII**

21 **SEC. 303.** Title XVIII of the Social Security Act is
22 amended—

23 (1) (A) by striking out "title I or" in section 1843

24 (b) (1),

1 (B) by striking out "all of the plans" in section
2 1843 (b) (2) and inserting in lieu thereof "the plan",
3 and

4 (C) by striking out "titles I, X, XIV, and XVI, and
5 part A" in section 1843 (b) (2) and inserting in lieu
6 thereof "title XVI and under part E";

7 (2) (A) by striking out "title I, X, XIV, or XVI
8 or part A" in section 1843 (f) both times it appears and
9 inserting in lieu thereof "title XVI and under part E";
10 and

11 (B) by striking out "title I, XVI, or XIX" in such
12 section and inserting in lieu thereof "title XVI or XIX";
13 and

14 (3) by striking out "I, XVI" in section 1863 and
15 inserting in lieu thereof "XVI".

16 AMENDMENTS TO TITLE XIX

17 SEC. 304. Title XIX of the Social Security Act is
18 amended—

19 (1) by striking out "families with dependent chil-
20 dren" and "permanently and totally" in clause (1) of
21 the first sentence of section 1901 and inserting in lieu
22 thereof "needy families with children" and "severely",
23 respectively;

1 (2) by striking out "I or" in section 1902 (a) (5) ;
2 (3) (A) by striking out everything in section 1902
3 (a) (10) which precedes clause (A) and inserting in
4 lieu thereof the following:

5 " (10) provide for making medical assistance
6 available to all individuals receiving assistance to
7 needy families with children as defined in section
8 405 (b), receiving payments under an agreement
9 pursuant to part E of title IV, or receiving aid to the
10 aged, blind, and disabled under a State plan ap-
11 proved under title XVI; and—", and

12 (B) by inserting "or payments under such part E"
13 after "such plan" each time it appears in clauses (A)
14 and (B) of such section;

15 (4) by striking out section 1902 (a) (13) (B) and
16 inserting in lieu thereof the following:

17 "(B) in the case of individuals receiving assist-
18 ance to needy families with children as defined in
19 section 405 (b), receiving payments under an agree-
20 ment pursuant to part E of title IV, or receiving aid
21 to the aged, blind, and disabled under a State plan
22 approved under title XVI, for the inclusion of at
23 least the care and services listed in clauses (1)
24 through (5) of section 1905 (a), and";

25 (5) by striking out "aid or assistance under State

1 plans approved under titles I, X, XIV, XVI, and
2 part A of title IV," in section 1902 (a) (14) (A) and
3 inserting in lieu thereof "assistance to needy families with
4 children as defined in section 405 (b), receiving pay-
5 ments under an agreement pursuant to part E of title IV,
6 or receiving aid to the aged, blind, and disabled under a
7 State plan approved under title XVI,";

8 (6) (A) by striking out "aid or assistance under the
9 State's plan approved under title I, X, XIV, or XVI, or
10 part A of title IV," in so much of section 1902 (a) (17)
11 as precedes clause (A) and inserting in lieu thereof
12 "assistance to needy families with children as defined in
13 section 405 (b), payments under an agreement pursuant
14 to part E of title IV, or aid under a State plan approved
15 under title XVI,"

16 (B) by striking out "aid or assistance in the
17 form of money payments under a State plan approved
18 under title I, X, XIV, or XVI, or part A of title
19 IV" in clause (B) of such section and inserting in
20 lieu thereof "assistance to needy families with children
21 as defined in section 405 (b), payments under an agree-
22 ment pursuant to part E of title IV, or aid to the aged,
23 blind, and disabled under a State plan approved under
24 title XVI", and

25 (C) by striking out "aid or assistance under such

1 plan" in such clause (B) and inserting in lieu thereof
2 "assistance, aid, or payments";

3 (7) by striking out "section 3 (a) (4) (A) (i)
4 and (ii) or section 1603 (a) (4) (A) (i) and (ii)" in
5 section 1902 (a) (20) (C) and inserting in lieu thereof
6 "section 1608 (b) (1) (A) and (B)";

7 (8) by striking out "title X (or title XVI, insofar
8 as it relates to the blind) was different from the State
9 agency which administered or supervised the adminis-
10 tration of the State plan approved under title I (or title
11 XVI, insofar as it relates to the aged), the State agency
12 which administered or supervised the administration of
13 such plan approved under title X (or title XVI, insofar
14 as it relates to the blind)" in the last sentence of sec-
15 tion 1902 (a) and inserting in lieu thereof "title XVI,
16 insofar as it relates to the blind, was different from
17 the agency which administered or supervised the ad-
18 ministration of such plan insofar as it relates to the aged,
19 the agency which administered or supervised the admin-
20 istration of the plan insofar as it relates to the blind";

21 (9) by striking out "section 406 (a) (2)" in sec-
22 tion 1902 (b) (2) and inserting in lieu thereof "section
23 405 (b)";

24 (10) by striking out "I, X, XIV, or XVI, or part
25 A" in section 1902 (c) and inserting in lieu thereof

1 “XVI or under an agreement under part E”;

2 (11) by striking out “I, X, XIV, or XVI, or part
3 A” in section 1903 (a) (1) and inserting in lieu thereof
4 “XVI or under an agreement under part E”;

5 (12) by repealing section 1903 (c) ;

6 (13) by striking out “highest amount which would
7 ordinarily be paid to a family of the same size without
8 any income or resources in the form of money payments,
9 under the plan of the State approved under part A of
10 title IV of this Act” in section 1903 (f) (1) (B) (i) and
11 inserting in lieu thereof “highest total amount which
12 would ordinarily be paid under parts D and E of title IV
13 to a family of the same size without income or resources,
14 eligible in that State for money payments under part E
15 of title IV of this Act”;

16 (14) (A) by striking out “the ‘highest amount
17 which would ordinarily be paid’ to such family under the
18 State’s plan approved under part A of title IV of this
19 Act” in section 1903 (f) (3) and inserting in lieu thereof
20 “the ‘highest total amount which would ordinarily be
21 paid’ to such family”, and

22 (B) by striking out “section 408” in such section
23 and inserting in lieu thereof “section 406”;

24 (15) by striking out “I, X, XIV, or XVI, of
25 part A” in section 1903 (f) (4) (A) and inserting in

1 lieu thereof "XVI or under an agreement under part
2 E"; and

3 (16) (A) by striking out "aid or assistance under
4 the State's plan approved under title I, X, XIV,
5 or XVI, or part A of title VI, who are—" in the
6 matter preceding clause (i) in section 1905 (a) and
7 inserting in lieu thereof "payments under part E of title
8 IV or aid under a State plan approved under title XVI,
9 who are—",

10 (B) by striking out clause (ii) of such section and
11 inserting in lieu thereof the following:

12 "(ii) receiving assistance to needy families with
13 children as defined in section 405 (b), or payments pur-
14 suant to an agreement under part E of title IV,"

15 (C) by striking out clause (v) of such section and
16 inserting in lieu thereof the following:

17 "(iv) severely disabled as defined by the Secretary
18 in accordance with section 1602 (b) (4)," and

19 (D) by striking out "or assistance" and "I, X,
20 XIV, or" in clause (vi), and in the second sentence of
21 such section.

22 TITLE IV—GENERAL

23 EFFECTIVE DATE

24 SEC. 401. The amendments and repeals made by this Act
25 shall become effective, and section 9 of the Act of April 19,

1 1950 (25 U.S.C. 639), is repealed effective, on July 1,
2 1971; except that—

3 (1) in the case of any State a statute of which
4 (on July 1, 1971) prevents it from making the supple-
5 mentary payments provided for in part E of title IV of
6 the Social Security Act, as amended by this Act, and
7 the legislature of which does not meet in a regular ses-
8 sion which closes after the enactment of this Act and on
9 or before July 1, 1971, the amendments and repeals
10 made by this Act, and such repeal, shall become ef-
11 fective with respect to individuals in such State on the
12 first July 1 which follows the close of the first regular
13 session of the legislature of such State which closes after
14 July 1, 1971, or (if earlier than such first July 1 after
15 July 1, 1971) on the first day of the first calendar quar-
16 ter following the date on which the State certifies it is
17 no longer so prevented from making such payments; and

18 (2) in the case of any State a statute of which (on
19 July 1, 1971) prevents it from complying with the
20 requirements of section 1602 of the Social Security Act,
21 as amended by this Act, and the legislature of which
22 does not meet in a regular session which closes after the
23 enactment of this Act and on or before July 1, 1971,
24 the amendments made by title II of this Act shall be-

1 come effective on the first July 1 which follows the
2 close of the first regular session of the legislature of
3 such State which closes after July 1, 1971, or (subject
4 to paragraph (1) of this section) on the earlier date
5 on which such State submits a plan meeting the require-
6 ments of such section 1602;

7 and except that section 436 of the Social Security Act, as
8 amended by this Act, shall be effective upon the enactment
9 of this Act.

10

SAVING PROVISION

11 SEC. 402. (a) The Secretary shall pay to any State
12 which has a State plan approved under title XVI of the Social
13 Security Act, as amended by this Act, and has in effect an
14 agreement under part E of title IV of such Act, for each
15 quarter beginning after June 30, 1971, and prior to July 1,
16 1973, in addition to the amount payable to such State under
17 such title and such agreement, an amount equal to the excess
18 of—

19 (1) (A) 70 per centum of the total of those pay-
20 ments for such quarter pursuant to such agreement which
21 are required under sections 451 and 452 of the Social
22 Security Act (as amended by this Act), plus (B) the
23 non-Federal share of expenditures for such quarter re-
24 quired under title XVI of the Social Security Act (as
25 amended by this Act) as aid to the aged, blind, and

1 disabled (as defined in subsection (b) (1) of this
2 section), over

3 (2) the non-Federal share of expenditures which
4 would have been made during such quarter as aid or
5 assistance under the plans of the State approved under
6 titles I, IV (part (A)), X, XIV, and XVI had they
7 continued in effect (as defined in subsection (b) (2) of
8 this section).

9 (b) For purposes of subsection (a)—

10 (1) the non-Federal share of expenditures for any
11 quarter required under title XVI of the Social Security
12 Act, referred to in clause (B) of subsection (a) (1),
13 means the difference between (A) the total of the ex-
14 penditures for such quarter under the plan approved un-
15 der such title as aid to the aged, blind, and disabled which
16 would have been included as aid to the aged, blind, or dis-
17 abled under the plan approved under such title as in effect
18 for June 1971 plus so much of the rest of such expendi-
19 tures as is required (as determined by the Secretary) by
20 reason of the amendments to such title made by this Act,
21 and (B) the total amounts determined under section
22 1604 of the Social Security Act for such State with re-
23 spect to such expenditures for such quarter; and

24 (2) the non-Federal share of expenditures which

1 would have been made during any quarter under ap-
2 proved State plans, referred to in subsection (a) (2),
3 means the difference between (A) the total of the ex-
4 penditures which would have been made as aid or assist-
5 ance (excluding emergency assistance specified in sec-
6 tion 406 (e) (1) (A) of the Social Security Act and
7 foster care under section 408 thereof) for such quarter
8 under the plans of such State approved under title I,
9 IV (part A), X, XIV, and XVI of such Act and in
10 effect in the month prior to the enactment of this Act
11 if they had continued in effect during such quarter and
12 if they had included (if they did not already do so) pay-
13 ments to dependent children of unemployed fathers au-
14 thorized by section 407 of the Social Security Act (as in
15 effect on the date of the enactment of this Act), and (B)
16 the total of the amounts which would have been deter-
17 mined under sections 3, 403, 1003, 1403, and 1603, or
18 under section 1118, of the Social Security Act for such
19 State with respect to such expenditures for such quarter.

20 **SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN**
21 **ISLANDS, AND GUAM**

22 **SEC. 403.** Section 1108 of the Social Security Act is
23 amended by adding at the end thereof the following new
24 subsection:

25 “(e) (1) In applying the provisions of sections 442 (a)

1 and (b), 443 (b) (2), 1603 (a) (1) and (b) (1), and
2 1604 (1) with respect to Puerto Rico, the Virgin Islands,
3 or Guam, the amounts to be used shall (instead of the \$500,
4 \$300, and \$1,500 in such section 442 (a), the \$500 and
5 \$300 in such section 442 (b), the \$30 in clauses (A) and
6 (B) of such section 443 (b) (2), the \$1,500 in such section
7 1603 (a) (1), the \$110 in such section 1603 (b) (1), and
8 the \$65 in section 1604 (1)) bear the same ratio to such
9 \$500, \$300, \$1,500, \$500, \$300, \$30, \$1,500, \$110, and
10 \$65 as the per capita incomes of Puerto Rico, the Virgin
11 Islands, and Guam, respectively, bear to the per capita
12 income of that one of the fifty States which has the lowest
13 per capita income; except that in no case may the amounts
14 so used exceed such \$500, \$300, \$1,500, \$500, \$300, \$30,
15 \$1,500, \$110, and \$65.

16 “(2) (A) The amounts to be used under such sections
17 in Puerto Rico, the Virgin Islands, and Guam shall be pro-
18 mulgated by the Secretary between July 1 and September
19 30 of each even-numbered year, on the basis of the average
20 per capita income of each State and of the United States for
21 the most recent calendar year for which satisfactory data are
22 available from the Department of Commerce. Such promul-
23 gation shall be effective for each of the two fiscal years in the
24 period beginning July 1 next succeeding such promulgation.

25 “(B) The term ‘United States’, for purposes of sub-

1 paragraph (A) only, means the fifty States and the District
2 of Columbia.

3 “(3) If the amounts which would otherwise be promul-
4 gated for any fiscal year for any of the three States referred
5 to in paragraph (1) would be lower than the amounts pro-
6 mulgated for such State for the immediately preceding period,
7 the amounts for such fiscal year shall be increased to the ex-
8 tent of the difference; and the amounts so increased shall
9 be the amounts promulgated for such year.”

10 **MEANING OF SECRETARY AND FISCAL YEAR**

11 **SEC. 404.** As used in this Act and in the amendments
12 made by this Act, the term “Secretary” means, unless the
13 context otherwise requires, the Secretary of Health, Educa-
14 tion, and Welfare; and the term “fiscal year” means a period
15 beginning with any July 1 and ending with the close of the
16 following June 30.

Passed the House of Representatives April 16, 1970.

Attest:

W. PAT JENNINGS,

Clerk.

MATERIAL RELATED

TO H.R. 16311

(Prepared by the Staff of the Committee on Finance)

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CHART 1 -- AID TO FAMILIES WITH DEPENDENT CHILDREN

Virtually all Federally shared cash assistance to families with children under present law is paid under the program of Aid to Families with Dependent Children (AFDC). Under Federal law families can qualify for cash assistance if the father is dead, incapacitated, absent from the home, or at the State's option, if the father is unemployed. At the present time 23 States have elected to have a program for the families of unemployed fathers.

Although Federal law and regulations establish limitations and requirements for Federal matching, the States establish their own standards of need for the determination of eligibility for AFDC. They also determine the amount of the payment which is actually made to recipient families.

In fiscal year 1969 the Federal Government contributed 54 percent of the total cost of AFDC payments. In recent years the percentages have been: 1965 - 55 percent, 1966 - 58.4 percent, 1967 - 55.7 percent and 1968 - 54.9 percent. In 1970, the Federal percentage will be an estimated 55 percent.

Although Federal law requires all States to disregard specified earnings in determining the amount of the payment which an individual family will receive, it prohibits the States from disregarding earnings in making the initial determination of eligibility. Thus, for example, a woman with three children whose monthly earnings are \$300 will be ineligible for AFDC if the State's needs standard is \$250.

Aid to Families with Dependent Children

PRESENT LAW:

- Families eligible because father is
 - dead
 - absent from home
 - incapacitated
 - unemployed (23 States)
- State determines needs standard, amount of payment
- In f.y. 1969, Federal Govt. paid 54% of cost nationally
- Generally, all income counted in determining initial eligibility

CHART 2 -- AFDC: CAUSE OF CHILD'S DEPENDENCY

Under the program of Aid to Families with Dependent Children, a child may receive assistance on the basis of the father's death, incapacity, or absence from the home. Since 1961 States have also been able to receive Federal matching funds to provide assistance to children in families in which the father is unemployed; 23 States now do so.

The program was originally designed to provide assistance primarily for fatherless homes, and in the early years of the program this type of family was the one most commonly assisted. Since the early years of the program, the number of families eligible because of the death of the father has actually decreased as more families have become eligible for survivor benefits under the Social Security system.

Although the number of children eligible because of the father's incapacity has increased steadily over the years (increasing from 227,000 in 1940 to 711,000 in 1969), the really significant growth has been in the category of children receiving assistance because of the father's absence from the home. The number of children in this group has grown from 826,000 in 1951 to 3,515,000 in 1969, with half of that growth occurring since 1965. In 1951 this category of children represented about half of all children on AFDC; in 1969 it represented more than three-fourths of all children.

The category of absence from the home includes families in which there is divorce, separation, desertion, illegitimacy, or imprisonment. Of all families receiving AFDC in 1969, about 28 percent were families in which the father was not married to the mother, and about 16 percent were families in which the father had deserted. Nearly 14 percent were in families which were divorced, and nearly 14 percent were families in which the parents were separated with or without a court decree.

AFDC: Cause of Child's Dependency

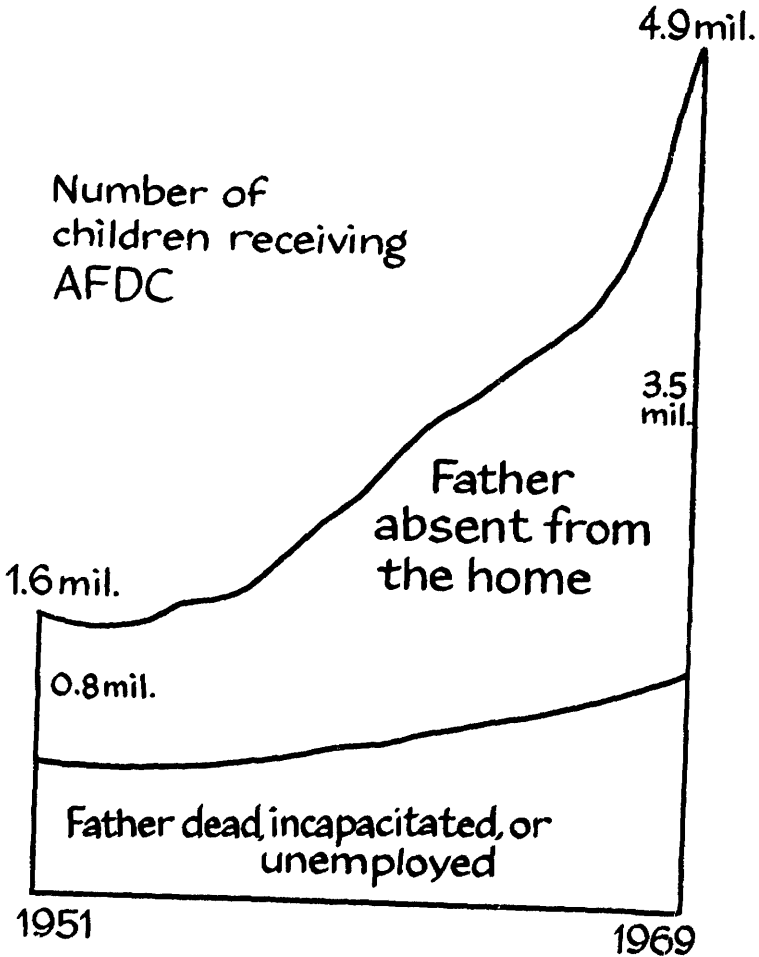


CHART 3 -- FAMILY ASSISTANCE PROGRAM

The Family Assistance Plan (FAP) would provide a basic benefit level of \$500 a year for each of the first two members of a family, and \$300 for each additional member. Thus, a family of four with no other income would be eligible to receive \$1600, all of which would be paid from Federal funds.

The Plan also includes requirements for registration with the employment service. In general, all heads of households, with certain exceptions, would be required to register as a condition of receiving assistance.

Unlike present law, which provides assistance only to families in certain circumstances (if the father is dead, incapacitated, absent from the home, or in some States, unemployed), FAP would cover all families with children which have countable income which is less than the FAP payment levels. Thus, it would cover the so-called "working poor," a group which under present law is not eligible for Federally shared assistance payments.

In determining what is countable income, both for purposes of eligibility and the amount of the payment, all unearned income would generally be counted, while a portion of earned income would be disregarded as a work incentive. Specifically, the following income would not be countable:

\$720 annually in family earnings plus one-half of additional earnings;

earnings of children;

the cost of child care necessary for training or employment;

training allowances;

the value of home produce;

the value of food stamps or other assistance based on need;

the amount of a scholarship used in paying tuition and fees;
and

irregular or infrequent income (up to \$30 a quarter).

Family Assistance Program

- \$500 each for first 2 family members
- \$300 for each additional member
- 100% Federal funds
- Generally, head of family must register for work or training
- Any family with countable income less than FAP payment eligible
- Generally, all unearned income is counted
- Special rules for earned income

CHART 4 -- STATE SUPPLEMENTARY PAYMENTS

In most States, payments to families with no income under AFDC are presently higher than what they would be under the Family Assistance Plan. These States would be required to supplement the Federal Family Assistance payments to the extent necessary to maintain January 1970 AFDC payment levels. States would, however, be permitted to reduce this present standard as necessary to bring them down to the poverty level as defined in the bill (\$3720 for a family of four). State supplemental payments would be required for all families in the categories presently eligible for AFDC, as well as families with an unemployed father in those 27 States which do not now have unemployed father programs. An estimated quarter million persons in families with an unemployed father would become eligible for assistance for the first time under H. R. 16311. Supplemental payments would not be required for families in which the father is employed (the so-called "working poor").

States would be reimbursed by the Federal government for 30% of their expenditures for supplemental family payments. There would be no Federal sharing, however, in that portion of the cost of supplemental payments related to a needs standard in excess of the poverty line, and no Federal matching would be provided for supplemental payments to the working poor by any State which might choose to make such payments.

In determining eligibility for State supplemental payments and the amount of such payments, States would be required to disregard a certain amount of earned income (generally \$720 per year plus 1/3 of earnings above \$720). Thus a woman with 3 children whose earnings total \$300 monthly will be eligible for State supplementation if the State's monthly AFDC needs standard is \$250 in January 1970, even though the family would not be eligible for AFDC today.

By making the disregard apply to initial eligibility determinations as well as to payment computations, the bill will require States to extend eligibility for assistance to an estimated million persons not presently eligible for AFDC.

State Supplementary Payments

- State must supplement FAP up to lower of
 - level of Jan. 1970 AFDC payment
 - poverty level
- 30% Federal matching (up to poverty level)
- Required when father unemployed
- Not required when father employed
- Portion of earned income disregarded both in determining eligibility and amount of payment
- More than one million recipients added to State welfare rolls

CHART 5 -- IMPACT OF H. R. 16311 -- STATE A

This chart gives examples of welfare payments under present law and under H. R. 16311 for a family of four persons in a State which presently provides AFDC payments which are sufficient to bring the family's income to \$3,000 (some 15 States have needs standards at about this level). Under AFDC the amount of earnings disregarded is \$30 per month, plus 1/3 of earnings above \$30 per month, plus an amount equal to the recipient's work expenses. Under the Family Assistance Plan and the State supplemental plan, the amounts disregarded are \$60 per month plus part of earnings above \$60 per month (1/2 in the case of the Family Assistance payments and, generally, 1/3 in the case of supplemental State payments).

The first example shows a family composed of a working mother with three children with earnings at \$2,000 per year, and with monthly work expenses of \$30. (The decrease in this family's net welfare payment under H. R. 16311 compared with present law is a result of the differences in the provisions relating to the disregard of earnings.)

The other examples concern a family of four headed by a father. It is assumed that this is one of the 23 States which now aids families with an unemployed father. Under regulations of the Department of Health, Education, and Welfare, any father working less than 30 hours a week must be considered unemployed; a State may consider a father unemployed if he works less than 35 hours a week.

In the examples on the chart, under both present law and under the provisions of H. R. 16311, the family with a father who has no earnings fares somewhat better in terms of total income than a family in which the father is fully employed at very low earnings.

A family with a father who is considered unemployed but has part-time earnings fares considerably better than if he were employed full-time at low earnings.

CHART FIVE

Impact of H.R. 16311 - State A

Needs standard for family of 4 -- \$3,000;
full need met; families with unemployed
fathers now aided

Family of 4 headed by-	Income under present law	Income under H.R. 16311
Mother, earnings of \$2,000, work expenses \$30 per mo.	AFDC \$2,267 Earnings <u>2,000</u> 4,267	FAP \$960 Suppl't 1,187 Earnings <u>2,000</u> 4,147
Unemployed father, no earnings	AFDC \$3,000 <u>3,000</u>	FAP \$1,600 Suppl't <u>1,400</u> 3,000
Unemployed father, part time earnings of \$1,000, work expenses \$15 per month	AFDC \$2,753 Earnings <u>1,000</u> 3,753	FAP \$1,460 Suppl't 1,353 Earnings <u>1,000</u> 3,813
Employed father, earnings of \$2,000, work expenses \$30 per month	Earnings \$2,000 <u>2,000</u>	FAP \$960 Earnings <u>2,000</u> 2,960
Unemployed father, earnings of \$2,000, work expenses \$30 per month	AFDC \$2,267 Earnings <u>2,000</u> 4,267	FAP \$960 Suppl't 1,187 Earnings <u>2,000</u> 4,147

CHART 6 -- IMPACT OF H. R. 16311 -- STATE B

This chart presents examples using the same families as in Chart 5. In this case, however, the State described provides AFDC payments based on a needs standard for a family of four of \$2200. This State is also one which does not provide AFDC payments for families with an unemployed father.

As in the preceding chart, the female-headed family receives the same total welfare payments under present law as under H. R. 16311 except for a slight difference attributable to changes in the earnings disregard provisions. The incomes of families headed by an unemployed father, however, are substantially increased under H. R. 16311 since these families, which are now ineligible for any welfare payment in this State, would become eligible for both a Federal Family Assistance payment and a supplemental State payment. (Although the chart shows no Federally shared assistance for a family with a totally unemployed father, the family may be receiving assistance from some other source such as a State general assistance plan operated with no Federal funding). H. R. 16311 would also increase the income of families with an employed father since they would be eligible for a Federal Family Assistance payment although not for a State supplemental payment.

Under H. R. 16311, a family with a father who was fully employed and earning \$2000 per year would have slightly less income than the family of an unemployed father with part-time earnings of \$1000 and about \$400 less income than a family in which the father earned the same \$2000 but on a part-time rather than full-time basis. If the father were totally unemployed with no earnings, his family would have an income of \$2200.

CHART SIX

Impact of H.R. 16311 - State B

Needs standard for family of 4 -- \$2,200;
full need met; families with unemployed
fathers not now aided

Family of 4 headed by--	Income under present law	Income under H. R. 16311
Mother, earnings of \$2,000, work expenses \$30 per month	AFDC \$1,467 Earnings <u>2,000</u> 3,467	FAP \$960 Suppl't 387 Earnings <u>2,000</u> 3,347
Unemployed father, no earnings	None	FAP \$1600 Suppl't <u>600</u> 2,200
Unemployed father, part time earnings of \$1,000, work expenses \$15 per month	Earnings \$1,000 <u>1,000</u>	FAP \$1,460 Suppl't 553 Earnings <u>1,000</u> 3,013
Employed father, earnings of \$2,000, work expenses \$30 per month	Earnings \$2,000 <u>2,000</u>	FAP \$960 Earnings <u>2,000</u> 2,960
Unemployed father, earnings of \$2,000, work expenses \$30 per month	Earnings <u>2,000</u> 2,000	FAP \$960 Suppl't 387 Earnings <u>2,000</u> 3,347

CHART 7 -- IMPACT OF H. R. 16311 -- NEW YORK CITY

This chart gives examples of welfare payments under present law and under H. R. 16311 for different families in New York City. Since the New York needs standards exceeds the poverty line as defined in the bill, no Federal matching would be provided for that part of the State payment related to the portion of the needs standard which exceeds the poverty line. These unmatched payments are shown in this chart as "State funds."

The first example describes a family composed of a mother and three children in which the mother is employed on a full-time basis for the minimum wage of \$1.60 per hour, earning a total of \$3320 per year. This family would get close to \$500 less per year under H. R. 16311 than it gets now. This reduction would result from the elimination of the present \$60 allowance for work expenses as a separate item in computing the amount of earnings to be disregarded.

In each of the other three examples the payments under present law and under H. R. 16311 would be the same. This is substantially different from the results for similar families in the States described in the preceding two charts. New York, unlike most States, not only provides AFDC payments for families with unemployed fathers but also makes payments to low-income families headed by a fully employed father. This general assistance program is financed entirely with State funds.

In this New York example, under both present law and H. R. 16311, a family of four with a father working full-time for the minimum wage would have an income of \$10 per month more than if the father worked sporadically and earned only \$600. Full-time earnings of \$3320 would give this family a net increase in annual income of \$720 over what it would have if the father were not working at all.

CHART SEVEN

Impact of H.R. 16311-- New York City

Needs standard for family of 4 -- \$3,960;
full need met; families with both employed
and unemployed fathers now aided

Family of 4 headed by-	Income under present law	Income under H.R. 16311
Mother, earnings of \$3,320, work expense allowance \$60 per month	AFDC \$2,707 Earnings <u>3,320</u> 6,027	FAP \$300 Suppl't 1687 Earnings 3,320 State funds <u>240</u> 5,547
Unemployed father, no earnings	AFDC \$3,960 3,960	FAP \$1,600 Suppl't 2,120 State funds <u>240</u> 3,960
Unemployed father, part time earnings of \$600, work expenses \$15 per month	AFDC \$3,960 Earnings <u>600</u> 4,560	FAP \$1,600 Suppl't 2,120 Earnings 600 State funds <u>240</u> 4,560
Employed father, earnings of \$3,320, work expense allowance \$60 per mo.	Earnings \$3,320 State funds <u>1,360</u> 4,680	FAP \$300 Earnings 3,320 State funds <u>1,060</u> 4,680

CHART 8 -- TREATMENT UNDER H. R. 16311 OF
THE NON-WORKING AND WORKING POOR

Both the non-working and the working poor would be eligible for the basic Family Assistance payment.

In addition, the non-working poor would be eligible for supplementary payments from the States. However, H. R. 16311 would not require the States to supplement the basic FAP payment for the working poor, and would not provide for Federal matching for those States which might elect to provide supplements to this group.

In addition, the non-working poor would be eligible for Federally aided Medicaid, but the working poor would not be.

CHART EIGHT

Treatment under H.R. 16311 of

non-working
poor

working
poor

- | | |
|---|--------------------------------------|
| • Eligible for FAP | • Eligible for FAP |
| • State supplementation required (in most States) | • State supplementation not required |
| • Eligible for Medicaid | • Not eligible for Medicaid |

CHART 9 -- FAMILIES RECEIVING PAYMENTS

This chart compares projections which have been made by the Department of Health, Education, and Welfare, concerning the number of families with children who would be receiving cash assistance payments under present law and under the proposed Family Assistance Plan. Families eligible for Family Assistance would, in general, include all those eligible for AFDC and many who are not eligible (primarily, families of the working poor). The AFDC projection shows an increase in the number of families eligible while the Family Assistance Plan shows a decrease over the same period.

The projected increase in the present AFDC program is from 2.2 million families in 1972 to 3.1 million families in 1976. This projection is based on an assumption that experience of the past 3 years with respect to the growth of the welfare rolls-- whether from social causes, population growth, or increases in payment level--will continue.

The projection of the Department of Health, Education, and Welfare concerning the Family Assistance Plan indicate a decrease in the number of families receiving payments from 3.7 million families in 1972 to 2.7 million in 1976. This projected decrease is based not on past experience under present welfare programs but on an assumption that the income of families will rise over the 5-year period removing many of them from eligibility. The unemployment rate is assumed to remain constant at 3.5 percent, and there is no assumption that persons potentially eligible will, as a result of the new program, increase or decrease their work effort or otherwise change their behavior to a sufficient extent to affect the estimated number of persons eligible.

The projections of the Department of Health, Education, and Welfare are based on data developed for 1967 and 1968. In those years, the rate of unemployment was generally close to 3.5 percent. It should be noted, however, that in recent months the unemployment rate has risen to over 4 percent.

CHART NINE

Families Receiving Payments

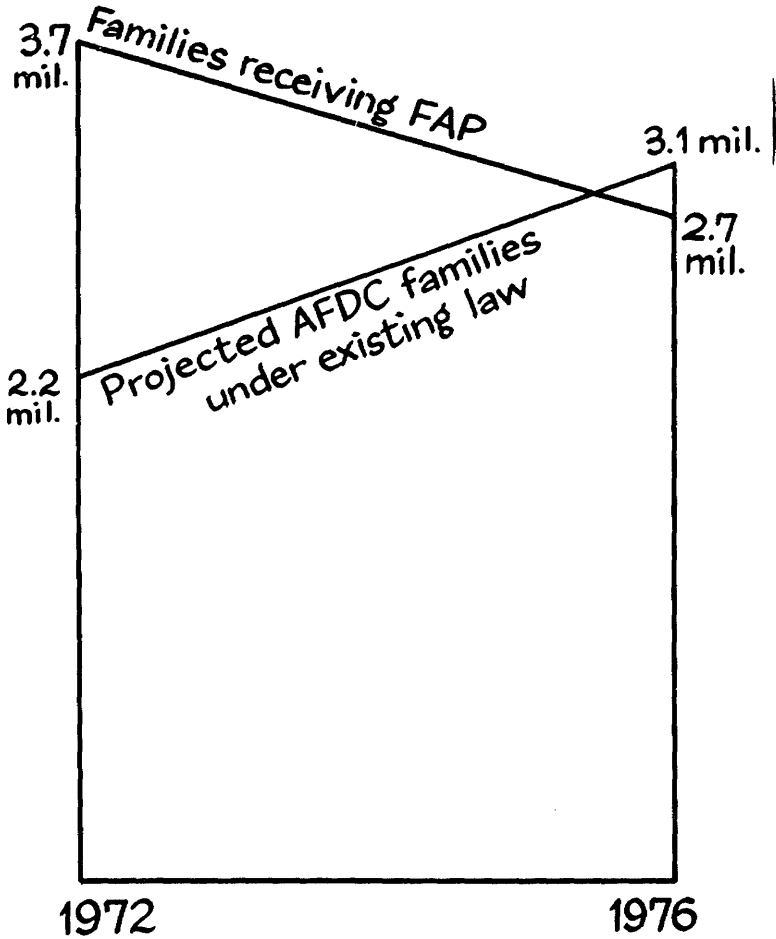


CHART 10 -- FEDERAL COST OF PAYMENTS
TO FAMILIES

The Department of Health, Education, and Welfare has estimated the cost to the Federal Government of payments to families under H. R. 16311 at \$4.7 billion for fiscal year 1972. This is \$1.8 billion more than the Department's projection of AFDC costs for that year. Under their projections and assumptions, however, it is estimated that by 1976 the Federal cost of payments to families under H. R. 16311 would be less than the projected \$5 billion Federal cost of AFDC.

In arriving at future cost figures for AFDC, the Administration has merely projected the increases which the program has experienced over the last three years. Between fiscal years 1970 and 1971 the AFDC rolls are estimated in the budget to increase by 224,000 families and the average monthly payment per family by \$3.15.

The estimates for Federal costs for FAP are based on the assumption that the levels of family assistance payments will not be increased, and that there will be no change in behavior patterns of recipients if the House bill is enacted. It should also be noted that the estimates are based on an unemployment rate of 3.5%.

The Administration's cost estimates for the Family Assistance Plan have been projected on the basis of a 1967 census survey made at the request of the Office of Economic Opportunity. The survey included 30,000 families and the income data acquired was for the 1966 calendar year.

If it is assumed that the number of families aided under H. R. 16311 will increase at about the same annual rate as the number of AFDC families are projected to increase under present law, Federal costs would rise to \$6.5 billion in 1976.

If it is assumed that the number of families aided under H. R. 16311 will not decline annually, Federal costs would rise to at least \$6.5 billion in 1976.

Federal Cost of Payments to Families

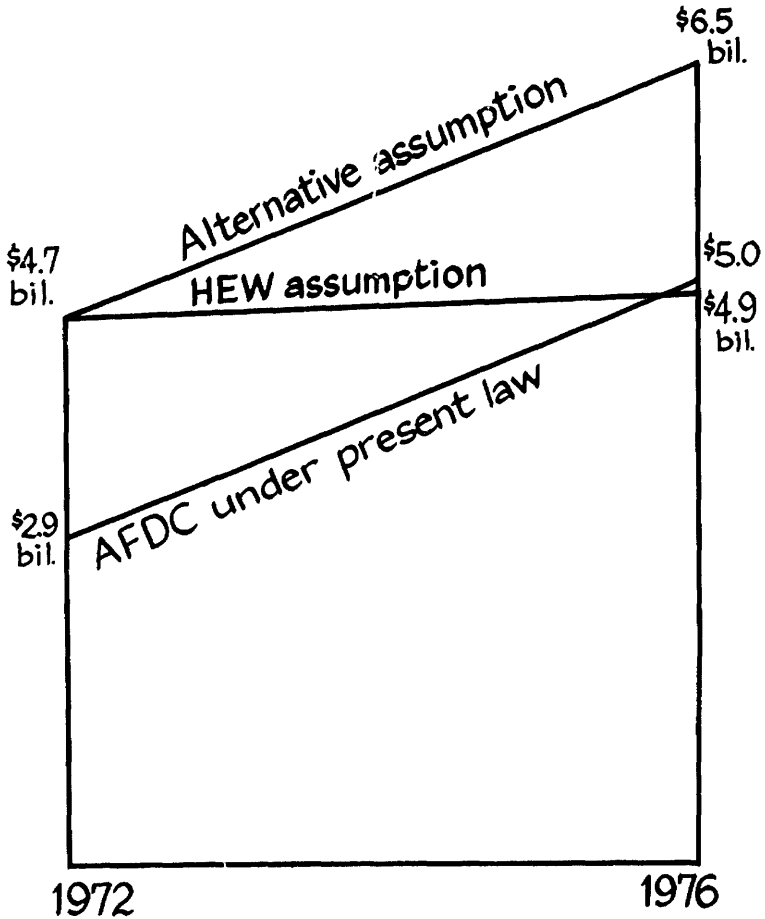


CHART 11 -- FAP: FEDERAL REVENUE SHARING

This chart shows the extent to which the increased Federal expenditures for payment to families will be used to replace States' dollars presently spent on welfare. In 1972, the estimated cost to the Federal treasury of the Family Assistance Plan is \$4.7 billion. This is an increase of \$1.8 billion over the anticipated 1972 Federal AFDC costs of \$2.9 billion. Of this \$1.8 billion, about \$1/2 billion will constitute fiscal relief to the States, while the remaining \$1.3 billion will go to recipients.

CHART ELEVEN

FAP: Revenue Sharing

Additional Federal Dollars in
1972

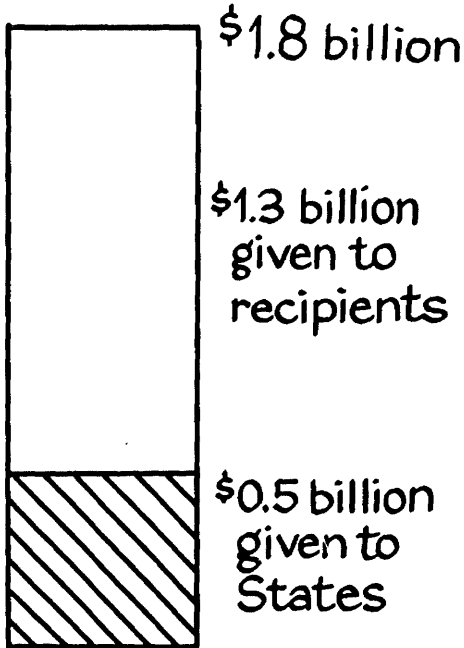


CHART 12 -- FEDERAL AND STATE SHARING IN
COST OF BENEFITS TO FAMILIES

In fiscal year 1972, the first year of operation of the Family Assistance Plan under H. R. 16311, the Department of Health, Education, and Welfare has estimated that the total cost of payments to families would be \$6.8 billion. About \$4.7 billion of this amount would be paid by the Federal Government for Federal family assistance payments and for the Federal share of State supplementary payments. The States would pay an additional \$2.1 billion for their share of State supplementation of the Federal payments.

The Department of Health, Education, and Welfare has estimated that the costs to the Federal Government of the family benefits will increase only to \$4.9 billion by 1976. This total reflects a decrease between 1972 and 1976 in the cost for the Federal FAP payment of \$85 million per year, but an annual increase of \$135 million in the cost to the Federal Government of providing 30% matching for State supplements.

According to the Department's estimates, the cost to the States of making supplementary payments would increase from \$2.1 billion in 1972 to \$3.4 billion in 1976.

These figures relate only to the cost of benefits paid to recipients, and do not include the cost of administration, work training, or child care.

CHART TWELVE

Federal and State Sharing in Cost of Benefits to Families

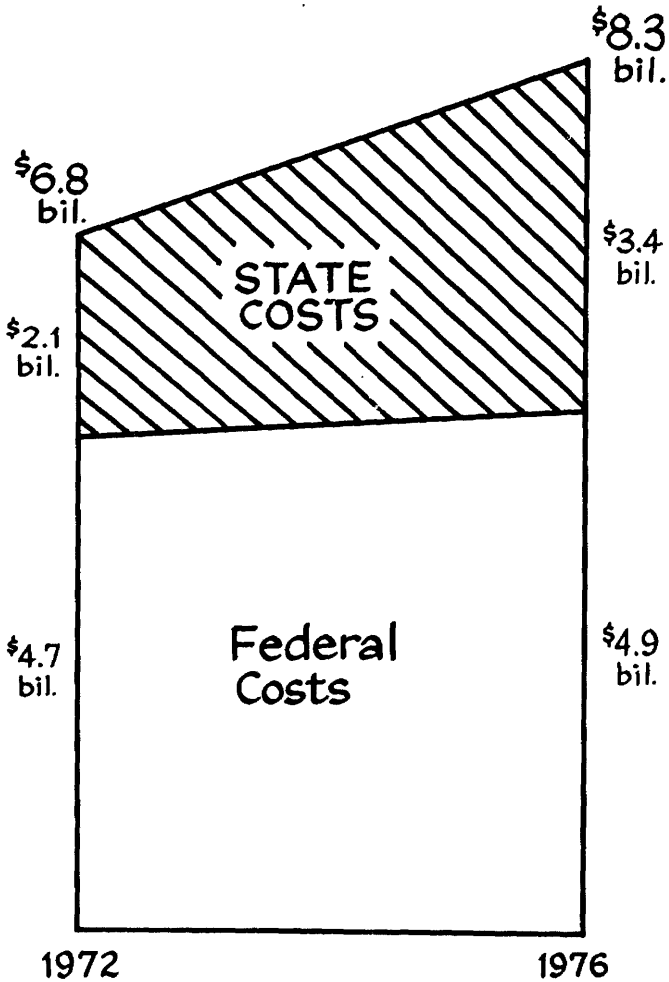


CHART 13 -- WORK INCENTIVE FEATURES

Under the present AFDC program State welfare agencies are required to refer to the Department of Labor all individuals whom they determine to be appropriate for employment or training. Federal law requires the States to exclude from referral (1) children under 16, or under 21 if they are attending school; (2) persons who are ill, disabled, or aged, and (3) persons who must care for another member of the household who is ill. Unemployed fathers must be referred within 30 days of receipt of assistance.

Regulations on State referral policies are issued by the Department of Health, Education, and Welfare. The law requires the Department of Labor to find employment for those who are referred, or to place them in a training program or in a special work project.

H. R. 16311 would require registration with the employment service of all individuals receiving assistance under FAP except (1) a child under 16, or 21 if attending school, (2) a person who cannot work because he is ill, disabled, or aged, (3) a person whose presence in the home is required to care for another member of the household who is ill or disabled, (4) the mother of a child under 6, (5) the mother in a family in which the father is registered. Under both present law and H. R. 16311, persons in excluded categories may volunteer for employment and training services.

The Department of Labor would be free to establish its own priorities in regard to those who are selected for employment or training services and the kind of services which would be provided for any individual.

In order to provide an incentive to work, present law requires the States to disregard the first \$30 a month of earnings, plus one-third of additional earnings, plus expenses of going to work (as determined by the States). H. R. 16311 provides for an earnings disregard of generally comparable impact.

Present law provides for a training allowance of up to \$30 a month. H. R. 16311 would provide for a training allowance of at least \$30 a month.

Under both present law and H. R. 16311 an individual refusing to participate would not be eligible to receive assistance payments. The other members of the family retain eligibility.

CHART THIRTEEN

Work Incentive Features

Present law

- Person referred if State finds appropriate, unless
 - child under 16 (or under 21 attending school)
 - ill, disabled, or aged
 - caring for ill member of household
- Persons must be placed in employment, training, or work project
- State must disregard work expenses, \$30 of earnings plus 1/3 of additional earnings
- \$30 training allowance
- Payment stopped for refusal to participate

H.R. 16311

- Registration required unless person is
 - child under 16 (or under 21 attending school)
 - ill, disabled, or aged
 - caring for ill member of household
 - mother of child under 6
 - mother in family where father registers
- Left to discretion of Department of Labor
- Impact of disregard generally same as present law
- Training allowance at least \$30
- Same as present law

CHART 14 -- WIN OPERATION IN FISCAL 1969

The general development of WIN in terms of available funds expended and the number of persons in actual training continues at a relatively slow rate.

The following chart shows this slow development for the only full fiscal year for which we have statistics available. The first column shows the amount appropriated by Congress for fiscal 1969, a total of \$117.5 million, while the second column shows the distribution of the \$37.4 actually used:

<u>Work Incentive Program, Fiscal Year 1969</u> (dollars in millions)		
	<u>Appropriations</u>	<u>Funds used</u>
On-the-job-training	\$ 22.1	\$ 0.8
Institutional training	58.6	21.7
Other training	12.3	10.7
Day Care	<u>24.5</u>	<u>4.2</u>
Total	117.5	37.4

Similarly, in terms of the average number of participants projected and the actual average number during the fiscal year, the following differences are noted:

<u>Average Number of Participants</u>		
	<u>Projected</u>	<u>Actual</u>
On-the-job-training	15,300	500
Institutional training and work experience	44,100	14,400
Special Work Projects	<u>10,000</u>	<u>300</u>
Total	69,400	15,200

Funds were provided for day care for an average of 49,900 children in fiscal 1969, but the number of children actually receiving such care averaged only 14,600.

The Department of Labor estimated at the Senate Appropriation hearings on November 19, 1969, that WIN enrollment would reach 150,000 by June 1970. The budget which was submitted in January reduced that figure to 100,000. At the end of February 79,830 AFDC recipients were enrolled in WIN, but 21,775 of those individuals were simply awaiting training or employment. At the present rate of enrollment, it is questionable whether even the budget estimate will be met.

The Administration states that it will seek funds for 225,000 additional training slots for the first full year of the Family Assistance Plan.

CHART FOURTEEN

WIN Operations in Fiscal 1969

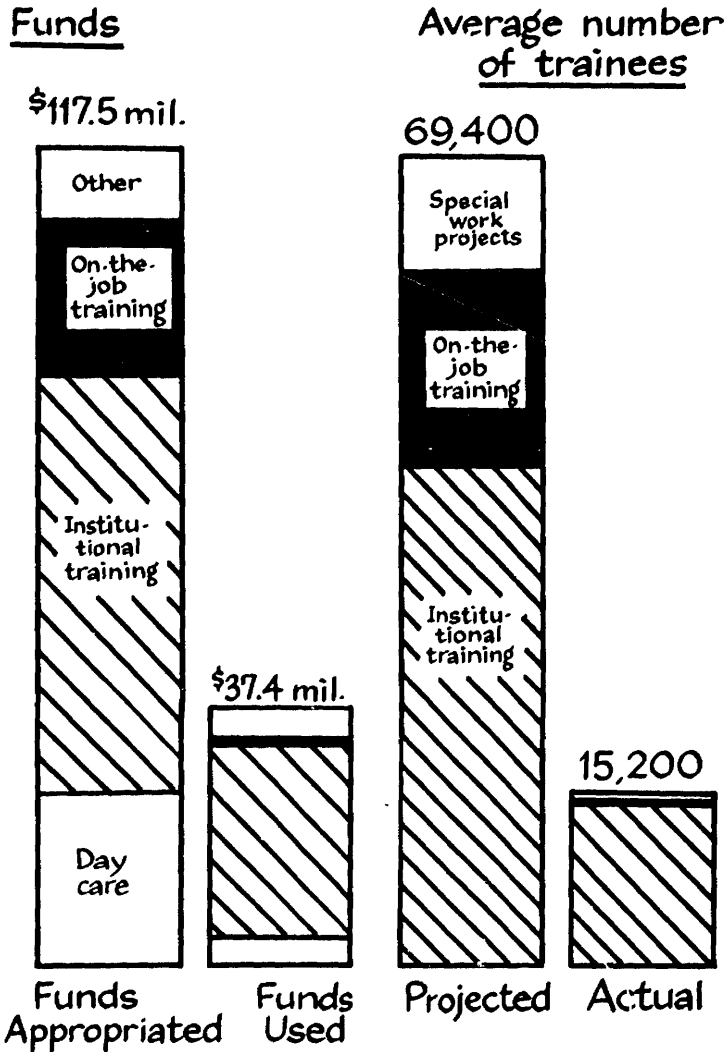


CHART 15 -- WELFARE SAVINGS FROM WIN PROGRAMS

This chart shows the impact on the total cost of Aid to Families with Dependent Children if WIN had not been in effect since August 1968. Program costs for January 1970 would have been \$343 million without WIN as compared with an actual cost of \$341 million. During the period August, 1968, to January, 1970, 13,013 persons who had participated in the WIN program were removed from welfare. The average dollar saving per person removed from the rolls was \$140 a month. It might also be noted that the number of persons removed from the rolls rose to about 1,000 persons a month by June, 1969, but since that time has not increased substantially.

All the savings from the WIN program, of course, are not realized wholly by persons who leave the rolls completely, since such training may also mean higher earnings and reduced welfare payments. On the other hand, it is reasonable to assume that many of the persons reflected in the above statistics would have found employment on their own.

CHART FIFTEEN

Welfare Savings from WIN Program

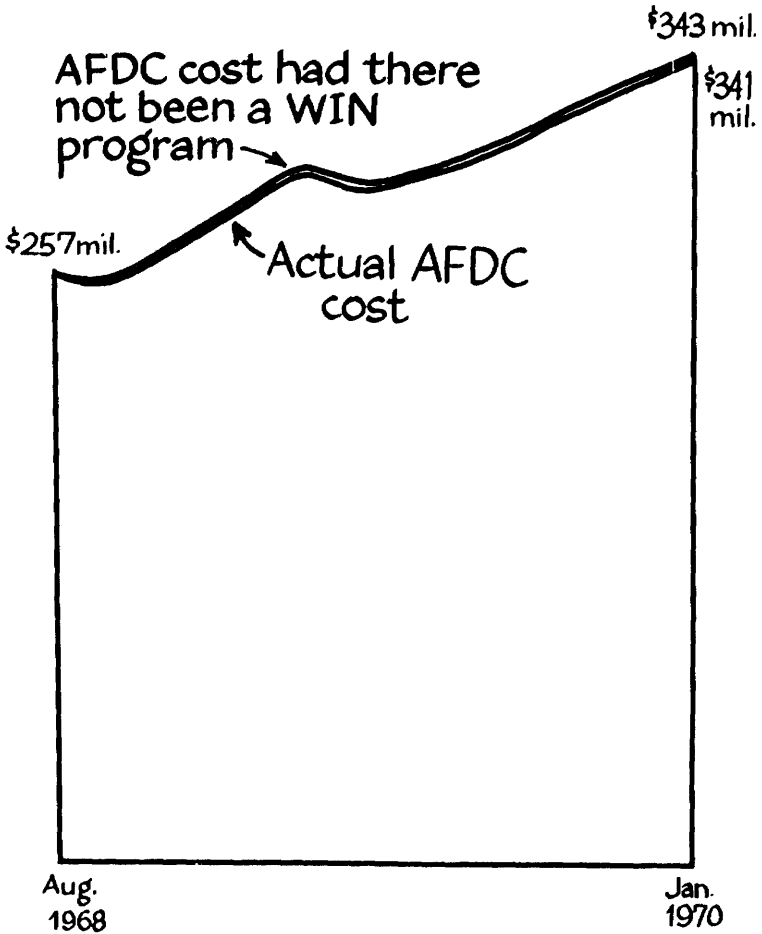


CHART 16 -- WIN PROBLEM AREAS

The following are some of the reasons for WIN's slow development and lack of promised impact.

Previous manpower training programs for welfare recipients (Community Work and Training and Work Experience) had been criticized for failure to incorporate substantial on-the-job training (OJT). At this stage of its development, the WIN program is subject to the same criticism. There are fewer than 500 people on OJT. The bill puts great stress on getting more people into OJT and the bill provides for an additional source of financing for such training. The immediate problems, however, are more in arranging such training than in financing it since funds have been available but unused.

In designing the WIN program, the Committee on Finance recognized the need for special work projects for those people who were not suitable for training or who had completed their training and for whom no job could be found. Although required by law to be established in all States, only one State has implemented this provision in a substantial way. The Committee on Ways and Means emphasized special work projects but modified provisions which they believed have inhibited program growth.

There seems to be general agreement that lack of day care has had a great inhibiting effect on welfare mother participation in the program. The House bill removes responsibility for day care from the State welfare agencies and places it on the Federal government (HEW) with up to 100% Federal contribution. The Administration maintains that it will provide services for 300,000 school age and 150,000 pre-school children in the first full year of operation of the program at a cost of \$386 million (\$26 million of which would be for renovation and staff training.) This has been questioned in view of WIN's performance where, after a year and a half, only about 60,000 children are being cared for.

Lack of referral of trainable people by some State welfare agencies has been cited as one of the problems of WIN. New York, for instance, has referred only about 5 percent of the people it has assessed while California--with a very similar welfare population--has referred about a third of those assessed. Bureaucratic rivalry between welfare and employment agencies which has existed in previous training programs has been carried over to WIN in some States. This situation, compounded by some lack of coordination at the Federal level between the Departments of Labor and HEW, has reduced the effectiveness of the program.

The Auerbach Corporation, which studied the WIN program, concluded that:

"Lack of adequate transportation is a serious problem for many WIN projects, it affects the enrollees' ability both to participate in the program and to secure employment. In rural areas where WIN operates, many enrollees live miles from program facilities, and have neither cars nor access to public transportation. Even in large cities transportation poses problems, since sources of employment are increasingly locating on the suburban fringes of metropolitan areas, far from the neighborhoods where WIN participants live. It is now common to find situations, particularly in the East, where suburban jobs go begging while unemployment soars in the inner city."

The Ways and Means Committee also found that in some localities welfare mothers have great difficulty in transporting their children to distant day care facilities.

Lack of medical supportive services (physical examinations and the ability to remedy minor health problems) has been cited as a major problem by the Auerbach Corporation and in a survey of WIN projects which was conducted by the Ways and Means Committee. As to lack of jobs, the Auerbach Corporation states:

"Although the WIN concept is built around jobs for welfare recipients, there has been little investigation of the labor market to determine exactly where and how jobs can be obtained, and how many jobs are actually available or likely to become available for WIN enrollees. Now that the program is underway, there is a growing feeling among local WIN staff that many participants, women in particular, will not obtain jobs in the already tightly restricted labor market existing in many communities."

In a period of rising unemployment and without an effective program of OJT, special work projects, and job development, the problems of jobs for trainees may become much more acute.

WIN Problem Areas

- Almost no on-the-job training
- Almost no special work projects
- Lack of day care
- In some States, lack of referrals from welfare agencies
- Lack of transportation to training, day care, jobs
- Lack of medical examinations and ability to correct medical problems
- Lack of jobs for trainees in tightening labor market

CHART 17 -- FEDERAL MATCHING FOR WORK INCENTIVES

H. R. 16311 provides for increases in Federal matching percentages for all aspects of the Work Incentive Program.

The Federal share for manpower employment and training services would be increased from 80% to 90%, with the State share of 10% payable in cash or kind.

The Secretary of Health, Education, and Welfare would be authorized to pay for up to 100% of day care for children of persons in work or training, instead of providing 75% matching to the States for expenditures for day care.

States would claim 90% Federal reimbursement for expenditures for health care deemed to be necessary to place a recipient in training or employment. Under present law a State is reimbursed for this expense under its Medicaid formula, under which Federal participation ranges from 50% to 83%, depending on the State's per capita income.

The Federal share for vocational rehabilitation services provided under the work and training program would be increased from 75% to 90%.

States would also receive 90% Federal reimbursement for supportive services which were deemed necessary for employment, an increase over the present Federal matching of 75%.

CHART SEVENTEEN

Federal Matching for Work Incentives

	<u>Present Law</u>	<u>H.R. 16311</u>
Employment training	80%	90%
Day care	75%	100%
Health care if needed for employment	50% to 83%	90%
Vocational rehabilitation	75%	90%
Supportive services for employment	75%	90%

CHART 18 -- AID TO THE AGED, BLIND, AND DISABLED

H. R. 16311 would substantially modify and broaden assistance programs for the aged, blind and disabled. It would establish a single Federal-State program for these recipients to replace the three existing programs of Aid to the Aged, Aid to the Blind, and Aid to the Permanently and Totally Disabled, and would establish nationally uniform eligibility requirements for these groups.

The bill would establish a Federal floor for income of recipients, requiring the States to have payment levels which would assure an eligible individual of an income of at least \$110 a month (\$220 for a couple). Present law does not provide for a minimum payment, and the States are free to establish their own standards of need and payment levels. In general, the standards and payment levels vary considerably among the categories of aged, blind and disabled. The blind currently have the highest average payment on a national basis.

Under the proposed bill, the Federal share would be 90 percent of the first \$65, plus 25 percent of additional payments up to a maximum established by the Secretary of Health, Education, and Welfare. The Federal contribution would be calculated on the basis of the average payment in a State. Under present law, the Federal Government paid 67 percent of the cost nationally of assistance to the aged in fiscal year 1969.

Present law allows the States to establish their own definition of who is "blind" and "permanently and totally disabled." H. R. 16311 would require the Secretary of Health, Education, and Welfare to establish uniform national definitions; instead of "permanently and totally disabled," however, welfare eligibility would be broadened to include anyone the Secretary considered "severely disabled."

CHART EIGHTEEN

Aid to the Aged, Blind, and DisabledPresent Law

- State determines needs standard, amount of payment
- Based on formulas in law, Federal Govt. paid 67% of cost nationally in fiscal year 1969
- State defines "blind," "permanently and totally disabled"

H.R. 16311

- Welfare payment must bring income up to at least \$110 per person
- Average payment is calculated; Federal share is 90% of first \$65 plus 25% of balance up to limit set by Secretary
- Secretary defines "blind," "severely disabled"
- Adds to welfare rolls more than one million persons (mostly aged couples)

CHART 19 -- ADMINISTRATION OF ASSISTANCE PROGRAMS

Under present law all public assistance programs, including Medicaid, are administered by the States. The Federal Government provides the States with 50% matching funds for the cost of administration.

H. R. 16311 provides for alternative administrative arrangements. The Federal FAP payment could, under the bill, be administered by the Federal Government or by the States under agreement with the Secretary of Health, Education, and Welfare. In fact, the Administration and the Ways and Means Committee have indicated that the FAP payment would be administered by a new Federal agency. The Federal Government would pay the full cost of administering the Federal payment.

In regard to the State supplementary payments, the States may elect to administer their own payments, in which case they would receive 50% Federal matching for the costs of administering the payments. As an inducement to the States to elect to enter into agreements with the Federal Government for Federal administration of the supplementary payments, however, the bill authorizes 100% Federal payment of the costs of administration if a State elects Federal administration.

The bill also provides for an alternative arrangement for administration of the adult program of Aid to the Aged, Blind, and Disabled. If a State elected to administer its own payments, it would receive 50% Federal matching for the costs of administration. If it elected to enter into an agreement with the Federal Government for direct Federal payments to recipients, the Federal Government would assume the full cost of administering the payments.

Medicaid would, under the proposal, continue to be administered by the States with 50% Federal matching for the costs of administration.

Administration of Assistance Programs

Present Law

- Administered by State welfare agency
- 50% Federal share

H.R. 16311

- Federal administration of FAP
- For supplementary payments, State may
 - administer, with 50% Federal sharing of costs, or
 - have Federal administration, with 100% of cost borne by Federal Government
- Secretary may enter into agreement with State to make direct payments to aged, blind, and disabled
- Medicaid administered by States

CHART 20 -- IMPACT OF H. R. 16311 ON MEDICAID

States are now required to provide medical assistance (Medicaid) to all recipients of cash public assistance under any of the Federally funded programs: AFDC, Aid to the Blind, Old-Age Assistance, and Aid to the Permanently and Totally Disabled. Under H. R. 16311, a number of persons would be newly eligible for State cash welfare payments. State Medicaid coverage would have to be extended to these persons if they are not already eligible under the present State program. An estimated two million persons would be newly eligible for Medicaid under the bill.

In addition, under H. R. 16311 health care would be provided with 90 percent Federal funding wherever such care was needed to enable a person getting Family Assistance or State supplemental payments to work or undertake work training. This would provide higher Federal funding than is the case with Medicaid (90 percent as compared with 50 to 83 percent) and would also make health care available to some of the working poor who would otherwise be excluded from Medicaid.

Impact of H.R. 16311 on Medicaid

States must extend Medicaid to these new recipients:

- Aged, blind and disabled persons newly eligible for welfare because of increased needs standard
- "Severely" disabled persons who are not permanently and totally disabled
- Families with an unemployed father (in States not yet covering them)
- Other persons newly eligible for assistance because of liberalized Federal income and resource tests

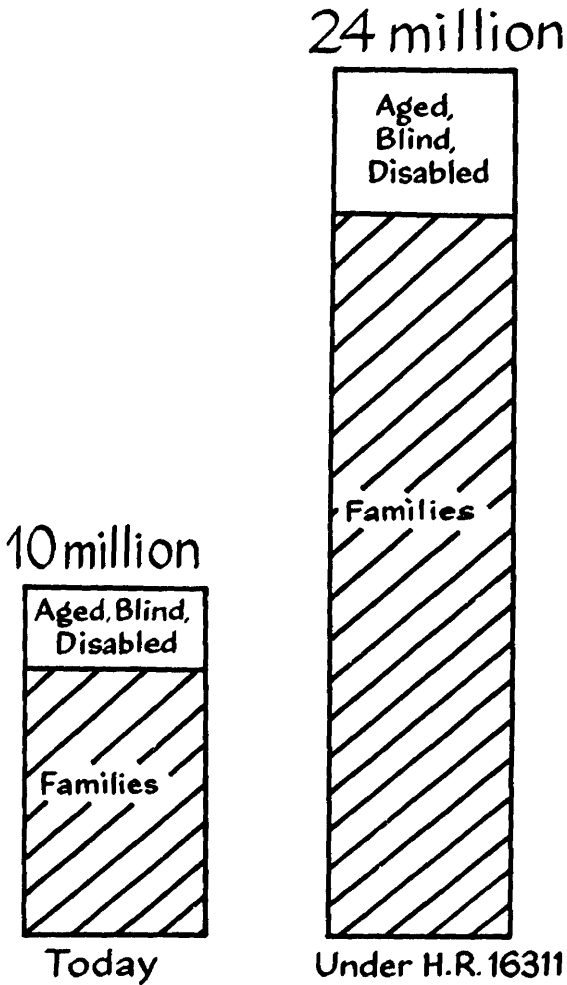
State must provide health services (with 90% Federal share) to any person if it is "necessary to permit an individual . . . to undertake or continue manpower training and employment."

CHART 21 -- WELFARE RECIPIENTS UNDER H. R. 16311

There are presently about 10 million persons receiving Federally aided cash assistance payments. More than 7 million of these persons are in families with dependent children, while the rest are aged, blind, or disabled.

The Department of Health, Education, and Welfare estimates that in 1971, 20 million persons in families with children will be eligible for benefits under H. R. 16311, while at least 4 million aged, blind, and disabled persons will be eligible for benefits. Most of the persons newly eligible for family assistance benefits will be in families headed by a working father.

Welfare Recipients Under H.R.16311



COMPARISON OF PRESENT LAW WITH PROPOSED LEGISLATION

1. Eligibility and benefits for families with children

Present Law

1. Under the program of Aid to Families with Dependent children, States provide assistance to needy families when the father is dead, absent from the home, or incapacitated. At the State's option, assistance may also be provided when the father is unemployed.

Each State establishes a minimum standard of living (needs standard) upon which assistance payments are based; any eligible family whose income is below the State needs standard will be eligible for some assistance. Generally speaking, all income and resources of the needy family must be considered in determining the amount of the assistance payment (a major exception is the disregard of a portion of earned income to provide an incentive for employment; see below). States also place limitations on the real and personal property a family may retain without being disqualified for assistance. Federal law does not require States to pay the full difference between a family's income and its needs standard; many States limit the amounts that can be paid to a family.

H.R. 16311 Family Assistance Act of 1970

1. The existing program of cash payments to families with dependent children would be repealed.

Family assistance payments.—Under the Family Assistance Plan, aid would be provided by the Federal Government to each family with children whose income counted under the bill is less than the family benefit level (\$500 for each of the first two members of the family plus \$300 for each additional member). A family with resources of more than \$1,500 (other than a home and certain other excluded property) would not be eligible for family assistance payments. Generally speaking, the amount of family assistance would be the difference between a family's income and the family benefit level (a major exception is the disregard of a portion of earned income to provide an incentive for employment; see below). To be eligible for family assistance, the family would have to meet work registration requirements discussed below.

State supplementation.—Each State whose AFDC payment level in January 1970 was higher than the family assistance payment would be required to supplement the family assistance payment. Supplementation would not be required when the father is employed, but would be required when he is unemployed. Generally speaking, the supplementary payment would be the difference between the family assistance payment and the lower of either: the AFDC payment the family would have been eligible for in January 1970, or the poverty level as defined in the bill. (Special provisions for disregarding a portion of earned income are discussed below.)

2. Eligibility and benefits for other adults

Present Law

2. Three categories of adults are eligible for Federally supported assistance: persons 65 and over, the blind, and permanently and totally disabled persons 18 years and older. As with Aid to Families with Dependent Children, each State establishes a minimum standard of living (needs standard) upon which assistance payments are based; any aged, blind, or disabled person whose income is below the State needs standard will be eligible for some assistance. Generally speaking, all income and resources of the aged, blind, or disabled person must be considered in determining the amount of the assistance payment (though a portion of earnings may be disregarded as a work incentive). States also place limitations on the real and personal property an aged, blind, or disabled individual may retain without being disqualified for assistance. Federal law does not require States to pay the full difference between the income of an aged, blind, or disabled individual and the State's needs standard; many States limit the assistance that can be paid. States may either have separate assistance programs for the aged, blind, and disabled, or may have a single combined program for all three groups.

H.R. 16311
Family Assistance Act of 1970

2. The categories of persons eligible (the aged, blind, and disabled) would not be changed but States would be required to have a single combined plan for all three groups. States would be required to provide a payment sufficient to bring an individual's total income up to at least \$110 a month. In evaluating need for assistance, States would have to allow resources of \$1,500 (other than a home and certain other excluded property).

3. Work incentive features for families

Present Law

3. *Employment plan and referral of appropriate individuals.*—State and local welfare agencies set up a comprehensive plan for each family receiving Aid to Families with Dependent Children to lead them, where possible, to financial independence through employment. All appropriate individuals are referred to the Labor Department; day care and other needed services are provided by the welfare agency. The welfare agencies determine who is appropriate for enrollment and training, based on an evaluation of each individual family. Federal law states that the following persons may not be considered appropriate: (1) children under age 16 or 21, if attending school; (2) any person whose illness, incapacity, advanced age or remoteness from a project precludes effective participation in work or training; or (3) persons required in a home to provide continuing care to an ill or incapacitated member of the household. Individuals referred by the welfare agency are to be placed by the Labor Department in one of three groups, in this order of priority: (1) immediate placement in employment; (2) placement in employment training, and (3) placement in special work projects under public or certain nonprofit private agencies.

Work incentive through earnings exemption.—States must disregard, for purposes of determining need for assistance, an individual's expenses which may reasonably be attributed to the earning of income (such as transportation costs, etc.). In addition, States must disregard the first \$30 in monthly earnings plus one-third of additional earnings of the family.

Employment training.—Those individuals who are appropriate for employment training receive classroom or on-the-job training arranged by the Labor Department. Trainees

H. R. 16311
Family Assistance Act of 1970

3. The existing Work Incentive Program would be repealed.

Registration with Public Employment Service.—Each member of a family would be required to register for employment or training with a public employment office unless he or she is (1) ill, disabled, or aged; (2) a mother caring for a child under 6; (3) a mother in a family whose father registers; (4) caring for an ill member of the household; or (5) a child under 16, or under 21 and in school. Any person who falls in one of these exempt categories could register voluntarily.

Employment plan and work training.—The Labor Department, according to its priorities would develop an employment plan for each individual registered. To the extent resources permit, the services and training called for under the plan would be provided. The services and training provisions of the bill are patterned after those in the Work Incentive Program under present law. The State welfare agency would be required to provide health care and other services to facilitate the participation of individuals in the training program. Trainees would receive a monthly training allowance of \$30 (or it may be even more, if they participate in an institutional program where allowances are payable under the Manpower Development and Training Act) in addition to their welfare payment.

Work incentive through earnings exemption.—For purposes of both family assistance payments and State supplementary payments, the first \$60 of income earned in a month would have to be disregarded in determining the amount of the payment (though no allowance would have to be made for the individual's expenses attributable to work, other than child care). Earnings needed to pay for child care would have to be disregarded. For purposes of the family assistance payment, one-half of earnings above \$60 monthly would have to be disre-

3. Work incentive features for families—continued

Present Law

may receive a monthly training allowance of up to \$30 in addition to their welfare payment. Once placed in regular employment after training, these persons are eligible for the earnings exemption discussed above.

Special work projects.—Persons not placed in employment or who are not appropriate for employment training are placed in special work projects under public agencies or nonprofit private agencies organized for a public service purpose. The employee is paid wages just as other employees; wages must be at least as high as the sum of (1) the amount formerly received in welfare plus (2) 20 percent of the wages. The employer bears part of the cost of the wages, and the welfare agency pays the employer an amount equal either to the former welfare payment or 80 percent of the wages, whichever is smaller; each employee must be reevaluated at least every 6 months for placement in training or regular employment.

Refusal to accept training or employment.—If a person refuses to accept work or undertake training without good cause, the welfare agency is informed and, unless the person returns to the program within 60 days, his welfare payment is terminated. Protective and vendor payments are continued, however, for the dependent children.

Welfare of the children.—Federal law prohibits the designation of a mother as appropriate for referral to the Labor Department unless and until suitable day care is provided for her children. The law provides that the day care must meet standards required by the Secretary of Health, Education, and Welfare.

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Family Assistance Act of 1970

garded. For purposes of the *State supplementary payment*, States would have to disregard (1) one-third of additional earnings up to twice the amount the monthly family assistance payment would be if the family had no income (for a family of 4, one-third of earnings between \$60 and \$327 monthly), and (2) one-fifth of earnings above that amount. These earned income exemption formulas result in total assistance payments generally very close to those under existing law.

Special work projects are authorized but not required; the financing mechanism of existing law is eliminated.

Refusal to register or to accept training or employment.—If a person without good cause refuses to register, accept work, or undertake training, his portion of the family assistance payment would be terminated. The balance of the payment may be made to a person outside the family, where appropriate, under a protective payment arrangement.

Welfare of the children.—The Department of Health, Education, and Welfare would be required to provide necessary child care services for the children of individuals participating in training or employment.

4. Administration

Present Law

4. *Aid to families with dependent children.*—Program is administered by welfare agencies in States and localities; the Federal Government pays 50% of the cost of program administration.

Work and training.—The Labor Department has responsibility for employment training and placement under the Work Incentive Program.

Aid to the aged, blind, and disabled.—Program is administered by welfare agencies in the States and localities; the Federal Government pays 50% of the cost of program administration.

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Family Assistance Act of 1970

4. *Family assistance payments and State supplementary payments.*—States would be offered three alternatives: (1) Federal administration of both payment programs; (2) under agreement with the Department of Health, Education, and Welfare, the State could administer both payment programs; or (3) Federal administration of family assistance payments and State administration of State supplementary payments. The Federal Government would pay the full cost of administering the family assistance payments under any alternative; it would pay the full cost of administering the State supplementary payments under the first alternative, but only half of these costs under the second and third alternatives.

Work and training.—The Labor Department would be responsible for development of an individual's employment plan and for implementation of that plan; the Department of Health, Education, and Welfare would have to arrange for child care, while State welfare agencies would have to provide for health care and other supportive social services.

Aid to the aged, blind, and disabled.—The States could either (1) continue to administer assistance to these groups or (2) enter into an agreement for the Federal Government to perform a part or all of the administrative functions involved in the program. Any Federally performed administration would involve no State cost.

5. Federal financial participation

Present Law

5. *Assistance payments.*—Federal financial participation is based on one of two alternatives, at the State's option: (1) the Federal matching percentage for Medicaid (ranging from 50% to 83%, depending on State per capita income) is applied to all expenditures for assistance payments; or (2) Federal matching is based on a formula applied to average assistance payments up to certain limits. Under the second alternative, the State determines the average monthly payment. For *Aid to Families with Dependent Children*, Federal matching applies only to the first \$32; the Federal share is 15/18 of the first \$18 (or less) plus the "Federal percentage" (ranging from 50% to 65%, depending on State per capita income) times the next \$14 (or less).

Aid to the aged, blind, and disabled. Federal matching applies only to the first \$75; the Federal share is 31/37 of the first \$37 plus the "Federal percentage" times the next \$38 (or less).

Employment training.—The Federal Government pays 80% of the cost of employment training under the Work Incentive Program; the 20% State share may be in cash or in kind.

Child care and other social services.—The Federal Government pays 75% of the cost of child care and other necessary social services as part of the comprehensive plan for each family.

Administrative costs.—The Federal Government pays 50% of the cost of program administration.

H.R. 16311
Family Assistance Act of 19705. *Family assistance program.*—

The Federal Government would pay the full cost of benefits and administration.

State supplementary payments.—The Federal Government would pay 30% of the cost of State supplementary payments. There would be no Federal financial participation in (1) payments to families where the father is employed, and (2) the portion (if any) of the supplementary payment which, when added to the family assistance payment, exceeds the poverty level defined in the bill (\$3,720 for a family of four). At the option of the State, the supplementary payment would either be administered by the Federal Government (with no State cost) or by the State (with 50% Federal sharing in the cost of administration).

Aid to the aged, blind, and disabled.—The average monthly assistance payment would be calculated. The Federal Government would pay 90% of the first \$65 and 25% of the remainder up to a limit set by the Secretary of Health, Education, and Welfare.

Employment training.—The Federal Government would pay 90% of the cost of the training program; the 10% State share could be in cash or in kind.

Child care, health care and other supportive social services.—The Federal Government would pay up to the full cost of child care and 90% of the cost of health care and other services to facilitate the participation of individuals in the training program.

Savings provision.—For 2 fiscal years, States would be assured of not incurring additional costs as a result of enactment of the bill.

6. Effective date

Present Law	H.R. 16311 Family Assistance Act of 1970
<p>6. Each State was required to participate in the Work Incentive Program no later than July 1, 1969.</p>	<p>6. The provision authorizing 100% Federal funds to support child care projects would be effective upon enactment of the bill.</p> <p>All other provisions of the bill would be effective July 1, 1971, with special provision made for States with statutes that would prevent them from complying with the bill at that time.</p>

The CHAIRMAN. This morning the committee is pleased to have as its first witness for the administration the Honorable Robert H. Finch, Secretary of Health, Education, and Welfare.

I believe Senator Harris has a statement he would like to make before the Secretary begins.

Senator Harris?

Senator HARRIS. Thank you, Mr. Chairman. I am pleased that the House of Representatives has passed H.R. 16311, the Family Assistance Act of 1970. This bill is important because, if adopted, it would establish the principle of a federally guaranteed minimum income for all Americans and replace the outdated and unworking system of welfare in this country. It could not have been passed in the House without the wise leadership of the distinguished chairman of the Ways and Means Committee, Mr. Mills, and I strongly commend him.

However, I am concerned that H.R. 16311 will not insure that the basic deficiencies of the present system are corrected.

I am hopeful that substitute legislation can be adopted which will carry out certain fundamental principles of the National Basic Income and Incentive Act, S. 3433, which I recently introduced.

First, the inadequate \$1,600 level of payments in H.R. 16311 should be increased. Over a 3-year period we should phase in payments which will provide an income of at least the poverty threshold level. The OEO experimental income maintenance program in New Jersey confirmed what many of us have thought for a long time—if you provide an adequate level of income, people are in fact encouraged to work, and initiative and incentive are increased, while income levels below what is necessary for decent health, housing, and living standards destroys initiative and makes it difficult for succeeding generations to break the welfare cycle. Only 18 percent of those presently receiving welfare will receive any new benefit at all from the Federal \$1,600 floor payment. A child in one State will continue to be worth more than one in another; there will be no evening-out of payments.

I also think it is essential that we move as quickly as possible to completely federalize the welfare system, thus relieving the States and local governments of the impossibly staggering welfare burden they now bear.

Second, H.R. 16311 should be amended so that mothers of school age children are able to exercise their own judgment as to whether they are able to carry the double burden of both managing a home and holding a job. It is unfair to permit the mother whose husband is still in the home this option, as the Nixon plan would do, but deny it to a mother who is already carrying the double burden of rearing children unaided by a father in the home. Experience shows that a great many—perhaps most—such mothers will want to work, but they, their children, and society itself will be better served if these mothers are allowed a choice.

Third, adequate incentives for work—allowing a person to retain more of what he earns—are required.

Fourth, the deficiency in H.R. 16311 in failing to set forth the conditions under which a recipient would be required to take a job should be corrected. As the National Basic Income and Incentive Act provides, no one should be required to take a job except with decent pay.

Fifth—and this is because we must ask: “Where are the jobs?”—it is essential that we expand opportunities for public and private

employment—already greatly reduced by this administration's fiscal and monetary policies. Rising unemployment, which strikes harder at poor people, the unskilled and minorities, makes it doubly imperative that we assure jobs for all those who are willing and able to work.

These suggestions are in keeping with the efforts the late Senator Robert F. Kennedy and I and others launched in 1967. At that time, he and I joined together on the floor of the Senate in opposition to certain regressive, punitive amendments which had been adopted in the welfare laws in the fall of 1967. While we were largely successful on the floor of the Senate, many of the gains we made on the floor of the Senate were lost in conference.

Many of these regressive measures remain in the law and some of them are found in H.R. 16311. I am hopeful that the Senate will recognize that our goal is to help people break out of the welfare trap, and assure them a real chance to do so.

I would like, if I may, to include at this point in the record a summary of provisions contained in the National Basic Income Benefits Act, S. 3433.

The CHAIRMAN. Without objection.
(The summary referred to follows:)

SUMMARY OF PROVISIONS IN NATIONAL BASIC INCOME BENEFITS ACT

Sec. 2001. Sets forth the purpose of the Act which is to establish a national program of basic income benefits entirely financed from Federal funds, uniformly administered throughout the nation by either Secretary or delegates, designed to assure that every individual and family will enjoy the level of living justified by American productivity, and will encourage persons to enter the labor market.

Sec. 2002. Provides that the determination of what constitutes a minimum living requirement shall be made by the Secretary of Health, Education and Welfare. The determination shall be consistent with the incomes of non-farm families determined by the Social Security Administration for the latest year for which data is available as an index of poverty subject to such variables as age, composition of families, difference in cost of living in different regions of country, etc.

Sec. 2003 (a). Provides authority for Secretary to determine what resources can be disregarded for purpose of determining qualification and level of need. Such items as the home, household goods and personal effects of an individual or family as well as other items which the Secretary may determine warrants exclusion.

In addition, the earned income of any individual or of any member of a family group during any month shall be disregarded to the extent of the first \$75., plus one-half of the next \$150., plus one-fourth of the remainder.

Sec. 2003 (b). Provides for conditions upon which a refusal to accept a job will not disqualify individual to basic income benefits. Refusal to accept a job if it is vacant due to a labor dispute, if the wages are not in keeping with prevailing wages in area for similar job or if below minimum hourly rate, etc. will not be grounded for denial.

Refusal to participate in work-training program if the program would not prepare the individual for a suitable job which will be available when training is complete will not disqualify one to benefits.

Further, it is provided that: one under the age of 16 or over 65; one physically or mentally unable to work; a child attending school; a woman having in her care a preschool child or a child attending school; and that one required in the home because of the illness or incapacity of another, will not lose benefits by reason of refusal to participate in work-training program.

Sec. 2004. Provides that the amount of assistance to which an individual or family group is entitled to shall be equal to the minimum living requirement of such individual or group less the amount of other income and resources available to the individual or group.

Sec. 2005. Provides for responsibility of the Secretary, or his delegate to refer applicant for basic income benefits to other agencies, rehabilitative, etc., if he would benefit from services of the agency.

Sec. 2006. Provides for the filing of an application for benefits. The Secretary shall prescribe what information is to be contained in the application. Furthermore, the section requires the Secretary to act promptly on an application.

Sec. 2007. Provides that the Secretary or his delegate shall make the determination of eligibility for benefits based on information in the application and if the initial determination is incorrect the Secretary shall take appropriate action to assure that no more than the correct amount is paid.

Sec. 2008. Provides for review procedure of determination made by the Secretary or his delegate. Judicial review of the Secretary's determination is provided for along with the right to legal representation.

Sec. 2009. Provides for the applicability of legal procedures otherwise provided for in Social Security Act to this Title.

Sec. 2010. Provides for authorization of appropriations. Such amounts as may be necessary beginning with the fiscal year which ends June 30, 1971, are authorized to be appropriated.

Sec. 2011. Provides for the publication of the regulations of the Secretary in the Federal Register in accordance with the provisions of subchapter 11 of title 5, United States Code.

Sec. 2012. Provides for authority for the Secretary to administer the program authorized by the Act. Authority is given to the Secretary to utilize the personnel, facilities, and services of another Federal Agency with the consent of the head of the Federal Agency concerned or to enter into agreements with States to administer the program.

Sec. 2013. Provides that the Secretary by regulation shall provide safeguards which restrict the use or disclosure of information concerning applicants or recipients.

Sec. 2014. Provides for a three year transition to the benefit levels prescribed in Section 2002, Section 2003, and Section 2004.

For the fiscal year 1971, the basic income benefits shall be the greater of 70% of the minimum living requirements or the benefits paid under the states plans as of January 1, 1970, based on the present poverty level this shall be \$2520. For fiscal year 1972 the greater of 85% of the then determined minimum living requirement or the states benefits.

For the years 1971 and 1972, the Secretary can enter into an agreement with the appropriate state agency to administer the plan.

The states will be reimbursed for the cost of administering the program including the payment of the benefits specified in the act in excess of the following percentages of expenditures which would have been made by such state under Titles I, X, XIV, XVI, and part A of Title IV had this section not been in effect:

For the fiscal year 1971—80% of such expenditures.

For the fiscal year 1972—50% of such expenditures.

Should a state refuse to enter into an agreement with the Secretary, then the Secretary can administer the program through employees of HEW and money expended, which would not have otherwise been expended had the state entered into an agreement, may be withheld from amounts payable to such state under other Federal programs.

Sec. 2015. Provides for certain conforming amendments.

The CHAIRMAN. Please proceed, Mr. Secretary.

STATEMENT OF HON. ROBERT H. FINCH, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT E. PATRICELLI, DEPUTY UNDER SECRETARY FOR POLICY; CHARLES E. HAWKINS, SPECIAL ASSISTANT TO THE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS, SOCIAL AND REHABILITATION SERVICE; AND JEROME M. ROSOW, ASSISTANT SECRETARY FOR POLICY, EVALUATION, AND RESEARCH, DEPARTMENT OF LABOR

Secretary FINCH. I may for the record identify the Under Secretary, Mr. Jack Veneman, and the Deputy Under Secretary for Policy, Mr. Robert Patricelli.

The CHAIRMAN. Mr. Secretary, you have about a 30-page statement and some charts. I would suggest that we on the committee should not interrupt you with questions until you have finished your prepared statement.

Secretary FINCH. We would be grateful for that opportunity, because this is a rather complicated presentation, and we would like to present it with some degree of integrity and with the chart presentation at the same time.

Mr. Chairman, I hope that during the next several days of hearings, I may clarify some of the points you have raised in your opening statement, and also those which Senator Harris has raised in his statement.

We are pleased by the broad support given the basic principles of the administration's proposal by a great many public and private groups, including the Urban Coalition, the AFL-CIO, the National Association of Manufacturers, the Council for Economic Development, the Urban League, the American Jewish Committee and many others. We feel that this support is a reflection of the fact that family assistance is a sensible though revolutionary plan—that it commends itself to persons of all persuasions who seek a workable solution to the crisis in our current welfare system.

We are currently studying the House-passed bill in detail, and have made some changes, and will be transmitting these changes, which may be of a minor and technical nature, to you very shortly.

THE INCOME STRATEGY

The basic structure of the family assistance plan is the product of over a year of intensive study, beginning before President Nixon's inauguration with his Transition Task Force on Welfare. During the course of this study we drew upon the work of numerous experts in the field of income maintenance throughout the country, and considered dozens of variations of the plan before arriving at the final version.

I think it would be useful at the outset to identify briefly the three major objectives of the plan before proceeding to describe each of them in detail.

The first objective is to provide strong work incentives in the welfare system both for those on welfare and for those working people who have a high risk of entering the welfare population. The central reason for the particular reform structure embodied in the family assistance plan is its importance to work motivation in our society.

The second objective is to move toward a national solution for what we recognize as a national welfare problem through the establishment of uniform eligibility criteria, a Federal floor under benefit levels and strong incentives for Federal administration.

The third major objective of the family assistance plan is to make a significant impact on the problem of poverty. If the family assistance plan and the President's food stamp proposals are enacted, we will

have reduced the poverty gap in this country by about 60 percent. In other words, these two programs, taken together, will cut by 60 percent the difference between the total income of all poor Americans and the total amount they would have to earn to rise out of poverty.

With this program we launch a new strategy—an income strategy—to deal with some of our most critical domestic problems. For those among the poor who can become self-supporting, this strategy offers an avenue to greater income through expanded work incentives, training, and employment opportunities. For those who cannot work, it recognizes a Federal responsibility to insure a minimum level of income support nationwide.

This income strategy is an evolving one. The family assistance plan is the cornerstone of the strategy and provides a sound basis for its further development. The administration is keenly aware of the need to analyze closely the interrelationships among all our poverty-related transfer programs to assure that they are mutually supporting. In this regard, it is essential in assessing the adequacy of the family assistance plan to remember that benefits under these programs are cumulative. Furthermore, these ongoing programs frequently involve conflicting incentives and disincentives for people to work. Over the next months and years we will continue our review of all the Government's cash and in-kind transfer programs and will make recommendations to the Congress to improve both their effectiveness and their compatibility with our overall strategy.

THE FAILURE OF THE WELFARE SYSTEM

In designing the family assistance plan, we have sought to identify and deal directly with the most pressing problems facing public welfare today.

As President Nixon said in his address to the Nation on August 8:

Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure . . .

What began on a small scale in the depression 1930's has become a huge monster in the prosperous 1960's. And the tragedy is not only that it is bringing States and cities to the brink of financial disaster, but also that it is failing to meet the elementary human, social and financial needs of the poor.

The President's assessment is borne out by the well-known fact that in this decade alone, total costs for the four federally aided welfare programs (Aid to Families with Dependent Children, Aid to the Aged, Aid to the Blind and Aid to the Disabled) have more than doubled, to a level estimated in 1970 at about \$6.6 billion. In the Aid for Families

with Dependent Children program (AFDC), costs have more than tripled since 1960 (to almost \$4 billion annually at the present time) and the number of recipients has more than doubled (to some 7.1 million persons in November 1969). Since the President first proposed the family assistance plan, in August of last year, another million people have been added to the AFDC rolls. Even more disturbing is the fact that the proportion of children on AFDC is growing. In the 15 years since 1955, the proportion of children in the Nation receiving assistance has doubled—from 30 children per 1,000 to 60 per 1,000 at present.

Prospects for the future show no likelihood for relief from the present upward spiral. If present trends continue, AFDC costs will almost double again by fiscal year 1975, and caseloads will increase by 50 to 60 percent. Yet, despite these crushing costs, benefits remain below adequate levels in most States.

The crisis in our welfare system is, of course, not really surprising, because, in many ways, the present AFDC program is built to fail. It contains structural defects which help to cause its own destruction.

First, as all of you know, it is characterized by unjustifiable discrepancies between States. It is, as you know, not one welfare system but more than 50 different systems with no national standards for benefit levels. AFDC payments now vary from an average of \$46 per month for a family of four in Mississippi to \$265 for such a family in New Jersey. These gross disparities are aggravated by complicated State-by-State variations in criteria for eligibility and methods of administration. Each State has its own need standards, assets tests, incapacity tests, requirements for school attendance and age of children, and income exclusion of the program has varied widely in terms of equity and responsiveness to recipients' needs from State to State and locality to locality. For example, the proportion of children receiving AFDC varies from 2.2 percent in Indiana to 10.7 percent in New York. This variation simply cannot be blamed on differences in the incidence of poverty.

I would like to indicate this on the first chart. Mr. Patricelli will speak on the allowance payments.

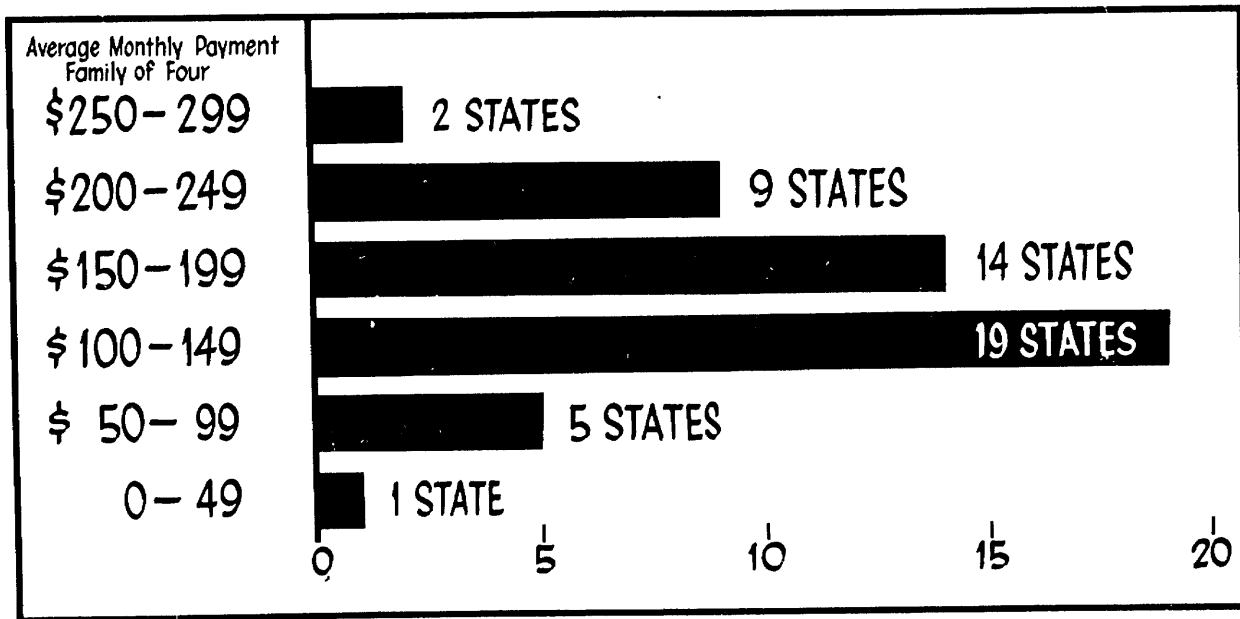
Mr. PATRICELLI. The members of the committee have the chartbook and reproduction of everything that I am going to talk on. You may wish to follow along on this reproduction.

The CHAIRMAN. I think it might be appropriate to place this chart in the record at this point.

Secretary FINCH. Thank you, Mr. Chairman. I have several charts and I would like them placed in the record at the appropriate place.

STATE INEQUITIES

ALLOWANCE PAYMENTS VARY WITH EACH STATE



Mr. PATRICELLI. This chart, "State Inequities," will illustrate the point that, under the present AFDC program, the standards vary from State to State. This is a chart to show how they vary from State to State, and how the different States fall now in terms of benefit levels.

As you can see, there is one State, the State of Mississippi, which pays benefits to a family of four on a monthly basis ranging from 0 to \$49 per month. In fact, right now the average payment is \$46 per month in Mississippi. The majority of States fall in the range from \$100 to \$200 per month, and there are two States that make payments averaging over \$250 a month, the highest being the State of New Jersey, with a payment of roughly \$265 for a family of four that has no earnings or other income.

The State legislatures, under present law, are responsible for setting these benefit levels, and the Federal Government matches a percentage, varying from 50 to 83 percent, of whatever State legislatures choose to set for benefit levels.

The second chart—

The CHAIRMAN. Let me just ask you one question on something I do not understand.

In your first, second, and third, and fourth columns, most of what appears there is the letters "NS," "Not Specified."

HOME AND PERSONAL PROPERTY LIMITATIONS, 1969

State	Value of Home Owned If Allowed ^{1/}				Personal Property Limits ^{2/} Per Person (Recipient)			AFDC Per Family
	OAA	AB	APTD	AFDC	OAA	AB	APTD	
Alabama	42,500	NS	42,500	42,500	41,000	41,200	41,000	41,000
Alaska	NS	NS	NS	NS	1,500	1,500	1,500	1,500
Arizona	8,000	48,000	8,000	8,000	800 ^{4/}	800 ^{4/}	400 ^{4/}	1,600
Arkansas	44,500-46,500	44,500-46,500	44,500-46,500	44,500-46,500	500 ^{4/}	500 ^{4/}	500 ^{4/}	1,000
California	NS	NS	NS	NS	1,200 ^{4/}	1,500	1,200	1,600
Colorado	NS	NS	NS	NS	1,000 ^{4/}	1,000 ^{4/}	1,000 ^{4/}	2,000
Connecticut	NS	NS	NS	NS	1,550	1,550	1,550	250
Delaware	NS	NS	NS	NS	300	1,500 ^{4/}	None	None
Florida	NS	NS	NS	NS	1,350 ^{4/}	1,350 ^{4/}	1,350 ^{4/}	1,200
Georgia	NS	NS	NS	NS	800	800	800	800
Hawaii	10,000	10,000	10,000	10,000	2/	2/	2/	2/
Idaho	NS	NS	NS	NS	500	500	500	500
Illinois	NS	NS	NS	NS	400 ^{4/}	400 ^{4/}	400 ^{4/}	4/
Indiana	NS	NS	NS	NS	350	350	350	None
Iowa	Used	NS	NS	NS	450 ^{4/}	1,000 ^{4/}	1,000 ^{4/}	1,000 ^{4/}
Kansas		Mod. value + 4750			500 ^{4/}	500 ^{4/}	500 ^{4/}	1,000
Kentucky	NS	NS	NS	NS	2,000 ^{4/}	2,000 ^{4/}	2,000 ^{4/}	2,500 ^{4/}
Louisiana	Used	Used	NS	NS	1,750 ^{4/}	1,750 ^{4/}	400 ^{4/}	800
Maine	NS	NS	NS	NS	500 ^{4/}	500 ^{4/}	500 ^{4/}	1,000
Maryland	NS	NS	NS	NS	300	300	300	300
Massachusetts	NS	NS	NS	NS	1,900 ^{4/}	2,000	500	1,000
Michigan	Used	Used	Used	Used	1,750 ^{4/}	1,750	1,750	2,000
Minnesota	10,000	NS	10,000	7,500	800 ^{4/}	2,000 ^{4/}	800 ^{4/}	1,500
Mississippi	2,500	2,500	2,500	2,500	500 ^{4/}	500 ^{4/}	500 ^{4/}	800
Missouri	1/	NS	1/	1/	1,000 ^{4/}	1,900 ^{4/}	1,000 ^{4/}	1,500
Montana	3,000	3,000	3,000	3,000	500	500	500	600
Nebraska	NS	NS	NS	NS	1,750 ^{4/}	1,750 ^{4/}	1,750 ^{4/}	2,500 ^{4/}
Nevada	6,650	NS	-	6,650	750 ^{4/}	1,500	-	500 ^{4/}
New Hampshire	1,500	1,500	1,500	3,000	300 ^{4/}	300 ^{4/}	300 ^{4/}	300
New Jersey	NS	NS	NS	NS	1/	1/	1/	1/
New Mexico	Used	Used	Used	Used	1,200	1,200	1,200	1,200
New York	NS	NS	NS	NS	250	250	250	2/
North Carolina	NS	NS	NS	NS	500 ^{4/}	500 ^{4/}	500 ^{4/}	800
North Dakota	NS	NS	NS	NS	1,000	1,000	1,000	1,300
Ohio	12,000	NS	NS	NS	300	800 ^{4/}	800 ^{4/}	1,300 ^{4/}
Oklahoma	8,000	8,000	8,000	8,000	350 ^{4/}	350 ^{4/}	350 ^{4/}	600
Oregon	NS	NS	NS	NS	250 ^{4/}	500 ^{4/}	250 ^{4/}	500
Pennsylvania	NS	5,000	NS	NS	500	1,500	500	500
Rhode Island	NS	NS	NS	NS	No cash	No cash	No cash	No cash
South Carolina	NS	NS	NS	NS	750 ^{4/}	750 ^{4/}	750 ^{4/}	1,000
South Dakota	NS	NS	NS	NS	2,000 ^{4/}	2,000 ^{4/}	2,000 ^{4/}	2,300 ^{4/}
Tennessee	6,000	6,000	6,000	6,000	500 ^{4/}	500 ^{4/}	500 ^{4/}	500 ^{4/}
Texas	NS	NS	Used	Used	1,800 ^{4/}	1,800 ^{4/}	1,800 ^{4/}	3,000
Utah	NS	NS	NS	NS	900 ^{4/}	900 ^{4/}	900 ^{4/}	1,800
Vermont	NS	NS	NS	NS	900 ^{4/}	900 ^{4/}	900 ^{4/}	1,800
Virginia	NS	NS	NS	NS	400	400	400	400
Washington	NS	NS	NS	NS	550 ^{4/}	550 ^{4/}	550 ^{4/}	1,050
West Virginia	NS	NS	NS	NS	600	600	600	600
Wisconsin	NS	NS	NS	NS	1,750	1,750	1,500	500
Wyoming	3,000	3,000	3,000	3,000	500	650	650	650

NS - Not specified.

1/ Real + personal limited to \$10,500

2/ Limits on specific items.

3/ No limits; must liquidate within six months.

4/ In some States larger allowances are made for couples with families.

5/ In some States the allowance varies by number of children.

6/ Amount for one month's need.

7/ May hold trust funds of an infant up to \$1,000 more if personal injury award.

8/ In using these figures it should be noted that some relate to "market value", some to "assessed value", and some to "equity".

9/ The figures are the sum of the State's maximum on "liquid assets" or "cash reserves" and any maximum on "cash or loan value of life insurance" specified by the State. (It does not include amounts of face value of life insurance which some States set a maximum on. Nor does it include the value of non-cash-producing real property other than the home which many States allow as part of the reserves.)

Mr. PATRICELLI. Senator, there is no limit specified in those States to the value of a home which an adult recipient may hold, although most of these States apply liens as a condition of eligibility.

The purpose of this chart was only to give you an example, on one paper, of just how varied State eligibility requirements are in this particular area of asset tests or limitations on resources. You can see that in AFDC, for example, in the farthest over column, we have personal property limitations that vary all the way from \$500 in Wisconsin and Oregon up to \$2,500 in Kentucky.

The CHAIRMAN. That is per family, not per recipient.

Mr. PATRICELLI. Yes, Mr. Chairman.

Secretary FINCH. The point is that each State has its own benefit levels, and the Federal Government has no control. We have an open-ended obligation to provide matching for these benefits.

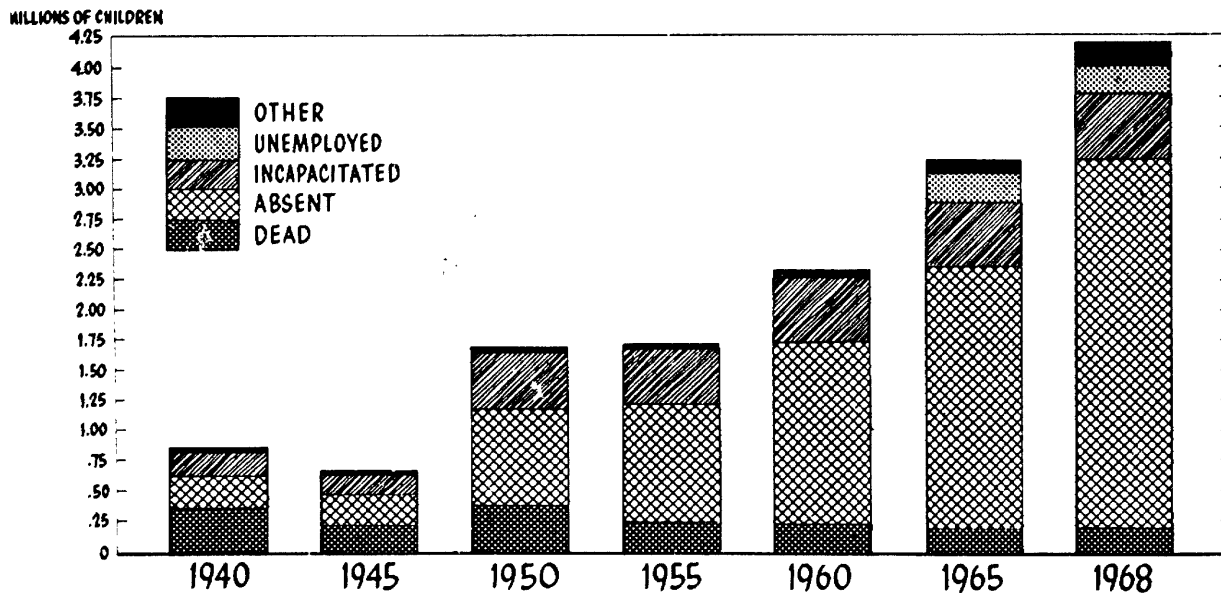
The result is not only a potentially unmanageable drain on Federal resources, but the creation of a system in which the Federal Government discriminates sharply in its treatment of equally needy families in different States. This is neither logical nor equitable. In those States where the benefit level, and consequently the Federal contribution, is low, this kind of inequitable treatment leads to added costs for the Federal Government later on in the provision of remedial programs.

Third, AFDC is inequitable in its treatment of families headed by males as opposed to those headed by females. While needy families headed by females are eligible for AFDC, in no State is an intact male-headed family, where the father is working full time, eligible for federally aided assistance. In half of the States, even families headed by unemployed males are still not eligible under the program for unemployed parents (AFDC-UP). The result of this discrimination is the creation of an economic incentive for an unemployed father or a father in a low-paying or sporadic job to leave home so that the State may better support his family than he can. For example, if a father employed full time in a low-wage job is able to earn only \$2,000 a year, and welfare in the State would pay a fatherless family \$3,000 per year, his wife and children are financially 50 percent better off if he leaves home.

The family stability problem is reaching a critical stage, as this committee realizes, I am sure. From 1960 to 1968, the percent of families in poverty who are headed by females has increased from 24 to 35 percent. Furthermore, in 1940 only 30 percent of AFDC families had absent fathers, while today over 75 percent do. The causes of this problem are obviously rooted in complex social problems such as urbanization and we do not know the exact extent to which the welfare system itself breaks up families. Nonetheless, the preservation of a system which provides a prima facie incentive—a clear financial reward—for family break-up seems vicious and irrational.

I would like to have the chart "Number of Children Receiving AFDC by Status of Father, 1940-1968" showing the increase in the AFDC program.

NUMBER OF CHILDREN RECEIVING AFDC BY STATUS OF FATHER, 1940-1968



Mr. PATRICELLI. Mr. Chairman and members of the committee, in this chart one portion shows the AFDC families which are characterized by fathers absent by reason of divorce, separation, or desertion, or because they never married the mother. It does not include fathers absent by reason of death. It is this group of the AFDC population—the fathers-absent-but-alive group—which has grown so enormously in the last 30 years.

Secretary FINCH. Last, but perhaps most important, we think that our present welfare policy is unfair to the working poor. Without regard to their financial need, it rules them ineligible to receive assistance just because they are working full time. Welfare in this country helps men who don't work, but doesn't help those who do. Other Federal assistance programs, such as food stamps and public housing, do not make this unfortunate distinction in eligibility on the basis of the sex or work situation of the family head.

This AFDC structure has perverse effects on work incentives. First, it places a premium on working less than full time so that one can qualify for assistance. Second, it makes it possible for many welfare families to receive more money from welfare than other equally needy families who must rely solely on a low-paying job. Naturally such a system provides incentives to work less or not at all. It is the simple truth that it is all too often possible for people to be better off on welfare than by working. There are several ways in which this can happen and because of the importance of this problem I would like to describe a few in detail.

Take for example, the case of a workingwoman. If her earnings are in excess of the State-defined need standard, she is not eligible for welfare support under present law. However, a working mother who happens to be earning less than the need standard will be eligible for supplementation of her wages based upon the earnings incentive formula of $30 + \frac{1}{3}$. In her case, she could easily have a higher total income, of earnings plus welfare, than our first woman who has only her earnings.

Moreover, if a welfare mother increases her earnings so that they are above the need standard, she will still continue to receive welfare supplementation up to the break-even point under the $30 + \frac{1}{3}$ formula, and the discrepancy between her total income and that of the non-welfare woman will grow even greater.

Mr. PATRICELLI. Members of the committee, if we could deal with the the next chart "Treatment of Working Women Under AFDC," next in your booklet. This has to do with the work disincentives which exist in the present law for workingwomen.

TREATMENT OF WORKING WOMEN UNDER AFDC

	MOTHER WITH STATIC EARNINGS OF \$3500	MOTHER WITH STATIC EARNINGS OF \$2500	MOTHER WITH EARNINGS ORIGINALLY BELOW \$3000, BUT INCREASED TO \$3500
EARNINGS	\$3500	\$2500	\$3500
MINUS WORK-RELATED EXPENSES	-420	-420	-420
WELFARE GRANT	0	1781	1161
TOTAL INCOME	\$3,080	\$3,961	\$4,341

(State payment level of \$3000 for family of four)

Mr. PATRICELLI. I think it is generally felt that the Congress dealt with this problem in the 1967 amendments by enacting the so-called $30 + \frac{1}{3}$ rule. Under that rule, of course, which is a formula for determining what percent of welfare is reduced as earnings begin, welfare payments are not reduced by the first \$30 per month of earnings, and then are reduced by only two-thirds of a dollar for every additional dollar after the first 30. However, the Congress did not require States to modify their need standards to take into account that change in formula.

Let me explain with an example how the provision works.

Take the case of a mother with static earnings of \$3,500 in a State which has a \$3,000 payment level and need standard. She is above the \$3,000 need standard. She is simply not eligible.

We have included \$420 per year as estimated work-related expenses. She gets no welfare. So her total income after reductions for work-related expenses is \$3,080.

Now take a mother with relatively stable earnings of \$2,500. She starts below the \$3,000 need level. She is eligible for assistance and her payment is calculated by an application of the $30 + \frac{1}{3}$ formula. That produces for her an AFDC grant of \$1,781. (You take the \$2,500, subtract from it the \$420 in work-related expenses, add to it a welfare grant of over \$1,700.) She has a total income of \$3,961.

Now, the third case and the key case. Take the mother who was originally earning \$2,500. She improves her work situation and she is able to move to earnings of \$3,500 a year. She, having once been eligible for welfare, is still subject to the $30 + \frac{1}{3}$ formula. Her welfare grant is reduced from \$1,781 to \$1,161. But even though she is over the need standard now, she is still getting welfare. She is in the same situation with regard to earnings as our first mother, but this third mother, by reason of having started below the need standard, is getting a welfare grant which produces a total income for her of \$4,341.

Secretary FINCH. For workingmen the situation is even worse. Under AFDC-UF, only families headed by "unemployed fathers"—defined by regulation as those working no more than 30 hours per week (States may set the ceiling at 35 hours at their option)—are eligible. This means that a father on welfare will be better off working under the $30 + \frac{1}{3}$ formula so long as he doesn't work more than 30 hours a week. If he takes a job in which he works more than 30 hours per week he is no longer "unemployed" under the regulation and he loses the supplementation to his earnings provided by welfare under the $30 + \frac{1}{3}$ formula. This situation is described in the next chart, "Incentive for Men to Work Part-Time Under AFDC."

INCENTIVE FOR MEN TO WORK PART-TIME UNDER AFDC

	FATHER WORKS 20 HRS. A WEEK AT \$1.70 PER HOUR	FATHER WORKS 40 HRS. A WEEK AT \$1.70 PER HOUR
EARNINGS	\$1768	\$3536
MINUS WORK-RELATED EXPENSES	-210	-420
WELFARE GRANT	2197	0
TOTAL INCOME	\$3,755	\$3,116

(State payment level of \$3000 for family of four)

Mr. PATRICELLI. This chart has to do with the notch, as we call it, that exists in present law in going from part-time employment to full-time employment for a working man. As the Secretary stated, regulations under present law define "unemployment," for purposes of coverage under the AFDC unemployed-fathers program as employment for less than 30 hours a week, or, at State option, 35 hours. We have taken the first example here of a father who was working 20 hours a week in a State that does have the unemployed-father program.

We are assuming a payment level of \$3,000 for a family of four headed by such a father. If he is earning \$1.70 an hour for 20 hours a week, he has earnings of \$1,768. He has, on the basis of this half-time employment, we estimated, \$210 in work-related expenses. And he has under the unemployed father program, because he is working less than 30 hours a week, a welfare supplement of \$2,197, for a total income of \$3,755.

However, if that father moves to a full-time job at the same wage, he moves over the 30-hour eligibility limit, and, by reason of that change in his hourly effort—not by reason of change in his income or his poverty status, if you will, but by reason of moving to full time work—something, of course, that we want to encourage—he loses his eligibility for the supplementation under the 30+ $\frac{1}{3}$ rule, so that his total income drops, by reason of moving to a full-time job, to \$3,116. That father and his family are over \$600 worse off by reason of his moving from a 20-hour to a 40-hour-a-week job.

Secretary FINCH. The result of the 30-hour limit and the complete exclusion of men working full time is that men are often worse off by working full time than by not working at all, or by keeping part-time jobs supplemented by welfare. The next chart, "What a Working Man Must Earn To Be as Well Off as a Welfare Family," shows in selected States, what a man working full time must earn for his family to be as well off as a welfare family with no earnings.

WHAT A WORKING MAN MUST EARN TO BE AS WELL OFF AS ON WELFARE

FAMILY OF FOUR - JANUARY 1970

STATE	WELFARE PAYMENT WITH NO INCOME	GROSS EARNINGS FOR NON-WELFARE FAMILY TO MATCH WELFARE INCOME ¹	
	(MONTHLY)	(MONTHLY)	(HOURLY)
CALIFORNIA	\$ 221	\$ 288	\$ 1.67
CONNECTICUT	294	358	2.08
ILLINOIS	269	319	1.85
INDIANA	150	185	1.07
LOUISIANA	104	154	.90
MASSACHUSETTS	307	372	2.16
MICHIGAN	263	333	1.94
NEW YORK	313	383	2.23
NEBRASKA	200	250	1.45

¹ ASSUMES WORK-RELATED EXPENSES EQUAL TO AVERAGE CURRENT ALLOWANCE IN STATES SHOWN.
(EXCLUDES DAY CARE COSTS.)

Mr. PATRICELLI. Whereas the previous chart attempted to show the work disincentive for going from part-time to full-time work, this chart shows, for the man already working full time, the incentives under the present law for his retaining a low-paying but full-time job. This chart, which you have in your booklet, shows what happens to a four-person family in a variety of States, which we have chosen relatively at random.

Now, a four-person family, for example, in California receives \$221 a month from welfare (AFDC) if they have no outside income. For a man who is working full time in California, to net \$221 a month he must have gross earnings of \$288 a month. In other words, he has to earn \$67 more than the welfare payment just to make up for his costs of going to work. This means that for him to be as well off in terms of earnings as he would be if he were on welfare, he has to be earning at least \$1.67 an hour.

Moving down the right hand column of this chart, which I think is the most illustrative, these are the different hourly wages that you have to earn in various States of this country right now, in full-time employment, in order to be as well off working as on welfare. You can see that the required hourly wage goes as high as \$2.08 an hour in Connecticut and \$2.23 an hour in New York. This, I would remind the committee, is comparable right now to a Federal minimum wage of \$1.60 an hour. It may be said that there is no financial or economic reason for anyone who is earning less than these hourly wages in these States to continue working. You would be better off quitting and going on welfare under the present law.

Senator MILLER. Mr. Chairman, could I ask a question?

The CHAIRMAN. Well, we are trying to avoid questioning while we are doing the charts. But go ahead.

Senator MILLER. He said \$288 would have to be earned monthly to net the same as \$221 in the first column. I am not clear on what causes the differential and how that was computed.

Mr. PATRICELLI. The footnote states the work-related expenses that we used here in California, for example—\$67 a month—are based on the average allowance for work-related expenses in these States. By work-related expenses, we mean such things as social security taxes; other taxes that may apply—State, Federal, or local; and the costs of working, such as transportation, extra clothing, union dues, and whatever else may be involved.

Senator MILLER. Thank you.

NET INCOMES OF FOUR-PERSON WELFARE FAMILIES AND NONWELFARE FAMILIES EARNING IDENTICAL WAGES

Secretary FINCH. Moving to the next chart, I think it will show more dramatically and even more starkly what happens between a welfare and a nonwelfare family which have the same earnings.

NET INCOMES OF 4 PERSON WELFARE FAMILIES AND NON-WELFARE FAMILIES EARNING IDENTICAL WAGES

(JANUARY 1970)

STATE	MONTHLY WAGES	NET INCOME OF FAMILY EARNING WAGES IN COLUMN 1 ¹	
		WELFARE FAMILY	NON-WELFARE FAMILY
CALIFORNIA	\$ 288	\$ 371	\$ 221
CONNECTICUT	358	433	294
ILLINOIS	319	395	269
INDIANA	185	300	150
LOUISIANA	154	208	104
MASSACHUSETTS	372	451	307
MICHIGAN	333	394	263
NEW YORK	383	461	313
NEBRASKA	250	400	200

¹ Assumes work-related expenses equal to average current allowance
in states shown (excludes Day Care costs)

Secretary FINCH. The amount of earnings chosen is the amount which the previous chart showed as being necessary for a workingman to earn to be as well off as a welfare family with no other income.

Mr. PATRICELLI. We assume in this chart the amount of dollars that the previous chart showed a man would have to earn to be just as well off as a family that had absolutely no earnings. We are comparing a nonwelfare family and a welfare family in California; both of which have earnings of \$288 a month. The welfare family with earnings of \$288 a month has complete disregard of its work-related expenses. It then has the earnings-incentive formula of $30 + \frac{1}{3}$ applied to diminish its welfare payment. The result is a welfare supplement to that family of \$83 per month. So the family's total income, in wages and welfare payments, is \$371 per month.

A nonwelfare family, on the other hand, has no welfare supplement and has to cover its own work-related expenses from its gross wages; so it is down to \$221.

Proceeding down the chart, you can see the disparity between welfare and nonwelfare families that have the same earnings. This is a result of discrimination on a State-by-State basis under present law against working families.

Secretary FINCH. When we speak of this inequity between the non-working and the working poor, we are not talking about a mere handful of unfortunate people. In 1968 over $1\frac{1}{2}$ million families—including about 7.8 million persons—headed by full-time, full-year workers, were still in poverty. Many of these people live next door to welfare families who are better off without working than the working families are.

For example, in New York City a four-person family on the welfare rolls receives a basic monthly grant of \$208 plus an average of \$100 per month for rent—a total tax-free payment of \$77 per week. And yet a recent study by the New York State Department of Labor indicates that 10 percent of all full-time workers in the city had earnings of less than \$80 a week—less income than a relatively small family on welfare.

The \$80 is gross wages, not take-home pay, and the welfare family is also eligible for medicaid, and many are eligible for public housing and other welfare-related benefits. In fact, the \$77 welfare benefit is probably more comparable to a wage level of \$100 a week; and one out of four full-time workers in New York City earns less than that amount.

The increasing discontent of these working poor is understandable. Furthermore, their exclusion has begun to have, as I have suggested, ominous racial overtones, since current AFDC recipients—those who are helped—are about 50 percent nonwhite, while the working poor—those who are excluded—are 70 percent white.

It is very difficult to measure the extent to which the simple economic fact that families can be better off on welfare than by working has actually drawn people onto public assistance. We know from surveys' and from the New Jersey experiment conducted by OEO, that there is in fact a great deal of movement of the poor between work and welfare. Table 5, taken from the "Report of Findings of Special Review of AFDC in New York City" and transmitted to the House Ways and Means Committee last year, provides supportive statistical evidence on this point. That report ranked 11 cities by

AFDC caseload per 1,000 poor persons in the population. It then compared this rough measure of the tendency of poor people to go on welfare with the difference between their earnings levels and their welfare payments. As the report pointed out, there was a positive statistical correlation between the tendency to go on welfare and the lack of any clear benefit from working.

Mr. Patricelli, will you explain table 5, please?

Mr. PATRICELLI. That 4-column table shows first, under column 1, for 11 cities, the median of the highest wages which AFDC mothers reported they have ever earned. This figure is used as an index of what their potential earning capacity is—what they think they could earn if they were going to work full time. Column 2 shows the AFDC level for a family of four in those eleven cities. Column 3 shows the difference between them, and therefore the extent to which they could be better off by working rather than being on welfare.

As you see, in the case of New York City, the difference between the best expected wage and the AFDC level is negative—the mother is roughly \$3.50 better off by being on welfare. In some of the other cities at the top of the table, there is also a negative relationship, showing that the AFDC levels are actually in excess of what these women would expect to earn if they went to work full time.

The CHAIRMAN. I am having great difficulty following you. For one reason, you have not numbered those charts. Which chart are you speaking to?

Mr. PATRICELLI. Senator, this particular table is not on a chart.

Secretary FINCH. It is on page 34 of the prepared statement.*

Mr. PATRICELLI. As I mentioned, column 3 shows the dollar benefit of going to work for these AFDC mothers. Column 4 is an effort to come up with a measure of the way in which the degree of work incentive has influenced the welfare caseload. You can see, roughly, the statistical correlation between the lack of benefit in going to work and the tendency of poor people to go on welfare. As the Secretary stated, when you apply statistical rules and measurements for this table, you see a strong positive statistical correlation between the tendency of people to go on welfare and their ability to earn more from wages.

Secretary FINCH. Based on all this, Mr. Chairman, we felt that the primary thrust of our program must be basic structural reforms, and that primary among such reforms must be the following:

1. Establishment of a federally financed income floor for families with children and for the aged, blind, and disabled.
2. Establishment of national eligibility standards and strong incentives for States to opt for Federal administration of the combined Federal and State welfare programs.
3. Equal treatment of both male- and female-headed families in the Federal welfare system.
4. Supplementation for the working poor.
5. Strong financial incentives for the maintenance of work effort buttressed by mandatory work registration and a full range of manpower-related services, including training, job placement, and child care, to help recipients secure and advance in employment.

I would like now to describe in further detail the basic provisions of the family assistance plan.

*See table 5, p. 201.

THE FAMILY ASSISTANCE PLAN (1)

FAMILY ASSISTANCE

1. Federal payments (Family Assistance Benefits)

A. Coverage

- All families with children (including the working poor)
- Uniform eligibility standards nationwide
- Work registration a pre-condition of eligibility for most able-bodied adults (except mothers with pre-school children)
- Earnings ceiling of \$3920 per year for family of four
- Less than \$1500 in assets not counting home, household goods and personal property necessary for work

B. Amount of Benefits

- With no earnings : \$ 500 for each of first two family members, \$ 300 for each person thereafter (\$1600 per year for family of four)
- With earnings : no reduction of benefits for first \$720, and 50 cents off benefits for each \$1 of earnings thereafter

2. State Supplementary Payments

- States required to supplement Family Assistance benefits up to AFDC payment levels in effect January 1, 1970 or to poverty level, whichever is lower
- No supplementation of working poor required
- Federal matching provided for 30% of State payments up to poverty level

THE FAMILY ASSISTANCE PLAN

Secretary FINCH. The family assistance plan would replace the present AFDC program and would provide direct Federal payments to all needy families with children. Unlike the present AFDC program, the new plan would for the first time provide Federal benefit payments for families headed by men working full time, as well as for families headed by a mother or an unemployed father.

Expanding to the working poor eligibility for assistance will eliminate the harshest inequities of the present system.

Senator RIBICOFF. Mr. Chairman, if the Secretary will pardon me, we have spent all this time talking about what to do for the working poor, and the supplementation for the working poor. We have had the staff brief us about the discrepancies. If it is so important to supplement the working poor, I am at a complete loss as to why all this time is spent and there is no provision in the bill to supplement the payments to the working poor. This is the most confusing part of the testimony so far.

If it is so important to supplement the working poor, why is all this time being spent if there is nothing in the bill which came from the House and being advocated by the President talking about supplementing payments to the working poor?

The CHAIRMAN. We are going to give him an opportunity to answer that question the moment he is through with the statement. I understand that the Senator cannot stay for the full hearing, and I will see that you are called upon when he is finished with his statement.

Senator WILLIAMS. These charts will be kept available so that we can relate the charts and your statement?

Secretary FINCH. Yes, sir.

Senator TALMADGE. What page are you on?

Secretary FINCH. Page 12.

The CHAIRMAN. Your statement is sufficiently thought-provoking that it is with considerable difficulty that we refrain from asking you questions before you get through.

Secretary FINCH. I am willing to stay here and answer questions for as long as the committee wants to.

As to definition of a family unit, the presence of a child in the household is the key to eligibility for family assistance. When a fam-

ily, so defined, meets the prescribed income and resources tests, payments under the plan would be made for all members who are related by blood, marriage, or adoption and who are living together in a single place of residence.

TREATMENT OF RESOURCES

Under the present public assistance programs, families with substantial resources are not eligible for payments because they could become at least temporarily self-supporting by converting all or part of their resources into cash or income-producing property. This principle and rationale are retained in H.R. 16311. Families with more than \$1,500 in resources, other than their homes, household goods, personal effects, and other property essential to their means of self-support, are not eligible for assistance payments under this proposal.

BASIC AMOUNT OF PAYMENT

The Federal payment for an eligible family would be at the annual rate of \$500 per person for each of the first two family members and \$300 for each additional member, less whatever nonexcluded income the family has. This would establish a Federal income floor of \$1,600 per year for a family of four that has no other income.

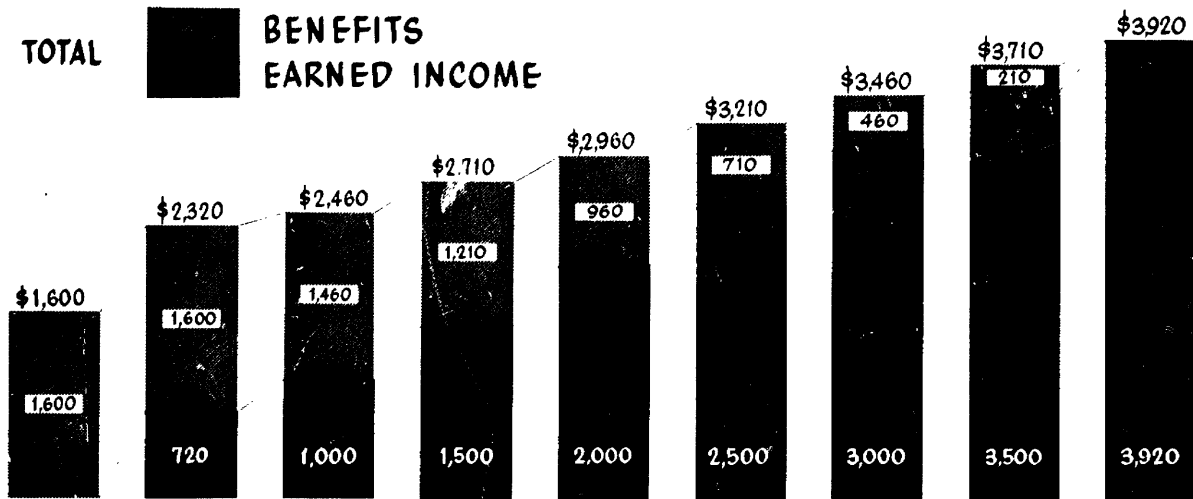
WORK INCENTIVES AND REQUIREMENTS

As a work incentive, and to cover the costs of going to work, the first \$60 per month of earnings (\$720 a year) would be completely disregarded in determining the amount of payments for a family. Also family assistance benefits would be reduced by only \$1 for each \$2 of additional earned income above \$60 per month that the family has. This offset would provide an incentive for the family to work and increase its earnings.

An example might be useful at this point. Suppose a family of four had earnings of \$2,000 a year. The first \$720 would be completely disregarded. Fifty percent of the remaining \$1,280 of earnings would be similarly disregarded. The family's payment of \$1,600 would then be reduced by the nondisregarded earnings of \$640 (50 percent of \$1,280), producing a family assistance payment of \$960, and—when combined with the earnings of \$2,000—a total income of \$2,960. That is going to be covered by the next chart.

FAMILY ASSISTANCE BENEFIT SCHEDULE

Family of Four



The income earned will enable the Family Assistance recipient to become more self-supporting through the 50 per cent retention provision and thus reduce Federal payments

Mr. PATRICELL. This chart, "Family Assistance Benefit Schedule," shows in tabular form how the welfare payment tapers off gradually as earnings increase, maintaining a steady work incentive up to a break-even point, or an eligibility ceiling, of \$3,920 for a family of four. All families of four with children working or nonworking, headed by a male or a female, would be eligible if their income is less than \$3,920.

Secretary FINCH. The financial incentives contained in the bill are bolstered by strong work requirements. Adult members of families who apply for family assistance payments under the plan would be required to register for employment or training with the local public employment office and to accept a training opportunity, or a suitable job opportunity, when offered. All able-bodied adult family members would be subject to these provisions, with certain defined exceptions, including mothers with children under 6 years of age. Failure to register or accept a job or training opportunity would result in termination of the individual's payment.

Persons who are exempted from the work registration requirement for reasons of disability would be automatically referred for vocational rehabilitation services. As in the case of the work requirement, persons refusing rehabilitation services would forfeit their family assistance payments.

JOB TRAINING AND CHILD CARE

To make these work incentives and requirements effective, we are seeking a major expansion of our manpower, child care, and supportive service programs. Family members referred to a program will receive a monthly training allowance of \$30 in addition to their family assistance and supplementary State payments, or the normal manpower training allowance in lieu of these if it is higher. Over \$600 million is being requested for these elements, of which \$386 million is for the child care component, and we have established a new interdepartmental mechanism with the Department of Labor so that these programs might better do the job.

The provisions for child care and supportive services under H.R. 16311 are an important supporting element which I would like to describe in greater detail. Past experiences have demonstrated the problems that arise from lack of day care facilities. Particularly tragic have been the cases in which women have enthusiastically entered into training programs with day care provided, only to discover that the day care disappears when they are ready to go to work.

Beyond the value of the day care to the working parent, there are enormous benefits which accrue to the child who is enrolled in a comprehensive child development program. We now know that the child of poverty needs far more than custodial care if developmental defects are to be overcome. It is this type of comprehensive child care that is contemplated by the President's recommendations.

A family receiving benefits will be eligible for the child-care services if such care is necessary to permit an adult member to undertake,

or continue in, training or employment. This care may be provided in the child's own home, or in a family day-care home or in group day care.

The bill would encourage the expansion of day care in two ways. First, day-care expenses would be deducted from the income of recipients in determining the amount of benefits. Thus, if an individual used private day-care facilities, he could have part of the cost subsidized. Second, the bill also provides for grants to State or local public agencies or nonprofit private agencies or organizations, and for contracts with public or private agencies or organizations, to provide such child care.

H.R. 16311 would fund up to 100 percent of the cost of child-care projects. Our experience has been that States and local communities have all too often been unable to undertake day-care projects because of their inability to provide the 25-percent non-Federal share under present law.

In the past, programs have been jeopardized or shelved because the projects in local communities could not afford to finance the alterations, remodeling, or renovation of facilities necessary to meet local licensing standards. H.R. 16311 authorizes funds to be used for these purposes.

The administration has made a national commitment to the needs of children in the vital first 5 years of life. H.R. 16311 would help the Nation take considerable strides toward fulfilling this commitment. It calls for child-care expenditures of \$386 million for the first year of operation; 300,000 school-age children would be able to receive services after school and during the summer months; and 150,000 preschool children could receive full-day services.

STATE SUPPLEMENTAL PAYMENTS

To assure the maintenance, approximately, of present benefit levels for families receiving public assistance, States that now provide a level of assistance higher than the proposed Federal floor would be required to continue to pay the difference between the Federal floor and either what they are now paying or the poverty level, whichever is less. The Federal Government would meet 30 percent of the cost of the supplemental payments up to the poverty line. If States wish to go above the poverty line they would do so at their own expense. It is important to note that this poverty line limit for Federal matching puts, for the first time, a limit on the Federal welfare commitment.

States would not be required to supplement the income of the "working poor" recipients. However, States would be required to supplement the income not only of persons eligible for AFDC but also of persons eligible for the AFDC-unemployed father program. The bill thus mandates the extension of this program to the 31 out of 54 jurisdictions which currently do not provide coverage for families with unemployed fathers present.

THE FAMILY ASSISTANCE PLAN(2)

AID TO THE AGED, BLIND AND DISABLED

1. States must assure a minimum income of \$110 per month for each recipient (i.e., benefits plus other income must equal \$110).
2. National eligibility standards, resources ceilings & earnings incentives
3. Federal matching for 90% of first \$65 of average benefits, and 25% of amounts above that.

ADMINISTRATION

1. Federal government administers Family Assistance but may contract certain functions to states.
2. States may contract with Federal government to administer State payments, in which case Federal government picks up all administrative costs.

THE ADULT CATEGORIES

Secretary FINCH. In the adult categories—Aid to the aged, aid to the blind, and aid to the disabled—the situation has been a relatively stable one, with the caseload increasing by about 3.5 percent in the last year. Slightly over 2 million needy aged persons received assistance in November, an increase of 46,000 over the preceding year. Their payments averaged \$73.40 a month. Nearly 60 percent of these persons also received social security benefits, so that their total incomes were significantly higher than assistance payments alone. Old-age assistance (OAA) recipients constituted 10.4 percent of the persons in the country over age 65.

The caseload of blind recipients was consistently about 80,000 persons during 1969. Recipients of aid to the permanently and totally disabled numbered 793,000 last November, an increase of 97,000 over the previous year. Among the blind and disabled, about 20 percent also get social security benefits.

The major problems in the adult categories are very low benefits in some States and differences in eligibility requirements among the various States.

The bill would combine the programs for needy aged, blind, and disabled persons into a single program with Federal matching payments. The bill would also establish for the first time a Federal floor—\$110 a month—of income (including assistance) which would be assured to adult recipients in any State. This new Federal floor would act to raise assistance payments for about 1 million of the present adult-category recipients, and would push up benefit levels in the 22 lowest payment jurisdictions.

The bill would also provide for a new formula for Federal financial participation under which the Federal Government would pay 90 percent of the first \$65 of the average payment in the State and one-quarter of any additional amount up to a ceiling, which, under the House bill, the Secretary is authorized to impose.

ADMINISTRATION

The bill provides for Federal administration of family assistance payments. While final decisions have not been made on administrative structure, the program will most certainly make use of the expertise and resources of the Social Security Administration. Separate facilities will be established at the intake point.

The bill also provides that the Secretary may contract with the States to administer all or part of the family assistance program. We believe that use of this authority would be largely confined to the transitional period, and to some special cases where it would be necessary to avoid separate administration of the Federal and State assistance payment systems.

With regard to the State supplementary and adult-category payments, the bill provides strong incentives for the States to contract with the Federal Government for Federal administration of these payments. For States so opting, the Federal Government will assume 100 percent of the costs of administering the State payments. If a State chooses to retain administration of supplemental payments only 50 percent Federal matching will be provided.

We feel that this move toward a federally administered welfare program is an important one. We are convinced that income maintenance is a problem requiring a national solution and that uniform administration of eligibility determination and payments is essential to this solution.

COST ESTIMATES

The estimated net additional cost of the Family Assistance Act in 1968 terms is \$4.4 billion. The breakdown is as follows:

	<i>Billions</i>
Payments to families.....	\$2.6
30 percent Federal matching of State supplemental payments.....	.4
Changes in the adult categories.....	.5
Training and day care.....	.6
Administration and other.....	.3
Total	4.4

Of the increase in the cost of maintenance payments—\$3.5 billion—an estimated \$2.9 billion will result in increased income for families and individuals. The balance of \$0.6 billion is savings for the States and counties.

I know that you will have many questions about our cost estimates. These have been the subject of scrutiny and argument back and forth on the House side. We would be happy to develop a special presentation on these figures and to make available for questioning the key personnel responsible for developing them. I would like to say here that we have been keenly interested in assuring that our estimates are as

accurate as possible. To that end, we established a unique interagency task force under the general direction of the Bureau of the Budget. Representatives on the task force include personnel from my office, the Social Security Administration, the Department of Labor and the Office of Economic Opportunity, and consultants for the Urban Institute. They will provide any assistance you may want.

FISCAL RELIEF

The family assistance plan provides significant fiscal relief for States. During consideration of the bill by the House Ways and Means Committee, a major change was made in the bill: 30-percent Federal matching of State supplementary payments up to the poverty line was substituted for the so-called 50-90 rule first suggested. Under the new matching formula, together with the changes in the adult categories, the total fiscal relief to the States is increased from about \$500 million under the original bill to about \$570 million in the committee bill. Finally, the committee provided that the Federal Government would pick up all of the administrative costs of operating the State supplementary program where a State contracts with the Secretary of HEW to perform that function, whereas the initial bill had required the State to continue to meet 50 percent of that cost.

When these savings are combined with the new money going to the States through the training and child-care components and through the administration's proposed separate revenue-sharing program, major fiscal relief for State government is produced. In particular, by including the working poor within the family assistance plan, we are establishing a wholly Federal responsibility for a category of potential recipients which an increasing number of States are beginning to assist at their own initiative. Some seven States now have programs of supplementation for the working poor—all entirely at State expense. By establishing a Federal program to cover the working poor, we are helping to relieve the States of what seems to be the next likely major increase in costs and coverage for them.

Mr. PATRICELLI. Now that the basic mechanics of the program have been laid out, I want to give you some examples of how the basic proposals would work under the present law and how they would work under the family assistance program, with regard to the two problems of work incentives and family breakup.

WORK INCENTIVES FOR THE WORKING POOR

1. UNDER AFDC

EXAMPLE: ASSUME FAMILY OF FIVE IN STATE WHICH PAYS SUCH A FAMILY \$3000 AND HAS AN UF PROGRAM, AND FATHER EARNING \$2000 IN FULL-TIME EMPLOYMENT

FAMILY INCOME IF FATHER QUILTS WORK = \$3000

FAMILY INCOME IF FATHER CONTINUES TO WORK = \$2000

INCENTIVE TO QUIT = \$1000

2. UNDER FAMILY ASSISTANCE

EXAMPLE: SAME ASSUMPTIONS

FAMILY INCOME IF FATHER CONTINUES TO WORK = \$3260 (\$2000 WAGES + \$1260 FAP)

FAMILY INCOME IF FATHER QUILTS = \$3000 (\$1900 FAP + \$1100 SUPPLEMENT)

INCENTIVE TO WORK = \$ 260

3. INCENTIVE TO WORK:

FAMILY ASSISTANCE OVER AFDC = \$1260

Mr. PATRICELLI. I would remind the committee that the term "working poor" in this case is a term of art. It means families headed by fathers who are working full time at the present time and who are not covered by the present law. What is the present situation for families in this group? We have assumed a family of five, in a State paying such a family \$3,000 under the unemployed father program, with the father earning \$2,000 a year at full-time employment. That is roughly \$1 an hour. There are over a million families in the county that are earning, on a full-time basis, less than \$2,000 a year. So this is a relatively typical example.

Now, the family income, if the father continues to work is \$2,000--his wages. He is not eligible for any welfare supplementation because he is employed full time. If he quits work or loses his job, he and his family will be included in the unemployed-father program. He will get, if he has no outside earnings, \$3,000. So under the present law he has an incentive of \$1,000 a year to quit work.

Under the family assistance plan, a family of four with a father working full time but earning poverty wages--in the case \$2,970--would have up to \$3,445 with family assistance supplementation of earnings from work. The family income if the father quits would be the full family assistance payment.

For a family of five the family assistance payment would be \$1,900 plus the State supplementation benefit, for a total of \$3,000--the same as the family would have had under the old law if the father had no earnings. But if he stays at his job and is working full time, under the proposal he would get his \$2,000 in earnings and would also get the supplementation for the working poor which the family assistance plan provides.

So instead of an incentive to quit, he has an incentive of \$260 a year to keep working. The difference between the two adds to a \$1,260 preference for working under family assistance as compared with AFDC.

Senator WILLIAMS. What State is that formula based on?

Mr. PATRICELLI. \$3,000 for a family of five under the UF program would be roughly typical of California. It would be a little lower than the Illinois payment, for example. It would be about the national average.

The CHAIRMAN. You have been giving us your examples on a family of four up to this point. This is the first one on a family of four. Would you mind doing that for a family of four?

Mr. PATRICELLI. We have shown a family of five in this case because we are adding the father. Previously we had been dealing with a family of four, not including the father.

The CHAIRMAN. If it is a family of four we are talking about, you would have that same \$3,000 figure. Your next figure would be \$2,960; is that correct?

No, the second line, where you have \$3,000, then \$2,000.

Mr. PATRICELLI. In the top part of the chart we are showing the situation under existing law.

The CHAIRMAN. But under what you are recommending, that is a family of five.

Mr. PATRICELLI. Under the family assistance plan, the payment for a family of four would be \$1,600 plus the State supplementation. We would have to know what the State supplementation for a family of four would be. It would not be \$1,100, as it is for a family of five. It would drop some.

Senator WILLIAMS. That is the reason I asked you what State. Would you prepare that chart and be ready this afternoon with a specific State, say, New York?

Mr. PATRICELLI. Why don't we pick a State that has about these numbers and lay it out?

Senator WILLIAMS. Let us take New York and Chicago.

Secretary FINCH. New York and Illinois.

Mr. PATRICELLI. New York is not typical. Chicago is more typical.

(The following information was subsequently supplied for the record by the Department of Health, Education, and Welfare:)

WORK INCENTIVES FOR THE WORKING POOR (ASSUME FATHER EARNING \$2,000 IN FULL-TIME EMPLOYMENT
4-PERSON FAMILY)

	California	Illinois
1. Under AFDC:		
Income if father not working	\$2,652	\$3,228
Income if father continues to work	2,000	2,000
Disincentive to work	652	1,228
2. Under Family assistance:		
Income if father continues to work	2,960	2,960
Income if father not working	2,652	3,228
Incentive to work	308	
Disincentive to work		268
3. Improved incentive to work - FAP over AFDC:		
California	960	
Illinois		960

† \$2,000 wages and \$960 FAP
‡ \$1,600 FAP and \$1,052 State
§ \$1,600 FAP and \$1,628 State

The CHAIRMAN. We have been talking about families of four. Now you shift to a family of five. Might I hand you this? Here is what our staff worked out. If you were talking about a family of four, look at these figures and see if they are not correct, those figures in red.

Mr. PATRICELLI. They are not correct, Mr. Chairman. In the first case, your staff has included a family assistance payment under the present law. The discrepancy in income depending on whether the father keeps working or quits is going to continue to be a major one under the present law. The family head will have a major incentive to quit working.

As to what it will be under the family assistance plan, as I say, we would have to make some estimate of what the \$1,100 State supplementation for a family of five would drop to for a family of four.

(A comparison for a family of four in a State with a \$3,000 needs standard is shown on page 117.)

Senator WILLIAMS. That is why I said you have to take a specific State.

Senator HARRIS. Could he quit and be eligible, Mr. Chairman? We are saying he gets this much if he works and this much if he quits. If he just quits his job, would he be eligible for welfare?

Mr. PATRICELLI. Under the regulations, of course, theoretically not. But as we know, there are a great many ways of managing to leave your employment. Perhaps the fellow can get himself fired or otherwise leave his employment in a way which welfare officials would feel meant that he had not violated the no-quit regulation.

Senator HARRIS. Would that not also be true under your provision?

If you are going to assume the man violates the law, could you not just as well assume he would under the new law?

Mr. PATRICELLI. That is correct, although under this new law there would be no benefit for him to try to manipulate the law for financial advantage.

In other words, this chart is an effort to show what someone can achieve by manipulating his employment situation under the law.

Senator HARRIS. I think that should have been pointed out. It is an obvious discrepancy in the chart, seeming to say that if the man quits work, he gets this much under welfare, when, as a matter of fact, under the law, he is ineligible.

Mr. PATRICELLI. We would be happy to change the word "quit" to "somehow loses employment," or otherwise.

Senator HARRIS. And violates the law.

Mr. PATRICELLI. You can lose your employment without violating the law, of course. This is what happens to him whenever he loses his employment.

Senator HARRIS. And he would have to be unable to find work, or some other way to violate the law and be an able-bodied person and—

Mr. PATRICELLI. About 20 States are involved.

Senator HARRIS. I think that is what is wrong with your other charts about what happens in Nebraska and other places if you did not work, and so forth.

We can bring that up later on, but I think the charts are misleading unless a lot of questions are asked about them.

The CHAIRMAN. Before we are through working on this bill, I think it would be well for your technicians to work with ours, because all these things depend upon the assumptions you make.

So, assuming the same set of facts, we can then see how it works out in this case. I shall try to resist the temptation to go beyond your statement.

Secretary FINCH. We will wrap this up as quickly as possible.

Mr. PATRICELLI. There are two more charts at this point. These are the last charts. I thank the committee for its patience.

INCENTIVES UNDER AFDC BREAK UP THE FAMILY

1. FAMILIES HEADED BY UNEMPLOYED FATHERS --NOT COVERED IN 29 JURISDICTIONS

EXAMPLE : ASSUME FAMILY OF FIVE IN STATE WHICH PAYS \$2,500 UNDER AFDC
TO A FAMILY OF FOUR AND WHICH HAS NO UF PROGRAM

FAMILY INCOME IF FATHER LEAVES = \$2,500 (AFDC)

FAMILY INCOME IF FATHER STAYS = 0

FAMILY BREAKUP INCENTIVE = \$2,500

2. FAMILIES HEADED BY FATHERS EMPLOYED FULL-TIME--NOT COVERED BY AFDC IN ANY STATE

EXAMPLE : ASSUME FATHER EARNING \$2,000, SAME FAMILY AND SAME STATE

FAMILY INCOME IF FATHER LEAVES = \$2,500

FAMILY INCOME IF FATHER STAYS = 2,000

FAMILY BREAKUP INCENTIVE = \$500

Mr. PATRICELLI. This chart, "Incentives Under AFDC Break Up the Family," is an effort to set forth, in terms of an example, how the present system provides a father with an incentive to leave his home—a dollar incentive to leave the family. The family is better off if the father is not at home.

We have taken two cases—first, the case of a family headed by an unemployed father. The top of the chart shows what would happen in those jurisdictions that do not have an AFDC unemployed father program. In this case, there are five people in the family, including the father and they are in a State which pays \$2,500 under AFDC to a family of four, not including the father.

The family is simply not eligible as an intact family unit with the father in the home. If he has no outside earnings, that family is getting zero income. But if the father leaves the home, the family becomes a four-unit family and they get \$2,500 under the AFDC program. So there is a financial reward built into the present system for the family to break up.

Under the family assistance program, taking the same case—that is the family headed by an unemployed father—and assuming the same figures for the State, if the father leaves the home and the family becomes a four-unit family, the family would get \$1,600 family assistance and a \$900 State supplemental payment. On the other hand, if the father stays, it is a five-unit family and the family assistance payment is \$1,900 with \$1,100 State supplementation. So the family is better off if he stays. We call this a family-togetherness incentive; it amounts to \$500.

This is shown in the last chart, headed "Incentives Under Family Assistance Keep the Family Together."

INCENTIVES UNDER FAMILY ASSISTANCE KEEP THE FAMILY TOGETHER

1. FAMILIES HEADED BY UNEMPLOYED FATHERS

EXAMPLE: ASSUME FAMILY OF FIVE IN STATE WHICH PAYS \$3000 TO A FAMILY OF FIVE AND \$2500 TO A FAMILY OF FOUR

FAMILY INCOME IF FATHER STAYS = \$3000 (\$1900 FAP + \$1100 SUPPLEMENT)

FAMILY INCOME IF FATHER LEAVES = \$2500 (\$1600 FAP + \$900 SUPPLEMENT)

FAMILY TOGETHERNESS INCENTIVE = \$ 500

2. FAMILIES HEADED BY FATHERS EMPLOYED FULL TIME

EXAMPLE: ASSUME FATHER EARNING \$2000, SAME FAMILY AND SAME STATE

FAMILY INCOME IF FATHER STAYS = \$3260 (\$2000 WAGES + \$1260 FAP)

FAMILY INCOME IF FATHER LEAVES = \$2500 (\$1600 FAP + \$900 SUPPLEMENT)

FAMILY TOGETHERNESS INCENTIVE = \$ 700

Mr. PATRICELLI. So if the family breaks up, the incentive for the family to break up, in these 31 jurisdiction that do not have AFDC-UF programs, is \$2,500. The incentive under the proposed plan for the family to stay together is \$500 in all jurisdictions.

If we assume, as before, that a father is earning \$2,000, in the same State and therefore at the same payment levels, and that the father stays in the home, under the present law, of course, he is not eligible for any welfare supplementation. The family's total income is therefore \$2,000. If he leaves, the rest of the family gets AFDC—the amount for a four-person family of \$2,500—so there is a breakup incentive of \$500.

Again, under the family assistance plan, because the father is receiving a supplemental payment from the Federal Government, if he is working full time and staying with the family, it is possible for the family to be better off than if he leaves, so there is a so-called togetherness incentive of \$700, or, comparing the two, a difference in incentives of \$1,200.

Thank you, Mr. Chairman.

Secretary FINCH. I want to conclude, Mr. Chairman, by meeting head on some major assertions which have been made about this program.

The most widely discussed question is whether family assistance is really in fact a "guaranteed annual income," and to this question I can emphatically answer "No."

It is simply incorrect to refer to the family assistance plan as a guaranteed annual income plan. There are critical differences in concept and in program operation between family assistance and such plans. Under guaranteed income plans, the Government would allow people to abdicate their responsibilities for self-support; it would assure them a basic income regardless of whether they are willing to work or not.

Under family assistance, income is not provided regardless of personal efforts or attitudes. Those who are able to work or to be trained are required to register for and to accept suitable training or employment or lose their payment. We are not creating a situation wherein the Government assumes financial responsibility for people who choose not to work. As the President stated in his message to the Congress: "It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. No able-bodied person will have a 'free ride' in a Nation that provides opportunity for training and work."

Moreover, a guaranteed income probably implies to most people a flat amount of income and universal availability of that amount. Family assistance provide neither of these: the amount of the total family income is made to vary in order to encourage work, and the plan is not universal but is restricted to families with children. Of course, family assistance would establish a nationwide minimum floor under income for people who qualify. But there are now separate income floors in each of the 50 States. Establishing a common floor nationwide hardly makes the President's proposal a guaranteed income.

WORK REQUIREMENT

Many people have asked why we feel it is desirable to have a work requirement for mothers with school-age children.

When we look at data on mothers with children between 6 and 17 but with no husbands—essentially, the same kind of women who would be required to register under family assistance—we see that 68 percent are already working, with 57 percent working full time. These are women who are potentially in the same circumstances as welfare mothers, yet they are working and paying taxes. Can we fairly ask this 68 percent to support through their taxes the minority who might choose not to work? For that is the moral problem—someone must pay for the freedom of the few not to work.

Equally important, our experience with the WIN program to date indicates that the vast majority of able-bodied welfare recipients will gladly upgrade their skills and enter gainful employment if they can. Ample evidence exists to support this observation. Let me cite a few statistics.

Between 70 and 80 percent of AFDC mothers have worked at some time or are now working.

The Podell study of families on welfare in New York City shows that seven out of 10 mothers on welfare, when asked, "Would you prefer to work for pay or stay at home?" replied that they would prefer to work. Moreover, six out of 10 mothers on welfare with preschool children said that they would prefer to work if day care were available rather than to stay at home and take care of their children. Almost two-thirds of the mothers interviewed said that they expected to work at some time in the future.

Even beyond these considerations there is also evidence that it is better, from the point of view of the psychological well-being of both the adults and the children in the family, that a parent work where that is possible.

COVERAGE FOR THE WORKING POOR

Another frequently asked question is why, given the already staggering costs of the welfare system, do we want to extend coverage to several million more persons—the working poor. The answer is not difficult. Federal welfare expenditures have been rising continually over the years. Given the current structure of public assistance, they will continue to rise. The question is not whether we will spend the money, but how and what return we will get for it.

Our intent in providing coverage under family assistance for these additional millions of families—the working poor—is to keep families off welfare, and to encourage those now on welfare to become fully employed, through a structure in which work is rewarded, not penalized.

The new family assistance system will initially cost more than the current welfare system—over \$4 billion more in the first year of operation. But unlike the current system, these added expenditures are designed to correct the conditions that the system deals with, and thus to lessen the long-range burden of welfare on our society. These startup costs of lifting people out of dependency, although substantial, will ultimately cost the taxpayer far less than the chronic costs of maintaining a system that has failed.

As the President said in his August 8, 1969 Message to Congress:

... this is a reform we cannot afford not to undertake ... If we fail to make this investment in work incentives now, if we merely try to patch up the system here and there, we will only be pouring good money after bad in ever-increasing amounts.

ADEQUACY OF THE FAMILY ASSISTANCE BENEFIT

The last question we most frequently encounter is in a sense the reverse of the preceding one: is the family assistance benefit adequate?

It is not possible to answer this question without considering some of the trade-offs involved in allocating scarce financial resources. For example, for all the reasons I described earlier, the administration considers it a matter of highest and most crucial priority to remedy the perverse incentives in our current system which promote family instability and reduction of work effort.

Of course, this increase in equity and favorable incentives is bought at a price. The work incentive features of the bill are expensive--the cost of disregarding the first \$720 of earned income alone is estimated at \$1.2 billion.

In short, to preserve equities and incentives we must use some dollars which might otherwise be available to raise the basic minimum standard, and raising that standard by even a small amount is very costly. With a \$1,600 basic benefit, a \$720 initial disregard, and a 50-percent reduction in the assistance payment for additional earned income, the break-even point--the upper income limit for eligibility under family assistance--is \$3,920. A \$100 increase in the basic standard raises this break-even point by \$200, thereby covering a considerable number of additional families as well as raising the payment to those already covered. Such a \$100 increase would raise the cost of the family assistance program by about \$400 million.

Another obvious trade-off would be to provide a lower benefit level but to provide it on a universal basis. The family assistance plan will not provide coverage to nonaged childless people who are in poverty. To provide coverage to these persons at a comparable level to the family assistance benefit would increase gross family assistance costs by \$1 billion (although net costs would be less as the cost of the adult programs would decline). We feel that first priority must be given to improving the hopes for the future of the millions of poor children in this country.

Despite these carefully considered limitations, I think it is equally important to stress again that we still will have purchased with our family assistance dollars a major attack on the poverty problem in the United States.

It is obvious that a program which provides a basic benefit below the poverty line will not eliminate poverty. However, programs, such as the family assistance plan, which are tailored to family size and income channel the bulk of the payments to the poorest, and thus have the greatest impact on poverty reductions per dollar spent.

The most obvious improvement over is AFDC coverage. Family assistance will cover 65 percent of all the poor and virtually 100 percent of all poor families with children, as well as a considerable number of low-income families above the poverty line. AFDC currently covers only 17 percent of the poor and 35 percent of all poor children in the country.

Although family assistance payments to the families-with-children category will not be sufficient of themselves to move the majority of these families out of poverty, almost 2 million persons in these families will be moved across the poverty line. In addition, the proposed establishment of a minimum income level of \$110 per month per person for aged, blind and disabled recipients--originally \$90 in the President's plan--will of itself lift aged couples considerably above the poverty line of \$2,071 for such families. For a single person in the adult categories, the minimum income will provide a level of 80 percent of the poverty line exclusive of medicare benefits.

Furthermore, when the President's food stamp proposals are included in the overall welfare package, they produce a combined basic subsidy, for a family of four with no other income, of some \$2,646 per year--\$1,600 in family assistance payments and \$864 in stamp bonus--or about 68 percent of the poverty line income for such a family. This is, incidentally, in excess of the basic payment recommended in the plan proposed by the Heineman Commission. Since the family assistance plan mandates continuation of State supplementation at either current levels or the poverty line, whichever is lower, the basic payment will be even higher in about 44 or 45 States.

Taken together, the family assistance and food stamp transfers will of themselves reduce the poverty gap in the country by about 60 percent. The manpower provisions of the plan should extend this reduction considerably further in years to come.

In considering the adequacy of the \$1,600 basic standard I think it is particularly important to remember the intent and nature of the family assistance payment and the target population to which it is directed. The family assistance payment is not intended to substitute for welfare payments now available to those who for one reason or other cannot work.

State supplementary programs in all but five or six States will raise the payments to such families significantly. The family assistance payment is intended primarily as an income supplement to reinforce the work efforts and family stability of the millions of poor heads of families who can work and are working but who, because of limited skills, education, or opportunity, are not able to provide adequately for their families.

Consider the average working poor family who would be eligible for family assistance. The statistical tabulations on which our cost estimates are based indicate that such a family has 5.6 members and currently receives some \$3,400 of income from other sources, primarily earnings.

Given this income and family size, the family would be eligible for a family assistance payment of \$742 and an additional net food stamp bonus of \$564. Their total income is thus raised to \$4,706, which is slightly above the poverty line adjusted to a family size of 5.6.

In discussing the adequacy of the family assistance payment, I have emphasized that the \$1,600 provided under the family assistance plan is a base amount, on which the family may build through the use of a variety of other State and Federal programs. A low-income woman and her family can receive food stamps, State supplementation, medicare benefits, public housing, day care, legal services, and a variety of other services.

I have tried to answer briefly some of the hard questions about family assistance. We recognize that problems will remain but we

believe that the family assistance plan will correct many of the notches, inequities, and work disincentives that have characterized our assistance programs. We know the things that are terribly wrong with our present welfare systems. It is indefensible to perpetuate them for even one more year. The problem is not one of accumulating new knowledge—it is mobilizing the will to act on what we know already, and know from long, disastrous experience.

A philosopher once described the problem of achieving welfare reform as follows:

Like the diet prescribed by doctors, which neither restores the patient nor allows him to succumb, so these doles that you are now distributing neither suffice to ensure your safety nor allow you to renounce them and try something else.

That was said by Demosthenes, over 2,200 years ago. Apparently, in all this time, man has been unable to get this job done right. Let us not again throw away our opportunity.

Thank you, Mr. Chairman.

Senator ANDERSON (presiding). The tables appearing at the end of your prepared statement will be made a part of the record at this point. (The tables referred to follow:)

TABLE 1—TREATMENT OF WORKING WOMEN UNDER AFDC
[Assume a State with a \$3,000 need standard and payment level]

	Earned income	Welfare grant	Net income
Mother, earning \$2,500 with \$420 in work-related expenses, is eligible for welfare	\$2,500	\$1,781	\$3,961
Mother, earning \$3,500 with an estimated \$420 in work-related expenses, is not eligible for welfare	3,500	0	3,080
Mother, already receiving welfare, increases her earned income to \$3,500 with \$420 in work-related expenses, and remains eligible	3,500	1,161	4,341

TABLE 2—INCENTIVE FOR MEN TO WORK PART-TIME UNDER AFDC-UF
[Assume a State with a \$3,000 need standard and payment level]

	Earned income	Welfare grant	Net income
Father works 20 hours a week at \$1.70 an hour; earns \$1,768 a year with \$210 in work-related expenses is eligible for welfare	\$1,768	\$2,197	\$3,755
Father works full time at \$1.70 an hour with an estimated \$420 in work-related expenses is ineligible for welfare	3,536	0	3,116

TABLE 3—WHAT A WORKINGMAN MUST EARN TO BE AS WELL OFF AS A WELFARE FAMILY
[Based on data available, January 1970]

State	Welfare payment to 4-person family with no income (per month)	Required gross earnings for 4-person nonwelfare family to achieve same net disposable income as a welfare family	
		Per month	Hourly wage
California	\$221	\$288	\$1.67
Connecticut	294	358	2.08
Illinois	269	319	1.85
Indiana	150	185	1.07
Louisiana	104	154	.90
Massachusetts	307	372	2.16
Michigan	263	333	1.94
New York	313	383	2.23
Nebraska	200	250	1.45

¹ Assumes that work-related expenses are equal to the average allowance for work-related expenses including taxes currently made in States shown. These work-related expenses do not include day care costs.

TABLE 4.—COMPARISON OF THE NET DISPOSABLE INCOMES OF 4-PERSON WELFARE FAMILIES AND NON-WELFARE FAMILIES EARNING THE SAME AMOUNT OF WAGES—MONTHLY ESTIMATES FOR SELECTED STATES (BASED ON DATA AVAILABLE JANUARY 1970)

State	Amount of earnings	Net disposable income of a welfare family earning the amount shown in col. 1 ¹	Net disposable income of a nonwelfare family earning the amount shown in col. 1 ¹
		(2)	(3)
California.....	\$288	\$371	\$221
Connecticut.....	358	433	294
Illinois.....	319	395	269
Indiana.....	185	300	150
Louisiana.....	154	208	104
Massachusetts.....	372	451	307
Michigan.....	333	394	263
New York.....	383	461	313
Nebraska.....	250	400	200

¹ Assumes that work-related expenses are equal to the average allowance for work-related expenses including taxes currently made in States shown. These work-related expenses do not include day-care costs.

TABLE 5.—RELATIONSHIP BETWEEN EARNINGS OF AFDC MOTHERS, AFDC GRANT LEVELS, AND CASELOADS PER 1,000 POOR PERSONS IN THE POPULATION, FOR 11 CITIES

City	Median best wages ¹	Grant level	Difference between 1 and 2	Caseload per 1,000 poor persons
	(1)		(3)	
New York, N.Y.....	\$274.56	\$278	—\$3.44	200.7
Philadelphia, Pa.....	237.60	213	24.60	84.1
Providence, R.I.....	264.00	266	—2.00	76.7
Chicago, Ill.....	264.00	279	—15.00	72.5
San Jose, Calif.....	315.04	221	94.04	71.8
Phoenix, Ariz.....	230.56	134	96.56	41.7
Rochester, N.Y.....	281.60	278	3.60	40.9
New Orleans, La.....	220.00	116	104.00	39.7
Atlanta, Ga.....	221.76	125	96.76	36.4
Memphis, Tenn.....	220.00	120	100.00	32.0
Raleigh, N.C.....	220.00	144	76.00	23.7

¹ Self-reported, highest wages of AFDC mothers as reported in survey interview.

Note: Columns 3 and 4 have a statistically significant correlation of -0.57 .

Source: Pages 43 and 84, "Report of Findings of Special Review of Aid to Families with Dependent Children in New York City," transmitted to the Committee on Ways and Means by the U.S. Department of Health, Education, and Welfare and the New York State Department of Social Services on Sept. 24, 1969.

Senator ANDERSON. Senator Ribicoff?

Senator RIBICOFF. Mr. Chairman, this has been very puzzling testimony. I am sure there was no intention to mislead with these charts. There is a lot heard about the working poor and all the advantages that H.R. 16311 will do to help them. But the working poor will still receive far less than the nonworking families.

The Secretary says the prime element involved in this bill is a supplemental for the working poor; yet nothing has been done to this extent.

When we had the briefing by the committee, Mr. Chairman, our staff did an outstanding job and presented a series of charts which are completely different in their impact from the testimony we have heard today. The work done by my personal staff goes along with the work done by the committee staff.

I wonder, under the circumstances, if our own staff will not put their charts out and explain the charts to indicate the difference between the Secretary's testimony and the work of the committee's staff, Mr. Chairman.

Senator ANDERSON. You mean at this time?

Senator RUBINOFF. At this time, because I think the questions will depend on the difference.

Secretary FINCH. It would be very helpful. We would be very happy to do it this way.

Senator ANDERSON. Well, go ahead.

Mr. STERN. Mr. Chairman, this chart simply shows some examples of the impact of present law and the bill on the total income of families in various circumstances. We have taken an average State with a needs standard of \$3,000 for a family of four, which meets full need, and which aids children in families with unemployed fathers.

RELATION BETWEEN EARNINGS AND INCOME

Senator ANDERSON. This is on page 11 of the committee print on the bill.*

Mr. STERN. Yes, sir. A family of four headed by a mother with earnings of \$2,000 and work expenses of \$30 per month has in this State a total income under present law of \$4,267 --\$2,267 in welfare and \$2,000 in earnings. Under the proposed bill, she would receive about the same total income, though there is a slightly different treatment of her work expenses.

A family headed by an unemployed father with no earnings both under present law and under the bill would receive \$3,000.

A family headed by an unemployed father with part-time earnings of \$1,000 and work expenses of \$15 per month under present law would be eligible for welfare payments of \$2,753 which, together with the \$1,000 of earnings, would bring the family's total income to \$3,753. That family's income would also be about the same under the bill, though it would rise slightly because of the change in treatment of work expenses.

If the family is headed by a father who is fully employed, with earnings of \$2,000, that family's total income is \$2,000 under present law. Under the bill they would receive \$960 in family assistance, for a total income of \$2,960.

Since an unemployed father is defined under the HEW regulations as one who works less than 30 hours a week, we could have a situation where an unemployed father earns \$2,000. If his work expenses are \$30 per month, the family under present law is eligible for AFDC payments of \$2,267 which, together with the father's earnings, bring their total income up to \$4,267. Under the bill this would drop to \$4,147 because of a change in treatment of work expenses.

Senator RUBINOFF. In other words, under the last column, where you have analyzed the different alternatives, under H.R. 16311, the man who is working at 40 hours at minimum wages, scratching out a living, is getting a total of \$2,960, which is lower than any other category of the unemployed or the person working part time or the persons on welfare.

*Page 117 of this hearing.

He is still worse off under this bill than he is in any other category that is named in the bill. Is that correct?

Mr. STERN. Yes, sir. I would like to mention that this would be at wages lower than the Federal minimum wage. This would involve working at about \$1 an hour.

Mr. Patricelli mentioned that there are about a million persons working at that wage level.

WORK DISINCENTIVES IN THE BILL

Senator RIBICOFF. Mr. Secretary, if your objective is to supplement the income of the working poor, how do you explain the low category of the working poor and that he has been discriminated against under H.R. 16311?

Secretary FINCH. Senator Ribicoff, a "notch" effect is there, but we have cut it about in half with our proposal. We recognize that there is still some disincentive left.

Senator RIBICOFF. Yes, but if your objective—and you took half your testimony on what you were doing to supplement the working poor, giving the impression in this committee that you are interested in workfare and you are interested in bringing up the level of self-respect for the man who is working for a living—if your objective is to get people to work, how can you have such an objective and still penalize the man who is willing to work against the person who is not willing to work and a differential of some \$1,100 or \$1,200?

Secretary FINCH. There would be a disincentive in this one type of case. But I think the overall figures would, as we have tried to indicate in the bulk of our testimony, reflect a different result.

Senator RIBICOFF. Would the administration be in favor of bringing up the income of the working poor to at least equal that of the person on welfare who does not work?

Secretary FINCH. We think that in most cases our proposal would accomplish that result.

Senator RIBICOFF. But that is not the question. Would you be willing, would the administration support a program brought out by this committee which raised the level of the working poor at least to the equivalent of the person who does not work at all?

Secretary FINCH. If you were to adopt that criterion, Senator, the proposal would probably involve a minimum of another \$2 billion in expenditures. Mr. Patricelli should perhaps respond to your question, though, because he is the one who worked out the figures. There was a problem of the constraints we were faced with.

Mr. PATRICELLI. The problem, Senator, is the fact that in 1962, the Congress created the so-called unemployed parent program. It does not extend to the working poor.

Senator RIBICOFF. May I interrupt for a second, Mr. Patricelli? What this administration has done to this program is fine. I approve what you have done and I commend the Nixon administration for this concept. Under these circumstances, you seek to throw out the past, and I commend you for throwing out the past.

Now, if we are going to start a new program, which is revolutionary, and if we are setting America on a complete new road, let us not underestimate the consequences of it. I approve of this new road and

the consequences—but if we are setting America out on a new road, let us do it right. If you are interested in people working and interested in training, how can this administration justify penalizing the man who is willing to work 40 hours a week at low wages for his self-respect and still give him less money than the person who does not want to work?

MR. PATRICELLI. Senator, the administration is proposing to spend \$4.4 billion to try to eliminate, or at least drastically reduce, the penalty that exists under present law. But the way to correct the problem you raise—and it is a very real one—would be to require supplementation of the income of the so-called working poor by the States.

The States have not been doing this up to now.

STATE SUPPLEMENTATION FOR THE WORKING POOR

Senator RIBICOFF. Now, let us go to that point. There are a half dozen States that are supplementing the working poor.

MR. PATRICELLI. There are seven; yes.

Senator RIBICOFF. Now, why would the Federal Government be unwilling to match the States who want to supplement the working poor? Are you not discouraging States from supplementing the working poor if you are not giving them any matching funds, whereas you are giving matching funds to those who are not willing to work?

If you are interested in workfare and not welfare, we have an obligation, it seems to me, to come out with a program that is really workfare.

How can you say to Richard Brown, who is working full time and earning \$2,900, and that is his entire income that he gets, and next door to him lives Richard Smith, who sits on the porch and does not turn a shovel or work 1 minute out of the 365 days, getting \$4,100—now, how long do you think Richard Brown will work for 40 hours a week while the man next door to him is getting more money than he is without working at all?

MR. VENEMAN. Senator, under none of these examples would a person be able to sit on the porch and not do anything, and get as much as you suggest. Under the particular example set out, the man's earnings would be \$2,000 for part-time work.

Senator RIBICOFF. What you are doing—I think Mr. Patricelli, in explaining the question raised by Senator Harris about quitting, said, "Well, that is a term; there is always a man that can drop out of work."

MR. VENEMAN. If the unemployed parent in this family of four was not working at all, their income would be \$3,000, Senator. The reason he gets up to \$4,267 is because he has \$2,000 in earnings from work.

Senator RIBICOFF. Let us say \$3,000, if he does not work at all. Do you think the man who works 40 hours, getting \$2,960, would continue working while his next door neighbor gets \$3,000 a year without working at all?

MR. VENEMAN. He would be much more inclined to continue working, Senator, than he would be under the existing system, where he is only getting \$2,000. This administration has reduced the disincentive by one-half.

Senator RIBICOFF. In addition, will the staff indicate on the chart the other disadvantages in the present bill to the man who works as against the man who does not work and is on welfare? Is there not a problem of medicaid?

(The chart referred to is chart 8, page 123 of this hearing.)

Mr. STERN. The bill makes two major distinctions between the so-called working poor and the nonworking poor. One distinction is that a family headed by an unemployed father is eligible for State supplementation. The working poor do not receive State supplementation.

The other distinction is that the nonworking poor are eligible for medicaid and the working poor are not eligible for medicaid.

Senator RIBICOFF. So the person who is earning \$2,000 and getting \$2,960 for working cannot get medicaid benefits if he or members of his family are ill, but the person on welfare who does not work and gets \$3,000 is eligible for medicaid. Is that not correct?

Mr. STERN. That would be the typical situation.

Mr. PATRICELLI. Could I correct that in one regard, Senator?

There is under the Federal medicaid law, at States option, the possibility of covering the children of the working poor. Now, as the staff has said, this is not the typical case, but Federal law does not discriminate per se against the children of the working poor. Federal dollars are available.

Senator RIBICOFF. Mr. Secretary, would you favor at least providing Federal sharing in State supplements to the working poor if the State is presently or should decide to make these things available?

Secretary FINCH. I think we would be amenable to considering further inducements for State supplementation, yes.

Senator RIBICOFF. You would be interested in supporting such a proposal?

Secretary FINCH. We would have to cost out what precise figure we are talking about. Obviously, we have not had the experience thus far.

Mr. VENEMAN. Senator, would it not be true that in those six or seven States that now cover the working poor in one way or another, they do it entirely with State dollars. The Federal Government does not participate in those programs. So if we move in with a program that provides a Federal supplementation, the States can continue to spend their dollars and their payments would be supplemented in those States.

Senator RIBICOFF. Yes, but would this encourage other States—in other words, of about 50 States, only six are supplementing the working poor. If you came in on a matching basis, that would cost \$20 million a year in 1972, 1973, and 1974.

Now, if you are interested in encouraging people to work, should you not encourage the States to supplement the working poor so the working poor would not be at a disadvantage to the unemployed or the people on welfare who are not working?

Secretary FINCH. First of all, we have the problem of whether we can keep an overall control—that is, whether we can avoid the open-ended situation we have in AFDC. I am not sure how we could construct legislation that would do what you suggest and still avoid an open-ended commitment.

Senator RIBICOFF. Well, I think we have some able Senators on this committee. If HEW cannot come up with legislative proposals, I am

sure we can draft them in this committee, and all we ask is your support and the administration's.

Mr. PATRICELLI. Senator, could I make one comment? Of course, we would assist the States to supplement the income of the working poor. In those seven States that are now paying wholly State money for the working poor, we would pick up a great deal of that dollar cost under the family assistance program. And we would hope very much that those State savings would be plowed back into a State program for the working poor.

DISCRIMINATION IN FAVOR OF WOMEN

But in a very real sense, we would be providing the first \$1,600 of payments for the working poor.

Senator RIBICOFF. The staff has called to my attention that we have a sexual discrimination in favor of women, that a mother earning \$2,000 a year will receive \$1,147, but a man who is a head of a family, who earns \$2,000 a year, will receive \$2,960.

Why should not the man who is head of the family receive the same as a woman who is head of a family for the same number of people?

Mr. VENEMAN. That is one of the problems of trying to build on an existing system, Senator.

Senator RIBICOFF. But, Mr. Veneman, this administration has gone up and down this country and said, we are throwing out the old system. And I agree with the administration; I am for what the administration is trying to do.

Now, if you are going to throw out the old system and have a new one, let us not start a new system with built-in inequities.

I think this is one of the great dangers. If we are going to have a new system, let us really have a new one and let us not have the old system and say it is new. I think this is the problem that we face, and I think this is the responsibility of this committee. If the administration and the House are unwilling to have a new system, I think we have the obligation to have a fair and equitable system in the Senate of the United States. I think this is an obligation and a duty.

NEEDY PERSONS NOT QUALIFYING FOR WELFARE

Now, Mr. Secretary, there are millions of desperately poor Americans who fail to qualify for any Federal welfare assistance. This is true presently and under H.R. 16311. I am speaking of the man and woman, or a widow, perhaps in her late fifties, without hope of regular employment, or a person who is too young for old-age assistance, or the young childless couple in the ghetto who cannot find decent jobs, or any jobs at all.

These people are in great need, but no help is forthcoming under your bill, as indicated in your opening statement. Instead, we say to this young couple in the ghetto, in H.R. 16311, we will give you \$1,300 only if you have a child; but if you do not have a child, we will not give it to you.

Now, we have had all this talk about population control and people on welfare having too many children. Yet you are saying to the couple

in the ghetto, "If you have a child, we will give you \$1,300, but if you are childless, you will get nothing."

How do you justify that?

Secretary FINCH. We made, as I said, a decision that, given the kind of constraints that we have, we were going to try to help the family unit, with or without a father there. There is a great deal of conflicting evidence as to whether this kind of inducement would encourage a young couple to have a child, simply to pick up that increment of dollars.

We do not have any hard data that tells us that providing family assistance only for families with children will be an inducement to young couples to have a child in order to get on welfare.

Senator RUBINOFF. But how about that unemployed person who cannot get a job, the couple getting nothing. What do we do with those people? We take into account your work responsibilities and your work provisions, but what do you do with John and Mary Jones, who are married, without a child? What do you do with them?

Secretary FINCH. In most States—as you know, having been a Governor—there are general assistance programs. There is unemployment insurance. We have the food stamp program, with a Federal component. We think we would go far beyond the bounds of the right allocation of resources—the funds would have to come right out of education and out of health—if we were to expand the family assistance plan to the extent your question suggests.

Mr. VENEMAN. I think there are a couple of other factors here, too, Senator. With a young married couple, for example, chances are there has been some employment record. They could be eligible for payments under unemployment insurance. And there has traditionally been a responsibility on State and local governments to provide general relief to tide such families over. And if they are disabled, of course, they would come under the aid to the disabled program. But for the most part, we have looked at this sort of family as part of an age group that is most acceptable in the employment market. So they are treated somewhat differently.

ADEQUACY OF FAMILY ASSISTANCE PAYMENT LEVELS

Senator RUBINOFF. Mr. Chairman, I do appreciate your letting me come out of turn for personal reasons. I would like to ask two more questions. Then I have other questions which I shall defer to some other time.

Mr. Secretary, practically every study of welfare has recommended substantially higher levels of assistance. The Committee for Economic Development and the Heineman Commission both have called for a level of \$2,400 for a family of four. Do you believe that \$1,600 for a family of four is adequate, and would you favor increasing this amount over a period of years?

Secretary FINCH. I would not want to project beyond what the present proposal is. Of course, as I indicated in my testimony, if you add the food stamp component, you go above the amount called for by the Heineman Commission. And I believe the CED recommendation was \$1,600, the same as ours.

Senator RIBICOFF. But now let us take the food stamp program. Today, 19 percent of all public assistance recipients get food stamps. Thirty-six percent of recipients in counties where stamps are available get food stamps.

Under the family assistance programs, the Nutrition Committee, with Agriculture Department figures, estimates that only 39 percent of people under FAP will get food stamps.

What happens with the other 61 percent?

Secretary FINCH. I think that with the marked improvement in the food stamp program which the Congress and the administration worked out last year, those figures would not obtain. In other words, those were based on the old, more limited food stamp program.

Senator RIBICOFF. This is what has been advocated at the present time. Would you go along with Senator McGovern's proposal that there be automatically given to everybody that comes within this particular program \$1,100 worth of food stamps?

Secretary FINCH. No, I do not think I would, as a matter of fact. While the food stamp program now augments this cash maintenance approach, I think that in the future—and I do not know when that date will be—we will move away from the food stamp concept. I would hope that would happen.

Mr. VENEMAN. Senator, if I may respond to two points. I think the record should show that the Committee on Economic Development has endorsed H.R. 16311 with the \$1,600 amount for a family of four plus the food stamp component.

Second, I am not sure that the estimate that 39 percent of family assistance recipients will get food stamps is accurate. I think we have to recognize that the food stamp program is also based upon a variable. As income increases, the purchasing power of the stamps decreases. When people have reached a point where they are spending 80 cents to get a dollar's worth of stamps, there is a tendency to forget using the stamps and to spend the money in their own way.

GOAL OF ELIMINATING POVERTY

Senator RIBICOFF. One general philosophical question, Mr. Secretary. On April 18, 1970, Mr. Daniel P. Moynihan made a speech before the American Association of Newspaper Editors in New York City, and I quote:

Senator Ribicoff's suggestion that the national government formulate goals in this area to be attained by the 200th Anniversary in 1976 is a good idea and very much in line with the President's own thinking. In this way, we can best hope to match specific measures to the availability of specific resources for obtaining them. There is a deal of drudgery in this route, but in the end, there is triumph. Poverty will have ceased to be a condition in which any American could live as a normal experience. It is a kind of thing history remembers you for.

Now, do you agree, Mr. Secretary, with Mr. Moynihan and President Nixon that this is a worthwhile goal for this Nation in 1976?

Secretary FINCH. I think we have tried to make that clear. I think there is probably a distinction between how each of us would attain those goals—between your proposals and the ones we are making here today, Senator.

Senator RIBICOFF. Then would you favor my amendment No. 584, which provides, as a minimum national goal, that by 1976 all citizens are assured of an income adequate to sustain a decent standard of life and that we instruct you, Secretary of HEW, to report to Congress within 18 months of the final enactment of this legislation with recommendations as to means to get this goal, the schedules, arrangement of priorities?

Do you think that is something you could support as Secretary?

Secretary FINCH. I do not think it would be possible within that short time for anyone to find a way to totally eliminate poverty. We can bend every effort within the resources we have. But we have provided for an annual report on this proposal.

Senator RIBICOFF. Yes, but if Mr. Moynihan and the President believe it is a worthwhile goal for 1976, could you be less—as the title of this says, “A moment touched with glory.” That is the title of Mr. Moynihan’s speech.

Are you less willing to face a moment of glory than President Nixon or Mr. Moynihan?

Secretary FINCH. I do not think even Mr. Moynihan would suggest that we could eliminate poverty in this country by 1976.

Senator RIBICOFF. That is right, but is it a worthwhile goal to strive for, might I ask?

Secretary FINCH. Of course, it is a worthwhile goal.

Senator RIBICOFF. Would you object to that being written into this measure?

Secretary FINCH. If it is written very realistically, with an eye toward what is possible, and whether we want to make a decision that we are going to take the necessary funds out of the hide of education and health. I am not prepared at this point to say I would want to take those dollars out of those other fields.

Mr. VENEMAN. Senator, I think your idea is now written into the measure. I think that indirectly, our responsibility and commitment to it are suggested by the provision that we will supplement the State share up to the poverty line. I think that we cannot make a commitment now that we are going to take over the entire assistance programs in the adult categories. I do not think any of us is willing to make that decision at this point. The States have traditionally had a responsibility in public assistance. We have asked them to continue their responsibility, and we will participate up to the poverty line; as the dollar level increases, our Federal participation will be there to match it.

Senator RIBICOFF. Mr. Chairman, I want to thank you and the other members of the committee for their understanding and indulgence. I am most appreciative.

The CHAIRMAN. Mr. Secretary, I would like to ask just a few questions here.

Secretary FINCH. Mr. Chairman, I assume you are going to be expecting certain things of us by 2 o’clock. I want to know exactly what you want so we can do our housekeeping chores by the afternoon session.

The CHAIRMAN. I believe we will make that 2:30, if it is all right with you. I think we will quit at 12:30 and meet again at 2:30.

Secretary FINCH. Fine.

WORK INCENTIVE PRINCIPLE

The CHAIRMAN. Can we agree that it will be best in all cases, that a person will be better off doing honest productive work than simply living on welfare payments?

Secretary FINCH. That is the goal we are both trying to achieve.

The CHAIRMAN. That being the case, would it not be well that we seek to work together during the course of these hearings and in executive sessions to try to eliminate that anomaly insofar as it appears, either in the present bill or in existing law, so that in the future, no matter what the welfare payments may be to any individual, it will be desirable for that person from the economic point of view to go to work and supplement his welfare payments?

Secretary FINCH. Yes, sir.

The CHAIRMAN. I think we should do that.

Now, you have said that this bill will possibly reduce welfare costs in the long run. I would be curious to know how you assume that that is going to be the case when it starts out by adding 14 million people to the welfare rolls.

Secretary FINCH. We are betting on the desire of most people to get up and go to a job in the morning and to want to stay with their families, and on impulses and patterns of life that we think will prevail. People will want to work themselves off of the welfare rolls. These things are very hard to project actuarially. But we think that our theses are sound and our concept right.

AVAILABILITY OF DATA ON STATE-BY-STATE BASIS

The CHAIRMAN. I understand that the OEO survey upon which the cost estimates of family assistance under the bill are based could be provided on a State-by-State basis, but a restriction has been placed on this kind of breakdown. Is that correct?

Secretary FINCH. Do you mean that OEO or we have placed a restriction on the New Jersey experiment?

The CHAIRMAN. As I understand it, the OEO survey could provide information on a State-by-State basis but that a restriction has been placed on this type of breakdown—that is, on a State-by-State basis.

Mr. VENEMAN. Are you making reference to what each State would receive under the family assistance plan?

The CHAIRMAN. I am talking about the 1966 survey. The survey of poor families.

Mr. PATRICELLI. We are informed, Mr. Chairman, that the computer tape that has the OEO data does not have State-by-State breakdowns, because that agency decided that to put such breakdowns on the tape would in some way conflict with confidentiality requirements that they undertook to meet when they got the data by survey.

The CHAIRMAN. Well, I am told the argument had been made that it does not agree with certain other information that has been presented to us.

Mr. VENEMAN. That would be news to us, Senator. We have tried to obtain every bit of data we could get that would be relevant to this

problem, and we have been working on this kind of arrangement since February 1969. I was unaware that there was any information that was restricted as you suggest.

The CHAIRMAN. How could you contend that you are violating confidentiality when you are looking at a survey that simply shows what happens on a State-by-State basis? My understanding is that that does not identify the names of the recipients. It simply identifies on a State basis what the cost of family assistance is and would be.

Secretary FINCH. Mr. Chairman, this is the first time I have heard this and we will endeavor to get a formal response from OEO as to what their protocols were on this and have it for the record. I just simply am not aware of the existence of this.

The CHAIRMAN. It seems to me that this data is necessary if we are to have a cross check on the cost estimates. This information should be made available. I think if the cost estimates are not valid that we on this committee should know about it. I do not think we should publish confidential information, but I think that would be a valuable survey to see what to expect in the future. Can we agree that as far as the committee is concerned, that will be made available?

Secretary FINCH. We will have to check. It is not in our report. Until I can find out what basis——

Senator TALMADGE. Will the Chairman yield at that point?

The CHAIRMAN. Yes.

Senator TALMADGE. I do not see how you can make a projection without feeding the ingredients of a State-by-State survey into it. I would certainly like to know what the situation is in Georgia, because I believe in many areas we might have over half the people in individual counties on welfare.

Secretary FINCH. We will try to have by this afternoon some statement with regard to what restrictions have been laid out here.*

The CHAIRMAN. As I understand it, your cost estimates on the working poor are based on the unemployment rate of 3.5 percent. Can you tell me what is the present rate of unemployment?

Secretary FINCH. I think the last figures were about 4.4, according to the BLS.

The CHAIRMAN. That would be an increase of about 30 percent?

Secretary FINCH. Just to clarify a response to Senator Talmadge. We have made State-by-State projections, but as I say, they were not in any way related to this report to which you have alluded. I did not mean to suggest that we had not made State-by-State projections. But they were not based on this OEO report.

Senator TALMADGE. I think what the committee would like to have in considering this bill, and there are many laudable aspects, I may say. I think we need to know how many individuals are drawing benefits in different States, aid to blind, aid to aged, and how many will be drawing benefits under the bill passed by the House.

Mr. VENEMAN. We will supply that for you, Senator.*

We will have the specific figures on the survey you are talking about. It is my understanding that it is a small survey and to release information by States would identify the persons that were participating. We will submit to you specifically——

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

The CHAIRMAN. My understanding is that there are 30,000 families involved in that and that a lot of these cost estimates are based upon that survey.

Mr. VENEMAN. If your staff can spring it from the Bureau of the Census, I guess we can work together on it.

The CHAIRMAN. I do not know why we cannot get the information we need on this committee. We are well aware of the fact that we on this committee are entitled to know what an individual's tax return is, but this is not that kind of request.

HEW COST ESTIMATES BASED ON 3.5 PERCENT UNEMPLOYMENT RATE

Here is the point I had in mind with regard to this last question: You present us cost estimates based on a three and a half percent unemployment factor. You say it is about 4.5 percent today. At the present rate of unemployment, how much more would your bill cost than the estimates contained in the statement?

Secretary FINCH. We will have that information for you. It is going to take us a matter of some days to recalculate this whole program nationally, but we will have that information just as promptly as we can. Mr. Chairman. We are already in the middle of updating those figures.*

WORK DISINCENTIVES UNDER THE BILL

The CHAIRMAN. On page 6 of your statement, you say that the present AFDC program "makes it possible for many welfare families to receive more money from welfare (or a combination of welfare and work) than other equally needy families who must rely solely on a low-paying job."

Is it not true that this situation would still be largely true under the bill before us?

Secretary FINCH. It would not be true with regard to women. It would be less true than it is now with regard to men.

The CHAIRMAN. I think we should just go over the examples and we can develop them as we go along, because I believe it would be in a great number of cases.

In New York City, an AFDC mother first receives an earnings disregard of the first \$30 monthly plus one-third of her additional earnings. Her grant is also increased \$60 per month as an allowance for work expenses. Under the bill, no work expenses allowance is provided and the earnings exemption modified so that the woman's payment is reduced by \$480 annually.

In view of the publicity given to the billions for welfare provided by the bill, does this not carry the false impression that this person could expect larger benefits when that income would actually be reduced by the bill?

Mr. VENEMAN. Mr. Chairman, New York is not a typical State. Forty-one of the States pay below the amount disregarded under the work proposal.

Mr. PATRICELL. I think the Chairman's question goes to the issue of how we treat work-related expenses under the proposal and how States

*At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

have treated them in the past. We could supply a table for the record that does indeed show that the family assistance plan permits a less liberal treatment of work-related expenses than the present law, with the result that some AFDC recipients who have relatively high earnings but who are now eligible would cease to be eligible.

In New York State, for example, a woman is eligible for AFDC as a mother with earnings ranging from \$7,074 to \$7,344. Under the family assistance plan, the ceiling for welfare eligibility would be set at roughly \$5,950. That is for eligibility for the State supplemental payment to be matched by the Federal Government. We felt that maintaining such a high disregard for work-related expenses was unnecessary when it conferred welfare eligibility on people at this earnings level.

HEW REGULATION REQUIRING STATES TO PROVIDE FREE LEGAL SERVICES TO WELFARE RECIPIENTS

The CHAIRMAN. Now, under regulations proposed to become final on July 1, 1970, your Department ruled that States must make attorneys available to welfare applicants, but that States will not be required to pay the attorney's fee although the attorneys will be available without fee. Just what does it contemplate? Is the Federal Government going to provide these attorneys at no cost to the States or to the recipients? If so, would not that be strange that you are providing attorneys to provide assistance to recipients on how they are going to avoid work or complying with the statutes at the same time you are trying to enforce those requirements?

Mr. VENEMAN. We are reviewing that regulation.

Secretary FINCH. Because of this court action. I would like Mr. Hawkins to speak to it.

Mr. HAWKINS. Senator Long, I am Charles Hawkins. This is a situation in which local bar committees, legal aid societies, and OEO groups have been providing legal services. The draft regulation would provide that if that kind of service was available to the individual, the State agency would not be required to pay for independent attorneys. The regulation does not contemplate any Federal furnishing of attorneys.

HEW REGULATIONS CONCERNING CHILD CARE

The CHAIRMAN. The regulations issued on January 17 and January 18, 1969, purported to implement the child care requirement in the work incentive plan providing that the recipient "must be involved and agree to the type of care provided." This condition that the parent must agree to the child care just nullifies the purpose of providing child care in the first place. That is to help the mother help herself off welfare by receiving training or accepting gainful employment. Certainly you should be providing child care, but even if it is of the highest quality and the mother chooses to disagree with you, then under this regulation, you are powerless to refer her for employment or training. How can you administer a Federal statute under this condition and what do you propose to do about it?

In other words, no matter how desirable a child care arrangement you provide under your own regulations, you say the mother may reject it?

Secretary FINCH. We have been trying to assess that regulation. It was one of the last regulations promulgated by my predecessor. We have been trying to find out what the impact of it has been.

The CHAIRMAN. Now, in addition to that, the regulations on January 17 and 18, 1969, provide that to prevent referral to the work incentive program of any individual "whose presence in the home is required because adequate child care services cannot be furnished." This regulation would be an appropriate regulation if you were furnishing any child care services. The fact is that child care services are not being provided and this figure is being used as an excuse to keep from referring welfare mothers to the work program.

I would like to know what your attitude on this matter is.

Secretary FINCH. We have had an uneven experience from State to State with the child care program. As I have indicated in my testimony, we have tried to move it from simply a custodial situation to a stronger educational program. I would hope that with a contribution of \$368 million to put into this component of this program, we would have a very wide flexibility and move this up in a massive way. This is what is contemplated. I think we have not had the resources up to this point to do the job effectively.

Mr. VENEMAN. Mr. Chairman, another barrier we have tried to alleviate in this bill is that the present child care program is a 75-25 matching program and many States are reluctant to spend that 25 percent. We are proposing 100-percent Federal funding to these child care services. The cost would be about \$380 million in the bill, as described by the Secretary.

Mr. PATRICELLI. Finally, under the present law, the Secretary is, of course, supposed to try to assure the provision of day care in support of the WIN program, the law does not give him the power to do so. The welfare funds pass through the State welfare departments, and it is not within the control of the Federal Government to direct or implement the use of those funds. We have tried under the family assistance plan to place the day care program under Federal control, so that grants can be made directly, bypassing what are, in some cases, slow-to-act State welfare departments.

The CHAIRMAN. For this day care proposal, in 1969, there was appropriated \$24.5 million. Of that amount, only \$4.2 million of that was used to provide day care so that these mothers should be available to do some gainful work to help themselves and help their families. Why was so little spent? That is only about \$1 in \$6.

Secretary FINCH. There are several reasons. One is the problem of getting the WIN program underway. The other is what Mr. Patricelli just explained—we have to work through the States to get these dollars out.

Mr. VENEMAN. If the States will not spend their 25 cents, we cannot spend our 75 cents. That is part of the problem.

Secretary FINCH. Also, the appropriations were made very late in the fiscal year, which is another factor.

CONTINUATION OF WELFARE PAYMENTS DURING APPEALS PROCESS

The CHAIRMAN. I don't believe that's true. But on another matter, the House bill dignifies several recent court provisions by giving them

legislative status. One of these was that a recipient's welfare payments should continue during an appeal process, even though the State may determine that the recipient is no longer eligible for assistance. Why did you continue this in the bill that was sent before the Congress even before that court decision was handed down?

Secretary FINCH. As we discussed it with the Ways and Means Committee, we were prepared to offer language as a result of whatever the court decided.

The CHAIRMAN. It is my understanding that the administration sent that down even before the court decision.

Secretary FINCH. That would be contrary to my own philosophy if that were the case. I do not believe that any of the operating departments, as opposed to OEO, should be engaging in adversary proceedings on paying these dollars out. OEO has done this work. To the extent that we can keep it there, that is where I would like to see it.

The CHAIRMAN. The point I have in mind here is where a person has been found to be ineligible for welfare payments. What would your view be if the welfare agencies made that determination and then the person, with the lawyer provided for him, proceeds to appeal from that? Do you think, after the decision has been made and while this thing is being dragged out through appeal procedures, that the welfare payment should be made nevertheless?

Secretary FINCH. Under the House bill, a determination has to be made within 60 days. If the determination is an adverse one, then the recipient is required to reimburse the moneys that may have been paid improperly.

The CHAIRMAN. Well, this is a welfare case. You are not going to get the money back. You cannot squeeze blood out of a turnip. If they find the person is not eligible for it, why would you want to give them the money just because they decide they want to appeal for it?

You cannot get the money back; if they get it, they are going to spend it. Why would you give it to them if it is determined they are not eligible?

Secretary FINCH. If you have a back-up system, which we have alluded to, having access to the social security records and any payments that may be involved from that quarter, you will have a means of ascertaining whether there were improprieties, and also perhaps to recover dollars that may have been improperly paid out.

Mr. PATRICELLI. The question of course is whether payments should continue while the hearing or appeal is in process; as the Secretary has explained, that could be only for 60 days. We require final determination within 60 days. But there would be no retroactive payment.

The CHAIRMAN. Well, does not the fact that you continue welfare payments while the person makes an appeal, with a free lawyer, so it does not cost him anything—does that not just guarantee that there will be an appeal in every case where the welfare agency cuts off the payments? What is the point in not appealing? It does not cost him anything and he gets the money merely by appealing, with the government paying the cost of the appeal.

Secretary FINCH. The court says they have the constitutional right right to appeal.

Mr. VENEMAN. If there is a question of fact or judgment, Senator. A man cannot just arbitrarily say, I do not like the decision that was

rendered, just on his own personal judgment. There has to be an issue there in order for the payment to go on while the appeal procedures take place.

WELFARE AS A RIGHT

The CHAIRMAN. Do you believe that there is any constitutional right for a person to draw welfare money?

Mr. VENEMAN. No, sir.

The CHAIRMAN. I do not, either. I am glad we agree on that point.

Mr. VENEMAN. There is a statutory provision, sir, that allows certain people to draw welfare payments.

SUPPORT OF WELFARE RIGHTS GROUP BY DEPARTMENTS OF LABOR AND HEW

The CHAIRMAN. I have been concerned that your Department has yielded to Mr. Wiley and his group to make it easy for them to make good the boast made by Mr. Stephen Wexler and published in the press. He told the Welfare Rights Organization, "You can stay out of the program" and he is referring to the work program—"until hell freezes over."

President Nixon mentioned his efforts to assure that during his term of office, his government would be good administrators of the law. When it comes to the work incentive program, there is little evidence that there has been any administration of the law.

I would like to know what is your reaction to that?

Secretary FINCH. We have Mr. Rosow from the Department of Labor. That Department has to make these judgments on the suitability of referrals under the WIN program. I defer to the Department of Labor on the question.

Mr. Rosow. Mr. Chairman, I believe you were referring to the National Self Help Corporation contract which the Department of Labor inherited when it came into office. I understand that you had a discussion of that contract with the Secretary during the UI hearings. It has been placed under very careful supervision, the contract comes up for renewal at the end of this fiscal year. I believe when Secretary Shultz testifies next week, we will be prepared to make a statement with regard to that.

The CHAIRMAN. Well, now, there is only so long that this administration can keep blaming the prior administration for mistakes made under previous Presidents or previous Secretaries. Eventually, it becomes your responsibility rather than the other fellow's.

Mr. Rosow. We accept that.

Mr. VENEMAN. We are trying to change the programs.

Secretary FINCH. This is one of our efforts, Mr. Chairman.

The CHAIRMAN. Now, for the State of Massachusetts, the Department has a report that the "National Welfare Rights Organization and related groups defer potential applicants from WIN." An Ohio report states that "Staff work has been retarded because of the National Welfare Rights Organization interference."

Now, you will recall, Mr. Secretary, that this is the group which you paid \$38,000 beginning April 24, 1969, and the contract is still running. I would like to have in the record at this point a detailed report of exactly what happened in these two States. I would hope

that somebody would be prepared to explain, let's say tomorrow, why this money was paid to these people and whether this type situation is continuing.

Secretary FINCH. I will have to get that for you. We will have it tomorrow.

Mr. Rosow. Massachusetts was one State. What was the other State, Mr. Chairman?

The CHAIRMAN. Ohio.*

Here these people are deliberately boasting in the press that they are able to show people who are drawing welfare money how they can decline to work and still draw the welfare money. The Department of Labor came in here and said that they ought to be administering this program and that the people ought to be referred to them for work. Now we see that they have succeeded in frustrating that program to the extent that no mother needs to work. And we see, that in some States, that organization is impeding efforts to make this program work. We see the program is not working, like Congress intended it to work. We see the Department of Labor even gave that group \$430,000.

Now, that is the Department of Labor giving away \$430,000 to show people how to refuse to go to work and get away with it. How would you expect a program to work if you are spending a half million dollars to keep it from working?

Mr. Rosow. Mr. Chairman, if I may, the contract does provide for funds up to \$434,000. However, my last reading on that, was that in actual disbursements to date, it's something below that figure, about \$250,000 as of February. The program has not been developed by Mr. Wiley's organization to the extent that they planned. They have put some literature out. It has been reviewed by the Department of Labor. The literature that we have seen thus far that has been endorsed by us is positive and supportive, as contrasted to the accurate quotation about attempts to discourage people from cooperating with the program. There have been some positive sides.

However, I do not want to take a position at this time, if I may defer to the Secretary until next week, because we are going to have a prepared statement with response to this specific contract and how we evaluate it in the light of your pertinent criticism.

The CHAIRMAN. That particular group came before this committee at a time when we are trying to put some of those welfare people to work and they protested that they ought to be permitted to get the money and refuse to go to work at the same time. You are aware of that?

Mr. Rosow. Absolutely; yes, sir. We deplore that.

The CHAIRMAN. Not only did they do that, after they got through testifying that they did not want to go to work and should get the money anyhow, they then proceeded to pull a sit-in strike on this committee. After being confronted with the officers of the law and told they would have to leave or be arrested, they finally vacated the room. Then with money provided by the Government, they proceeded to frustrate the program. How do you justify that?

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

That is bipartisan maladministration. It ought to be stopped. How do you defend it?

Mr. Rosow. I do not want to be placed in the position of defending that, Mr. Chairman. If it is true that they were doing this with Federal funds, I think it is indefensible. I think there is probably a legal line. This is not to disagree with your point. I think there is a legal line between the National Welfare Rights Organization as a corporation and the self-help organization which is funded under our contract. There is obviously an overlap in the national leadership, but those officials who are receiving any funds under the self-help contract were not doing it as agents of the National Welfare Rights Organization.

So it is a hard thing to be categorical about, but the legal intent of self-help was to get information to people to encourage them to cooperate with the WIN program.

I might submit that in the new legislation, H.R. 16311, we deal with this program very categorically by eliminating the ambiguity in the present law, which has a phrase saying that an "appropriate" person over age 16 may be referred for training. Under the new bill, we have eliminated that language, set up very rigid categories for registering and automatically referred all registrants to the Department of Labor. So in fact, the present role here of the National Welfare Rights Organization would be de minimis in relation to the new law. It would make the referral automatic and we would have about \$2.9 million people registered for work or training within the first month of application of the law.

The CHAIRMAN. Would you be willing to concede that so far, those people have been very successful in keeping people from going to work, although Congress has intended that they should work?

Mr. Rosow. We have some indirect reference to that effect. Maybe the HEW people would have some more information on it. What we have read in the press, your own statement in the Congress last week, certainly suggests that they have impeded the program in some instances. However, I would be hesitant, Senator, to say that it is universal. I think in some areas, they have given out factual information. I think in others, they have leaned over backward to do what you say.

REGISTRATION REQUIREMENT IN BILL

The CHAIRMAN. Are you aware that this bill before us does not require any of those people to work? It just requires them to register. It does not require them to work.

Mr. Rosow. It requires them to register for work or training. If the Employment Service refers them to either of those opportunities and they refuse, the payments are discontinued. So it is not a categorical referral to work or training if it is not available, because we are not mandating Federal jobs for these people. But the first step is to register; the second step is on our back, the Secretary of Labor's, to make a referral for job or training. Once we do that, if that person refuses to cooperate, his payment is discontinued.

AVOIDANCE OF WORK BY REJECTION OF DAY CARE

The CHAIRMAN. Let's say a person declines to work because she has a child, even though there is a day care center available for the child.

Mr. Rosow. That is a very good question and the House Ways and Means Committee provided that since a mother with a young child will not be put in a position of having that child neglected, the State must provide child care as a condition precedent to the referral. That is in the House version of the bill; yes, sir.

The CHAIRMAN. That is existing law also, as I understand it. Is that not correct?

Mr. Rosow. Except that in many jurisdictions under the WIN program, a mother is allowed just to get a baby sitter or make any of her own informal arrangements. I think the committee has gone further, following what the Secretary said earlier in his testimony, by promoting child development so that the mother will have the children in a safe, healthy place, and she can cooperate with the program.

The CHAIRMAN. As I understand it, the way it stands today, that mother can say that although that day care center is regarded as the best one in America, it is still not adequate for her child as far as she is concerned and she can continue to get the welfare.

Mr. Rosow. Not according to H.R. 16311. There is apparently a HEW regulation which may be put aside with the passage of this act. The mother would not insert that judgment. If the State had an adequate child-care center certified by the Secretary of HEW as meeting the standards, the mother would not superimpose her judgement on that question.

The CHAIRMAN. Is that how it is under existing law?

Mr. Rosow. No, sir; under the existing law, there are the impediments that Secretary Veneman mentioned.

Secretary FINCH. Certification by the State, the passage of the dollar through the State agency, and other factors have impeded the establishment of day-care services.

The CHAIRMAN. It is my understanding that under existing law she can refuse to work because she is not satisfied with the day-care center for her child, even though they know that is a properly certified day-care center and perhaps the best in the country. It is HEW regulations that make that possible.

Secretary FINCH. It would not be true under this bill, Mr. Chairman.

The CHAIRMAN. I would like to refer you to a paragraph in the regulations—220.18, child-care services. It provides that child-care services, including in-home and out-of-home care, must be available or supplied to all persons referred to in or enrolled in the work incentive program or other persons of whom the agency has required training or employment. Such care must be suitable to the individual child and the parent must be involved and agree to the type of care provided.

Now, if you are providing good care, and just for the sake of stating the strongest possible case, if you are providing the best day-care center in America right there in the neighborhood for that child, why would you provide under regulation that she must agree to that type of service and that for failure of her agreeing to it, she continues to get the money, even though she has a good day-care center available to her child and she refuses to work?

MODIFICATION OF HEW CHILD CARE REGULATION

Secretary FINCH. I know of no instances where that has happened. As I indicated, the regulation was filed in the closing days of my pred-

ecessor's administration. We hope to correct the situation through this legislation.

The CHAIRMAN. You could correct this right now. You do not need to wait until the Congress passes this law. All you need to do is change that regulation and you can do that with a stroke of your pen.

I helped to write that work incentive program into the law. I was very interested in that. It just amazes me to see someone talk about the inadequacies and the failure of the law, when we pass the law and provide the money and the administration, whether it be Democrat or Republican, will not enforce it. Further than that, not just fail to administer it, but actually pay money to people who are involved in seeing that it does not work.

Can you tell me to what extent Mr. Wiley and his National Welfare Rights Organization have been successful in drafting that regulation, which to my mind means no mother need ever go to work?

Mr. VENEMAN. Mr. Chairman, as you pointed out, that regulation was drafted before the Secretary assumed his responsibilities. But I think that probably—

The CHAIRMAN. About 15 months ago now.

Mr. VENEMAN. There is a question that I do not think is really related to a day-care center, or to an institutional-type center. The regulation does say in-home care as well as out-of-home care. There might be a situation where you could find an overzealous welfare worker saying that you must place your child with a given baby sitter, and I think a mother might have a situation which she has some reservations about.

The CHAIRMAN. That is not what the language says.

Mr. VENEMAN. We can clarify that.

The CHAIRMAN. The language says such care must be suitable for the individual child and the parent must be involved and agree to the type of care to be provided.

Secretary FINCH. If the end result of that language is to give a categorical veto, Mr. Chairman, we are in agreement that it ought to be changed, and I will be very happy to change it.

The CHAIRMAN. I wish you would change it without waiting for us to do it. We can change it ourselves, but it seems to me it is easier for you to change a regulation than for us to pass an act of Congress.

Mr. VENEMAN. I think that regulation would be superseded by this act of Congress.

The CHAIRMAN. But it seems to me that you are not enforcing what we tried to do with the work incentive program. We pass this bill and call the same program by a different name, we are not in a position to feel the confidence that we would like to feel that it is going to achieve the result stated for it. But we intended that these people should go to work. We did not intend that they should have an open-ended regulation by which they could refuse to go to work. We did not intend that they pull this sit-down strike and we did not intend that they be given \$130,000 to show people how they could avoid working. It is very frustrating for us, working for the same objective that you are working for, to see that the administration is not enforcing it.

We had some Cabinet officers under the prior administration testify that this thing should be entirely voluntary and no person should be required to go to work if he did not feel like working and we voted

them down. We feel we are frustrated by this regulation, which you have inherited. It seems to us if you have a program for putting people to work, you ought to show your good faith by changing some of those regulations and saying that they do have to work.

Secretary FINCH. We will be happy to come back to you tomorrow when we find out what has happened in implementation of this regulation.

Senator HARRIS. Could we also, Mr. Chairman, find out if that really prevented anybody from going to work; aside from the lack of day care centers and the lack of jobs and the lack of training programs whether that regulation really prevented anybody from going to work? It is my understanding that far more volunteered to go to work than there was provision for, anyway.*

Secretary FINCH. I think that is a correct statement.

Mr. Rosow. That is right, Senator.

Secretary FINCH. I think the latter part of it is correct.

The CHAIRMAN. If they volunteered to go to work, the question would be entirely moot. We are talking about a situation where people did not want to work, did not go to work, and no effort was made to get them to work. The regulation said they did not have to.

Senator Anderson?

Senator ANDERSON. I have no questions.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. It is just about recess time.

The CHAIRMAN. We will stand in recess until 2:30.

(Whereupon, at 12:30 p.m., the committee recessed.)

AFTERNOON SESSION

The CHAIRMAN. The hearing will come to order.

Senator Anderson.

Senator ANDERSON. Does the tightness of the Federal budget have anything to do with the actual family needs?

Mr. VENEMAN. Senator, I think it would be fair to say that we did have to take into consideration the resources that were available for this program.

Secretary FINCH. The answer to the question is yes.

Senator ANDERSON. Is it not true under the Federal Government that higher amounts are needed for a family assistance? Do you have to have some more funds for a family assistance program?

Secretary FINCH. Because of the uneven eligibility levels set by the various States, some have set levels higher than what we are advocating here.

Senator ANDERSON. That is all.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. Thank you, Mr. Chairman, Mr. Secretary. I think most Members of the Congress, this Senator included, want to do everything possible to help people that can't aid themselves. By that I mean the blind, the aged, the dependent children, the disabled,

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

COMPARISON OF REGISTRATION REQUIREMENT OF BILL WITH PROVISIONS
OF PRESENT LAW

What makes you think this provisions of paying able-bodied people, requiring them to certify for jobs, will be any more effective than the work incentive program of 1967, which I think even you will admit has been a dismal failure.

Secretary FINCH. I would concede at the outset it took a long time to get it cranked up. The Secretary of Labor in his recent testimony has indicated he feels it is coming along better, and that is a relative term. We think that including the working poor—is that what you are raising, Senator Talmadge?

Senator TALMADGE. I am trying to get at what makes you think that the provisions of this bill requiring them to register for work will be more satisfactory than the previous legislation?

Secretary FINCH. Probably Secretary Shultz will be able to answer that more effectively than I can. But we have had an interdepartmental team working on this problem, and I think that increasing the stipend for most of the trainees, permitting payment by the U.S. Employment Service directly to the trainee, increasing the full funding for child care, eliminating the discretionary referral procedures that existed before—these changes are probably the main factors that make us more optimistic about this than about the old WIN program.

Senator TALMADGE. As I read the provisions of this bill, which is even less mandatory than the provisions of the WIN program, all that is required is to certify for work, or that they register for work, whereas under the previous legislation they would be referred for work, as I read it.

Secretary FINCH. Referral for work would follow.

Mr. VENEMAN. Senator, the registration requirement is much more stringent than that in the current WIN program. Under that program the determination as to whether or not a person would be appropriately certified for work is made usually by someone in the Department of Social Welfare. Under the proposed program, unless the recipient meets certain exemptions, such as age, disability, or having a child under six, he would be required to register. From that point on, in the Department of Labor, the Employment Service would be responsible for referring the person to a job, if one was available and he was skilled for it, or to a job training program.

So I think that you would have a better mechanical system of placing people in work under this program.

PENALTY FOR REFUSING WORK

Senator TALMADGE. Let's take the penalty provisions now. Let's take a family of six, a man and his wife and four children. Under the provisions of this bill they would get \$2,200; is that correct?

Mr. VENEMAN. Under the basic plan it would be \$1,000 plus \$1,200.

Senator TALMADGE. \$1,000 plus what?

Mr. VENEMAN. \$2,200 in total.

Senator TALMADGE. \$2,200 for the family of six?

Mr. VENEMAN. Yes, sir.

Senator TALMADGE. Suppose this particular fellow registered now and you found a job for him and he didn't go to work, what would be the penalty?

Mr. VENEMAN. He would lose his \$500.

Senator TALMADGE. And the family?

Mr. VENEMAN. The family would lose \$300.

Senator TALMADGE. He would lose his \$300 and the family would still get \$1,900?

Secretary FINCH. That is correct.

Senator TALMADGE. So he could go a little casual labor on somebody's yard from time-to-time and maybe sell a little heroin or do a little burglary and he would still be in pretty good shape, wouldn't he?

Mr. VENEMAN. He would be in about the same shape as under the present program.

Senator TALMADGE. Don't you think we could tighten up those provisions somewhat?

I have great sympathy for the people who can't help themselves, but I have no sympathy at all for an individual who is able bodied and who would rather live off the taxpayer than be a taxpayer himself.

Secretary FINCH. I think we all agree to that. But then we get down to the purpose of the program, which is not to support the guy that doesn't want to work. In fact, we haven't gone so far as to take care of adult couples without children. What we are trying to do is to take care of the children.

The question is: If a man takes the attitude that he refuses to work, should we penalize his children?

FAILURE OF WORK INCENTIVE PROGRAM

Senator TALMADGE. I agree that we shouldn't do that. But it seems to me there ought to be some stronger provision than a repetition of a provision that was written into the act 3 years ago and has been a dismal failure, as I understand it. Only some 79,000 have been enrolled under the program, and the work training program has only about 58,000 at the present time; and in the State of New York where welfare abuse has been so outstanding, it was practically zero. How many have you certified in New York?

Secretary FINCH. I think your point is well taken. In New York there was a problem because of the discretionary referral procedure they had. In California we had a much better result. I think the overall figure is close to 130,000, according to the last testimony by Secretary Schultz.

Senator TALMADGE. This is a Library of Congress report dated April 21. There may have been information that was predicted a little earlier than some you have.

Why did the program seem to work so much better in California and work so poorly in New York?

Secretary FINCH. We had a very early concern flowing out of the Watts situation. The business community mobilized itself, and we had a great deal of business involvement--outreach on the part of the general community--and that came together with the WIN program. These things take a couple of years to bring into real fruitful operation.

Senator TALMADGE. The chairman quoted this morning that some of your regulations which leave the decision, in fact, to the welfare recipient as to whether he wants to take a job to work or not.

Are you going to change those regulations?

Secretary FINCH. We are reviewing them, particularly since the testimony this morning; yes, sir.

SECRETARIAL DISCRETION ON GROSS INCOME LIMITATION

Senator TALMADGE. Why is it necessary to give the Secretary such absolute discretion as to the level of gross income from business or farming which will make a family ineligible for benefits?

Secretary FINCH. We would like to help the committee in that area, because it is a very troublesome one.

We tried with the Ways and Means Committee to find a clear-cut test. But as you get into the farming situation, and into the business situation, where a man can write off or spread out his profit or take it at a certain time there are different problems. We frankly don't yet have the answers to these problems.

Senator TALMADGE. Well, as you are aware, under the provisions of the bill, on page 7, line 7, that authority is vested absolutely in you.

If the Congress passes it in its present form, what limits do you intend to set?

Secretary FINCH. That is not something that we have yet decided. Senator. We are going to have to come back to the committee with another specific recommendation.

Senator TALMADGE. That is the reason I am asking you. This delegates to you very broad responsibility, and you are before this committee now and I want to know how you are going to exercise that responsibility?

Secretary FINCH. Well, in the farm situation, by and large we exclude home-grown products. But we will have to come back to the committee with an answer that I am not prepared to give you right now.

Senator TALMADGE. If you can submit something for the record, I would appreciate it.

(The Department subsequently supplied the following information:)

Section 442(d). "The Secretary may, in accordance with regulations, prescribe the circumstances under which the gross income from a trade or business (including farming) will be considered sufficiently large to make such family ineligible for such benefits."

We propose that the Secretary shall promulgate amounts of gross income derived from types of businesses which will give rise to a rebuttable presumption that a family is ineligible for benefits.

The cited section of H.R. 16311 is permissive, not mandatory. Moreover, in keeping with the welfare purpose, i.e., need, we do not propose that amounts be promulgated in a manner that would preclude realistic appraisals of the pertinent circumstances before determining the amount of family income. That is, we believe that certain amounts of gross receipts, depending upon the trade or business, can give rise to a presumption that a family's income makes them ineligible. However, the family would be given an opportunity to establish that notwithstanding the amount of gross receipts, bona fide business expenditures or other conditions resulted in a true net income in an amount permitting eligibility for benefits. For example, extraordinary expenses incurred by a livestock

farmer because of drought, flooding or excessive winters; by a retail tradesman because of robbery, fire, etc.

Based upon statistics published by the Internal Revenue Service, *Statistics of Income, 1966, Business Income Tax Returns*, we have computed the percentage of net profit to gross receipts for some categories within three major business types. The percentages were computed excluding depreciation as a business expense.

Business type (see attachment) :	Percent profit ¹
Agriculture	23
Services	29
Retail trade.....	7

¹ Excluding depreciation.

Based upon these percentages, the gross receipts necessary for an income of \$3920, the cut-off point for a family of four, are :

Agriculture	\$17,050
Services	13,513
Retail trade.....	56,000

Obviously, from these statistics, use of one amount for all businesses would be meaningless to some and would not serve even as an adequate investigative point. However, in view of the wealth of statistical information available, realistic amounts pertaining to various business types can be arrived at along with reasonable and realistic guidelines relating to the presumptions. The amounts of gross income giving rise to presumed ineligibility would vary according not only to business type but also on a sliding scale to family size.

ATTACHMENT

Included in "Agriculture" are: Livestock farms; field crop farms; fruit, tree nut and vegetable farms; Others, not itemized, but excluding forestry and fisheries.

Included in "Services" are:

Personal services (laundry, cleaning, beauty and barber shops, shoe repair shops, etc.).

Business services (Services to dwellings and other buildings, other services).

Automobile and other repair services.

Bowling alleys, billiard and pool parlors.

Included in "Retail trade" are: Food stores; service stations; fuel and ice dealers; news and cigar stores; retail trade not otherwise classified.

IMPACT OF ILLGITIMACY AND FAMILY BREAKUP ON WELFARE

Senator TALMADGE. Your cost estimate assumes that the number of families receiving welfare will decline after the program is enacted. What assumptions do you make about the impact of illegitimacy and family breakup on the number of families receiving welfare?

Secretary FINCH. I will ask Mr. Patricelli to answer that because he has worked out the data on that question.

Mr. PATRICELLI. The estimates with regard to where the AFDC program is going now, and also with regard to what the Federal payments would be under the 30-percent matching for the State supplemental benefits under the family assistance plan, were based on the same projections of the rise in the AFDC-type caseload, and those projections were based upon experience over the last 3 years, projected forward to continue the same rate of increase in the caseload that we have seen.

That means that we are assuming that illegitimacy or desertion or other causes that affect the rise in the caseload, and have affected it for the last 3 years, would continue at roughly the same rate.

Senator TALMADGE. Are you assuming this is going to prevent the dissolution of the family because we will be giving them these incentives which you recommend?

Mr. VENEMAN. It will lessen the incentive for family breakup.

Senator TALMADGE. That has not been the situation in New York State and they do pay compensation to unemployed fathers, as I understand it.

Mr. VENEMAN. New York this year, in one period, saw a leveling off of its caseload for the first time. I don't have the statistics before me.

Senator TALMADGE. I have the statistics here in the Secretary's testimony this morning. Out of a caseload per thousand poor persons in New York State, 200.7 of them are on welfare despite the fact that they do not require an unemployed father to abandon his family for welfare benefits. I think the incentive to maintain the family together is probably greatly exaggerated and I think you are going to be greatly surprised at your cost estimates.

Mr. VENEMAN. As Mr. Patricelli said, the assumption that this projection was based on was that the growth in the caseload would continue at the rate that it has shown in the past 3 years.

We are also assuming, on the cost side, that the trend toward grant increases that has been established by the States would also increase.

Senator TALMADGE. Well, that can't be correct because in your own charts which you submitted on the number of families receiving payments in 1972 to 1976, you have got it going down from 3,700,000 families in 1972 to 2,700,000 in 1976. That is your own data.

On page 19 of the material related to H.R. 16311, prepared by the staff of the Committee on Finance—

Mr. PATRICELLI. That is not our data. That was data presented, apparently, to the committee staff by the Urban Institute. And apparently some of our analysts have reason to question the accuracy of the data.

Mr. VENEMAN. I think, Senator, that our figures appear on page 53 of the report of the Ways and Means Committee, which may have been available.

Senator TALMADGE. I hope your figures are a lot more accurate than the ones that the Department submitted to us on medicare, and I certainly doubt that they are any more accurate.

Mr. VENEMAN. May we remind you that that bill was passed prior to this administration.

Senator TALMADGE. I am well-aware of that fact, but historically, the Department of Health, Education, and Welfare has submitted proposals to this Committee from time to time and their estimates have been roughly half what the cost has turned out to be, and sometimes even less than that.

Mr. VENEMAN. Those figures I refer to are cost figures.

Do we have the caseload figures?

Secretary FINCH. We will have to submit those separately.*

COST ESTIMATES RELATED TO 1968

Senator TALMADGE. I noticed in your testimony you kept referring to the cost basis of the program in 1968. Without being a bit facetious,

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

this program won't be in effect in 1968. It doesn't go into effect, as you know, until next year.

I have grave doubts about your cost analyses based on that particular year.

Secretary FINCH. That is why we went back to the drawing board, moving as fast as we can. We are trying now, on the basis particularly of the increase in levels of unemployment, to bring those figures into realignment. With the information that the chairman has asked for from the States, and other information we are getting now, I think we will be able to give you later figures.

ADDITION OF 14 MILLION PERSONS TO WELFARE ROLLS

Senator TALMADGE. We have approximately 10 million people on the welfare rolls at the present time; is that correct?

Secretary FINCH. Yes.

Senator TALMADGE. And the program that you are recommending will add an additional 14 million, which will make it something on the order of 24 to 25 million people out of 200 million who will be on welfare, or about 12½ percent.

Secretary FINCH. Including the adult categories.

Senator TALMADGE. How do you expect to work the incentive features to remove people from the rolls, if ever—

Secretary FINCH. I didn't get the last part of that.

Senator TALMADGE. How do you expect these work incentive features of your proposal will remove people from the welfare rolls, if ever?

Secretary FINCH. We don't. Obviously, in the categories, in the case of the youngsters, you are not removing them from the rolls. I think our target population is 31½ million adults who are reachable in terms of getting jobs and working themselves off of the rolls.

REGISTRATION REQUIREMENT OF BILL COMPARED WITH PROVISIONS OF PRESENT LAW

Senator TALMADGE. Well, there is one thing I mentioned briefly a while ago. Throughout your statement you continually refer to the work requirements in the bill. Isn't it true that the only eligibility requirement is a registration statement, as I read the bill on page 17, line 24?

Mr. PATRIBELLI. It is required, as a precondition to receiving any benefit that you not have refused a job or training opportunity. Senator.

The work registration requirement is something new, and we think it stiffens considerably the committee's effort in 1967 to write a similar work requirement.

Senator TALMADGE. It seems to me to be even less stringent than the requirement of 1967, as I read it. So what makes you think it is going to work any better?

I am aware of the fact that there was not much cooperation in trying to enforce the provisions of 1967. In the first place, the welfare workers are reluctant to certify them and the Department of Labor evidently didn't want to train them. They made grants to teach them.

rather than to train them. What makes you think it would be better in the future than it has been in the past?

Mr. PATRICELLI. You will find, on page 35 of the bill, a requirement that the Secretary of Labor assure the provision of manpower services, training, and employment programs for persons registered.

We think this is very flat and peremptory and we have coupled with that kind of language, which did not exist in 1967, a mechanism to make sure that there will not be the kind of discretionary authority that can be abused by State welfare departments. We have automatic registration to get the people into the Labor Department system, with very narrowly defined categories of exemption.

Senator TALMADGE. If the sole penalty is only \$300 loss for an entire year, I don't think that is much incentive.

Mr. PATRICELLI. There are other penalties.

Senator TALMADGE. As I read this bill, section 431(a) :

The Secretary of Labor shall, for each person registered, pursuant to Part D, in accordance with priorities prescribed by him.

Now, in some States as I understand it, a man is unemployed if he is working 35 hours a week at the present time?

Mr. VENEMAN. In some States, 30 hours.

Secretary FINCH. Thirty in most States; 35 in some.

Senator TALMADGE. If a man works 30 hours a week he is unemployed and could draw these benefits?

Secretary FINCH. That would be true in a few States.

Mr. PATRICELLI. Those persons would be registered. There is no getting out of the registration requirement.

The section that I was reading from, which is the one right after the one you were looking at (which relates to the actual provision of the jobs and training opportunities) is mandatory—at least that was our intent.

FAILURE OF WORK INCENTIVE PROGRAM

Senator TALMADGE. Now, the existing law that we all admit has failed so badly, and I quote section 432(a) :

The Secretary of Labor shall, in accordance with the provisions of this part, establish work incentive programs.

Yet, 3 years later that has been a dismal failure.

Secretary FINCH. Under that program the Secretary of Labor again had to work with the State agencies. He had discretionary and variable referral procedure. We think that where you can permit direct payment by the U.S. Employment Service, where you can provide these other incentives and stipends for the trainees, these things will help tighten up the program. We have learned these things from mistakes that were made in the earlier program.

REFERRAL OF WELFARE RECIPIENTS FOR WORK AND TRAINING

Senator TALMADGE. Exactly what procedures and methods of verification have you used to assure that all welfare recipients who are appropriate for referral under the present WIN Program are, in fact, being referred?

Mr. VENEMAN. Most of that program, Senator, is administered through the States. The basic criteria were established in the statute. I think Mr. Hawkins might respond as to whether or not there are any minimum standards established. It is primarily a State-administered program.

Mr. HAWKINS. The regulations on this subject, Senator Talmadge, provide that the unemployed father should be referred promptly. Any 16- to 17-year-old children, any other adults, any volunteers, it is left to the discretion of the State as to what mothers, school-age children, and preschool children they found appropriate.

There have been some 225,000 referrals made by the States. This varies widely with the various individual States, through regional offices in trying to build up situations like the New York one to which you referred awhile ago. Certainly it has not been as substantial as we would hope for a few years ago.

Senator TALMADGE. Please furnish for the record at this point a table, Mr. Secretary, showing on a national and on a State-by-State basis, the reasons individuals were found inappropriate for referral to the WIN manpower agency.*

Mr. VENEMAN. I would like to point out one other problem we did run into. Once again, as we discussed this morning with regard to day care, this is a matching program. Twenty percent of the funds are State funds. And we did run into some difficulties with some States implementing this program, and this is why you will find some variation.

In some areas—in fact, you mentioned California as having a relatively effective WIN program—attitude has an awful lot to do with the success of such a program. Even in a State like California, where you have county administration of welfare, you would find variations between towns, depending upon the relationship between the county welfare department and the employment office in a particular area.

MYSTIC MAZE OF GOVERNMENT TRAINING PROGRAMS

Senator TALMADGE. One further thing: My staff and I have been working trying to perfect a bill. I think the only poverty killer in the country in the final analysis is training, retraining, and education to make people productive citizens. We have done some studies on the present training programs. As best we can ascertain, we have 49 different Federal agencies running 39 training programs. It is mystic maze and so confusing, I don't think even the Comptroller General can find out what is going on.

Some of them have rendered fast service; some of them have been dismal. Whatever happened to President Nixon's campaign pledge 2 years ago to set up a tax incentive program for training? I think if we abolish all present training programs and made a combination of private industry and Government, where the private industry could go out and get these people and train them, and they could train them for a job in being, they would have a job when they got through, instead of walking the street again after they got through with the training

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

program and nothing productive, and nothing accomplished except billions of dollars wasted.

Have you looked into the aspect of it?

Secretary FINCH. Yes, sir. Much of what you suggest we hope is incorporated in Secretary Schultz's Manpower Training Act, which does consolidate these programs. We tried in California, when I was Lieutenant Governor there, to provide those kinds of incentives. We have had that legislation on the books in California and we think it is going to produce some good results.

Senator TALMADGE. Shouldn't that properly be considered with this particular bill? Don't you think it would be wise to abolish all of this mystic maze of training programs and start over with one that would work?

Secretary FINCH. I don't think that this particular piece of legislation, Senator, should deal with the problem you are concerned about. We have problems with respect to the jurisdictions of committees. There is only so much we can do in one piece of legislation. While I concur with what you are saying, I don't know that we could cure all of the ills in this one bill.

Senator TALMADGE. That is the thrust of this entire act, to try to make productive citizens out of nonproductive citizens, as I understand it: is it not?

Secretary FINCH. Well, yes; that coupled with other social consequences that we have tried to point out, and which have been challenged by some members of the committee. Keep the family together, protect the children, and reduce poverty.

LOSS OF WELFARE FOLLOWING REFUSAL OF WORK OR TRAINING

Senator TALMADGE. Do you know how many people have lost their welfare benefits for failure to take training or jobs under the present law?

Secretary FINCH. The Labor Department will have those figures and we will get them.

Senator TALMADGE. If you will, submit them for the record.

Secretary FINCH. We will submit them for the record.*

EARNED-INCOME DISREGARD UNDER PRESENT LAW

Senator TALMADGE. How many people on aid for dependent children have benefited from the earned-income disregard provisions and to what extent have earnings increased as a result of this provision?

Mr. HAWKINS. The number is quite substantial. May we submit actual figures on it for the record?

The proportion of women with some earnings within that program is relatively high: maybe the magnitude of a third or something, and I think we can—

Senator TALMADGE. Will you submit the full details for the record, please?

Mr. HAWKINS. Yes, sir.*

DEFINITION OF UNEMPLOYMENT UNDER HEW REGULATIONS

Senator TALMADGE. We discussed this briefly a moment ago. Mr. Secretary. Do you feel that a man working regularly 34 hours a week is unemployed?

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

Secretary FINCH. I have trouble with that, Senator. Under the regulations promulgated by the Department, the State could opt to use 35 hours, and many of them have.

Senator TALMADGE. It is my understanding your present regulations permit States to consider a man unemployed if he works less than 35 hours a week, and that the States of California, Illinois, Massachusetts, New York, Ohio, Pennsylvania, all use the 35-hours-a-week test.

So, it is no wonder that welfare benefits are running wild in those particular States. A man can work seven-eighths of the normal weekly period and still draw welfare benefits, so why does he want to work 5 more hours and lose them?

Secretary FINCH. This is another reason why we think we need uniform standards, so we can get away from some of the disparities among the States.

Mr. PATRICELLI. Could I point out the historical sequence that led to this 30- and 35-hour definition? We don't necessarily agree with it, of course. But what happened was that in 1962, when the unemployed parent program was passed, the law left to the Department, and the Department at that time left to the States, the definition of "unemployed." A great many States went as high as 39.99 hours a week as a definition of unemployed for the purposes of their own programs. It wasn't until these regulations were put out that we had any Federal limitation at all. In some States it was a cutback from virtually 40 hours to 35.

That is not to say that a further cutback isn't in order, but I understand sequentially we really started at 40.

Senator TALMADGE. I haven't been keeping time; I don't know whether I have exhausted my time or not. I certainly don't want to deny other members of the committee the privileges of interrogating the Secretary, but I do have three or four questions I would like to ask.

The CHAIRMAN. You may ask a couple more.

Mr. VENEMAN. In order to put the caseload in perspective, out of 1,823,000 families on AFDC, 61,000 involved recipients with AFDC unemployed parents. So, it is a relatively small number of the total AFDC caseload, even at the present time, that involves the unemployed parent.

FAMILY PLANNING

Senator TALMADGE. Mr. Secretary, do you intend to intensify family planning activities in conjunction with this bill?

Secretary FINCH. Yes; collaterally, in connection with the administration's commitment to family planning.

Senator TALMADGE. How do you intend to intensify it?

Secretary FINCH. Are you asking for a recital of other legislative programs, apart from what we are doing here?

Senator TALMADGE. Yes; in connection with this entire bill. You have been doing something on a very limited basis, but I don't think it has been very extensive.

Secretary FINCH. We will be submitting as quickly as we can, under the services amendments, proposals for some very specific programs that will be aimed at the 6 to 8 million women who do not now get any information in this area.

Senator TALMADGE. Do you intend to make that available for the working poor also?

Secretary FINCH. Yes, sir.

Senator TALMADGE. To what extent have the existing family planning programs been effective in curbing illegitimacy?

Secretary FINCH. Not very effective. That is why we have tried to make a major thrust in this program last year, and have almost trebled the amount, in our budget to try to reach the target group.

Senator TALMADGE. Thank you, Mr. Chairman, and thank you, Mr. Secretary.

The CHAIRMAN. Senator Williams.

COST ESTIMATES BASED ON 3.5 PERCENT UNEMPLOYMENT RATE

Senator WILLIAMS. Mr. Secretary, the estimate that you referred to in the earlier answer to the earlier question, the total cost of this bill, as I understand it, is \$4.4 billion more than being spent under the existing program?

Secretary FINCH. That is correct.

Senator WILLIAMS. Now, that is based on a level of 3½ percent unemployment, as I understand it?

Secretary FINCH. In 1968, the latest time, at that point, at which we could get figures.

Senator WILLIAMS. How much added cost would be the result of each increase of 1 percent in the unemployment rate?

Mr. PATRCELLI. We did some back-of-the-envelope calculations over the luncheons recess to try and give you a ballpark estimate as to what the cost increase would be on the basis of the present unemployment rate of 4.5 percent. The estimates varied between ourselves and the Labor Department, but in no case are they over \$400 million.

Senator WILLIAMS. Our committee and the taxpayers have been burned with this ballpark operation and I want to express my concern that you are here with a bill of this magnitude with a cost estimate projected on the base of 3.5-percent unemployment and that the administration and you gentlemen did not take into consideration what the cost would be if the unemployment increased each percentage point.

It is my understanding that the cost would be \$1 billion and a quarter for each 1 percent. That was not necessarily a ballpark operation, but it was a little more than the back-of-an-envelope computation. I am going to ask you to present to this committee officially, a report, a projected cost estimate, on what the cost of this bill as it passed the House would be for each 1-percent increase in the unemployment rate up to 10 percent, and give the various figures. And I want it in the record because we have been burned too many times, as has been pointed out, with this medicaid cost.

I want to say it again: I am surprised; I just don't understand this operation. With all of the computers, all of the economists and the accountants that you have down there, why is it that no one ever dreamed what would happen if you had an unemployment figure higher than 3.5 percent.

Secretary FINCH. It is not easy to pull that figure out.

Senator WILLIAMS. But you can pull it out?

Secretary FINCH. I am not sure we can. You have to take into consideration, first, that a great many of the people that become unemployed are covered by unemployment benefits. Second, you have to

take into account, in the particular labor market, the group of people that suddenly became unemployed and what their resources are—whether or not they meet the eligibility test. I am not sure you can take the labor force of America right now and put it into a computer and say we can do a resource test on them—how much money they have in the bank at the time; how much unemployment insurance benefits they are entitled to; how long they are going to stay unemployed; and at what point do they leave the unemployment insurance program and become eligible for welfare. It is a difficult figure to develop.

Senator WILLIAMS. I recognize that, but we have had in this country unemployment rates that ran 5, 5½, 6, and 7 percent in recent years, so you can, just as you computed it on the basis of 3½, take some of those factors into account. I will suggest this: if you can't, I think maybe the committee can, and I am sure if you can't do it you will be willing to accept our projections?

Secretary FINCH. We will try to have the information you ask for.*

Senator WILLIAMS. We want them accurate; we don't want the ballpark figures. That is the point. And we don't want it like estimates on programs presented here before, where the idea was to get something through the Congress and worry about costs later.

I want the kind of figures that you wouldn't object at all if somebody got the idea to include in the bill a ceiling that if and when it went over these projected costs the law would become null and void and have to become reenacted. I want the kind of figures you are willing to accept.

FAILURE TO PROVIDE INFORMATION ON NEW JERSEY PILOT PROJECT

Now, there has been suggested that perhaps we could get a better estimate as to what this program would do if we had a pilot project running. There was a pilot project conducted in the last 2 to 3 years in Newark, N.J., as I understand it, under the Office of Economic Opportunity.

Secretary FINCH. That is correct.

Senator WILLIAMS. I have requested in the past weeks an opportunity to review the raw files and the raw statistics of that project, and I think they should be made available to our committee.

Now, will you make available to our committee the reports as requested in the letter that I directed to you earlier, with all of the details, so we can examine for ourselves to see just how successful this pilot project was?

Would you furnish that to our committee with the names and all? We are not talking about making them public. We are not interested in that, but I do want to follow through the particular project. And what I want to determine—what I think our committee would want to determine—is to what extent was his program successful in working the people who went into the program off the relief rolls and work them out into private employment?

Mr. PATRICELLI. We are pursuing your earlier request to the Office of Economic Opportunity and we would like very much to have that information provided. We understand that the request was not to provide the names, but to provide particular case files.

*At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

Senator WILLIAMS. I see no reason to not have the names because the Office of Economic Opportunity in an effort to glorify the great success of this had it on television with some of the participants, and they had a nice show. They did not only disclose the names—and I hope we can get it. If not, the first time we are in executive session I am going to move that the Office of Economic Opportunity be instructed to bring them down.

After all, we paid for it as taxpayers, and I see no reason why we can't see the raw files on it, and I would be willing to accept them on the basis that we keep the names confidential. We should be able to see them, and surely you must have seen them. Somebody must have seen them.

Secretary FINCH. We asked for the information. It was refused for reasons that have already been indicated—confidentiality. I understand they were willing to give you partial figures; that is more than we got.

Senator WILLIAMS. I would suggest, Mr. Chairman, and I am going to request that we have the Office of Economic Opportunity manager here before the committee to tell us why we can't see those files. And I will say this: he may not get his money to continue such an experimental project if he doesn't do it. I am going to request that he be brought down. I think it is utterly ridiculous.

I know that they farmed out a contract to two or three college professors to write a paper as to how nice, what a great success it was, and they saw it in order to write the paper, and collected a payment for writing it. They saw these files and certainly we can see them as committee members. And if they wrote the paper without seeing the files, I am interested in that. I am amazed that you haven't had them yourself.

Secretary FINCH. We just haven't.

Senator WILLIAMS. I understand that the Washington Post reporters have them. Perhaps we can get them that way.

Secretary FINCH. That seems to be characteristic of our Department, Senator.

Senator WILLIAMS. This is no effort to delay this bill, but I say, as one member of the committee, I intend to see them before I vote on any type of bill out of this committee as far as your Department is concerned.

COST OF OTHER WELFARE PROPOSALS

The suggestions that Senator Ribicoff this morning raised were very interesting points. You are familiar with the series of amendments that he has offered in connection with this bill, are you not? Have you compiled an estimate of the cost, of the extra cost if we just assume for the moment that the committee adopted those 12 or 15 amendments as they were presented by Senator Ribicoff?

Mr. VENEMAN. Our staff is working on costing out Senator Ribicoff's bill and also Senator Harris' bill. It was a matter of priority. We felt that we should try to update the 1968 figures to 1971 for our own bill, and we hope to have those probably late next week. Perhaps shortly thereafter we will have some fairly firm figures on the other two proposals.

Senator WILLIAMS. That is all right. I think we would like to have them. I would also like to have the cost estimate, if you don't have it now, on McGovern's bill about the food stamp plan, because after

all, as we start to consider these proposals I think that they, too, would want the cost figures so we could take that into consideration.

Secretary FINCH. Senator Williams, this is a rough figure, but as nearly as we can tell, Senator Ribicoff's bill would cost approximately \$7 billion.

Senator WILLIAMS. \$7 billion? Is that over and beyond this bill?

Secretary FINCH. No; that is over the present program.

Senator WILLIAMS. That would be \$3 billion above the cost of this bill?

Secretary FINCH. Yes, sir. And then, as I understand it, Senator McGovern has made a proposal—I am not sure it has been introduced in legislative form.

Senator WILLIAMS. Yes; it has.

Secretary FINCH. I think the food stamp portion has been.

Senator WILLIAMS. That is what I am speaking of.

Senator TALMADGE. The Senate has already passed the food stamp portion.

Secretary FINCH. There is a children's allowance, I think, that is involved as well, but I don't think that has been formalized in legislative form.

Senator WILLIAMS. You will be able to give us the estimate on these bills?

Secretary FINCH. Yes.

Senator WILLIAMS. There is an amendment, No. 582, introduced by Senator McGovern and some cosponsors to this bill. If you will examine that and furnish for the record an estimate of the cost of that.*

I will ask just a couple more questions. I will accept as a compliment that we in the minority get 10 minutes to develop as much intelligence out of this bill as can be done in 45 minutes on the other side. I hope the rules will be equally enforced across the board so when we come back, because I accept it as a compliment the fact that we can.

Secretary FINCH. That is comparable to the notch problem we have with this bill, Senator.

WORK DISINCENTIVES UNDER THE BILL

Senator WILLIAMS. Well, you can solve the notch problems as easy as we have solved this one.

The suggestion has been made, and I won't get time to get into this too far here now—this notch problem is what is bothering me and this work incentive program. I am referring to some figures and tables that you all furnished for me in the last couple of days.

By the way, I am wondering if, for tomorrow's session we could have these blown up on charts so we could discuss them. Could that be done?

Secretary FINCH. We can get them in the form of a handout for each Senator.

Senator WILLIAMS. I can fix that easy enough in a handout, but I thought they were equally as interesting as some of the charts we saw this morning. Here's one you gave me illustrating New York's program.

*At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

TABLE 4.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN NEW YORK CITY¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$1,600	\$2,288	\$3,888				\$312	\$1,153	\$2,052	\$7,405	
\$720	1,600	2,288	4,608			\$37	288	1,153	2,052	8,064	8
\$1,000	1,460	2,240	4,700			52	288	1,153	2,052	8,141	72
\$2,000	960	2,070	5,030			104	288	1,153	2,052	8,419	72
\$3,000	460	1,900	5,360		\$6	156	288	1,153	2,052	8,691	73
\$3,920 (FAP breakeven)		1,754	5,674	\$17	21	204	288	1,153	2,052	8,925	75
\$4,000		1,700	5,700	28	26	208	288	1,153	2,052	8,931	92
\$5,000		1,033	6,033	172	53	260	288	1,153	2,052	9,041	89
\$6,000		366	6,366	336	80	312	288	1,153	2,052	9,131	91
\$6,550 (State breakeven)			6,550	417	100	342			2,052	7,743	352
\$9,599			9,599	951	222	499				7,927	94

¹ A woman with 3 minor children where State pays \$3,888 to a family with no other income. The standard in New York State was adjusted to include the rent as paid to a public housing authority (\$101 a month) for a typical unit. Does not reflect increased standards as of May 1, 1970.

² Same as table 1, footnote 2.

³ Same as table 1, footnote 3.

⁴ Same as table 1, footnote 4.

⁵ Same as table 1, footnote 5.

⁶ Food-stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food-stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit AFDC breakeven for AFDC recipients or \$4,200 net income for nonrecipients. Not all eligible families participate in the food-stamp program. These families would have lower benefits and cumulative reduction rates.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC breakeven for AFDC recipients or \$5,300 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$3,264 yearly in city-aided apartments) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings or minors, or any other deductions allowed. Maximum admission limit is \$6,900 of countable income; for continued occupancy \$8,800. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

WORK DISINCENTIVES UNDER THE BILL IN NEW YORK CITY

Senator WILLIAMS. For example: in New York City, take a family of four, we hear much about this bill providing \$1,600 for a family of four. Taking just New York City for example, a family of four that is doing no work at all with no income draws \$7,405 in cash and expendable income through food stamps and various other relief programs: is that correct?

Secretary FINCH. That is my understanding, if you were to take public housing, food stamps, medical care.

Mr. VENEMAN. In order to put that in perspective, we would have to recognize also that 92 percent of AFDC recipients in New York do not live in public housing.

Secretary FINCH. What we are talking about is a very small percentage would be eligible for the programs, although some would be.

Senator WILLIAMS. That may be true and not all of the people who are entitled to welfare could, but let's not strike these charts down because your Department furnished them. I think they did an excellent job and I want to compliment you on these. These are your charts?

Mr. VENEMAN. Yes; we want to make sure all of the ingredients are in.

Senator WILLIAMS. That is the reason I want them blown up.

What disturbs me about that is that a person making no income at all, this family of four in New York City, for example, with no income at all, has expendable income that is \$3,888 in cash and then other food stamps, medical and public housing and so forth that brings it up to the equivalent of \$7,405.

Now, if that same person is working and makes \$9,599 in earned income, he would have an expendable income of \$7,927, or \$500 more than they would if they didn't work. And if they work and make \$720 in New York they have \$8,061 expendable income for a family of four, or more money than they would if they worked hard enough to get a \$9,600 job.

Now, is that an incentive to work?

Secretary FINCH. We are faced with the same problem under existing legislation.

Senator WILLIAMS. We are trying to correct existing legislation, and I recognize that, but I am speaking of this bill which is called an incentive to work.

I appreciate your cooperation in furnishing these charts, but I am disturbed, because if this same party holds her income down to \$6,000 they have \$9,131 expendable income including what they pick up in welfare and other benefits. If they increased their earning capacity from \$6,000 to \$9,599 their income drops back to \$7,927.

What disturbs me is that a postal worker, for example, and we have had trouble with complaints from the postal workers, but a postal worker in New York City with two children has less income if he is delivering the mail and working than he does if he goes on relief in this bill.

Is that not correct?

Secretary FINCH. No.

MR. VENEMAN. No; I don't think it is totally correct. The postal worker with two children would constitute an intact family, and the family would not qualify for supplementary payments. He would be eligible only for the \$1,600 minimum.

Senator WILLIAMS. He wouldn't be eligible for any of it?

MR. VENEMAN. Take a woman with three children and these figures will apply. These figures supply under the existing program, but not to the intact family.

Senator WILLIAMS. I don't want to pursue this; I will try to abide by the rules. This female-headed family, the same set of formulas would be equally applicable to a family headed by a male as well as a female?

Secretary FINCH. That is not correct. We don't require State participation—

Senator WILLIAMS. That isn't my question. If there is a father unemployed with three children in the house, under this bill?

MR. VENEMAN. He would be eligible under the existing program.

Senator WILLIAMS. And would not be eligible under this bill?

MR. VENEMAN. He would be eligible under either program.

Senator WILLIAMS. In this bill he is eligible?

MR. VENEMAN. If it is a father taking care of three children, he would be eligible under the present AFDC program or under the new proposal.

Senator WILLIAMS. But, let's keep it to this bill. What I am trying to establish is that these charts, then, mention a female-headed family. Is it not necessarily a female-headed family; it can be a male-headed family? The same benefits under the same set of circumstances?

MR. VENEMAN. Out of the 1.8 million people that I mentioned on AFDC, 61,000 of those were unemployed parents. I don't know how the remainder breaks down as to male and female, but the predominant balance would be female-headed families.

Senator WILLIAMS. He is covered under exactly the same rules and the same benefits?

Secretary FINCH. I think apparently there is some misunderstanding with regard to how the State supplement would operate as between the male- and female-headed family.

Senator WILLIAMS. As far as the Federal part of the bill, it would be the same?

Secretary FINCH. Yes; as far as the Federal part is concerned.

MR. PATRICELLI. Just to be perfectly accurate, this table in the State supplement column, refers only to the female-headed family. If it were to refer to the male-headed family where the father is on the UF program, you would have a big notch as soon as he got work amounting to over 30 or 35 hours a week. We would love to make assumptions and redo the table.

Senator WILLIAMS. I realize that and overnight I assume you will enjoy yourselves; you can make all of the tables you wish, and I would like you to come back tomorrow and I will pursue them further. Because I mentioned in this series of tables which were presented here; which, to me does not bear the point that this is in a work incentive program— I am just a little bit disturbed at some of the implications.

For example, if it is a family that has seven in the family—and that has been heard of in New York City— and the man is making \$9,916

salary, after his tax he has \$8,658 expendable income left, but if he sits down and does nothing and earns nothing, he has \$9,961. He has about \$1,300 more for doing nothing than he does making \$9,900. And those are the points that when I get beyond the 10-minute rule, you and I want to discuss.

Secretary FINCH. Is it acceptable to the chairman and committee if we can put the requested tables on slides?

Senator WILLIAMS. Yes; you fix them any way you wish. Put them on slides and fix them, because I think I would like to see them and I would hope the other members of the committee would like to see them. You put them on slides or put them up any way that you wish so we can have them before the committee. I would like to see them tomorrow.

The CHAIRMAN. Senator Harris.

JOBS FOR WELFARE RECIPIENTS

Senator HARRIS. I thank you very much, Mr. Chairman.

Mr. Secretary. I have a lot of questions, as you might imagine, but initially I will just start out with some having to do with employment and the work training requirements under the bill. I think it is very important that there be encouragement for working, and I think some problems about that have already been pointed out.

The basic problem that I see with this bill, if it is to be other than just a pious statement that people should go to work; what are we going to do about the fact that there are about a million people who are out of work who were working January 1, 1970.

There are no provisions for expanded public or private jobs in this bill, are there, other than the training slots?

What if unemployment continues to go up, what can we do to provide jobs for these people who will be out of work and who, I take it, will be more and more of those who are least able to get jobs otherwise?

Secretary FINCH. On page 36 of the bill, Senator, there is a provision allowing the Secretary of Labor to fund special work projects, which are defined as projects consisting of performance of work in the public interest, through grants to or contracts with public or non-profit private agencies or organizations. Then they list the assurances that are required. That is one option.

Senator HARRIS. How much money is involved in that in the bill?

Mr. VENEMAN. For job training?

Senator HARRIS. For jobs?

Mr. VENEMAN. Over \$700 million, take away 300.

Mr. PATRICELLI. About \$260 million for job creation and training.

Senator HARRIS. How many job slots do you suppose that that would provide for? Do I understand you to mean that you anticipate that there will be subsidization to private industry as well as to public, governmental bodies for employing people who otherwise would be unemployed?

Secretary FINCH. Yes.

Senator HARRIS. A total of \$260 million is provided in the bill for both the subsidy as well as for the training; is that correct?

Secretary FINCH. Yes.

JOB SLOTS UNDER THE BILL

Senator HARRIS. How many job slots do you anticipate that that would provide?

Mr. VENEMAN. There are 150,000 job training slots and 75,000 job upgrading slots.

Senator HARRIS. Those 150,000 training slots, are they in addition to training slots already available under other programs, or is this a part of that?

Secretary FINCH. These would be new slots.

Senator HARRIS. 150,000 training slots. How many subsidized jobs do you assume that there would be under that program, or would there be any?

Secretary FINCH. I am afraid Secretary Schultz would have to speak to that. That is really in Labor's field.

Senator HARRIS. That is exactly the first question I asked you. I took your answer to mean that there were subsidized jobs provided in that \$260 million.

Secretary FINCH. Well, the answer, I think, is—

Senator HARRIS. But you don't know how many there would be? Don't you think that would be a rather basic kind of thing to know?

Mr. PATRICELLI. I think the mix changes, varying with economic conditions.

Senator HARRIS. I understand that. My point is you say: jobs, jobs; but where are the jobs? Isn't it true that for every 1 percent unemployment goes up, approximately 1 million people, who otherwise were working, are thereby put out of work?

Secretary FINCH. That is about right.

Senator HARRIS. Is that correct?

Secretary FINCH. Yes, sir.

AVAILABILITY OF JOBS FOR WELFARE RECIPIENTS

Senator HARRIS. If the unemployment rate then has gone from 3.3 percent to 4.4 percent under this administration—and I take it everybody predicts it will go higher, although there could be disagreement as to how much higher—that means that approximately 1 million who had been working are now unemployed, and the Department of Labor, as I understand it, says that these are not new people in the market, but primarily are people who had jobs and now do not have jobs.

My point is: how do you plan for these people to go to work? Where is there in your bill, provision for even enough new jobs, public or private, to make up just these jobs we have lost out of the economy? Where are the jobs?

We have heard all of these pious statements about putting people to work and we have heard a lot of to-do about forcing people to go to work. Where will they go to work? That is my point.

Mr. VENEMAN. It would depend upon the skill of the individual.

Senator HARRIS. Aren't we talking about people with a rather low level of skill and rather low level of education?

Mr. VENEMAN. It depends on which way the economy goes. Many people who were formerly associated with the aerospace industry,

highly trained and educated people are now on the unemployment rolls.

Senator HARRIS. What are we going to do about that under your bill?

Mr. VENEMAN. I don't think our bill touches that problem.

Senator HARRIS. Where will they go to work? If I were to vote for this bill, Mr. Secretary, and then went back to Oklahoma and said, "Well, I want you all to feel better because I have said all of these welfare folks have to go to work," everybody would applaud, but then, will they go to work?

Secretary FINCH. I don't think this bill really attempts to meet the problem of guaranteeing jobs.

Senator HARRIS. It does not attempt to meet that problem?

Secretary FINCH. No, not the problem of guaranteeing any number of jobs against any kind of situation that might develop. There will be some other benefits, though. For example, with the massive increase we hope to get in day-care funds, we will undoubtedly be able to use many of the unemployed people in jobs connected with the new day-care facilities.

Mr. VENEMAN. I do think we are getting into Secretary Shultz' bailiwick here.

Senator HARRIS. Don't you think we have to?

Mr. VENEMAN. Yes; it is essential, but I think he can probably answer the questions more precisely. He also has a job bank program, so he will be more able to help you identify problems in particular areas. I am sure that if you read the want ads in the Oklahoma City newspaper you will find as you do in most newspapers, several pages of employment opportunities.

Senator HARRIS. What percentage of those opportunities, Mr. Secretary, would you say would be available to the average mother receiving aid for families with dependent children now?

Secretary FINCH. It would depend, to a degree, upon the training programs that were available.

Senator HARRIS. That is right; it would be rather low without the training programs, wouldn't it?

Secretary FINCH. Yes.

COMPARISON OF NUMBER OF WELFARE FAMILIES WITH NUMBER OF TRAINING SLOTS

Senator HARRIS. How many families presently are there now in the country receiving aid to families with dependent children?

Secretary FINCH. One million, 800 and some-odd thousand.

Senator HARRIS. One million, 800 and some-odd thousand.

Secretary FINCH. That was in November 1969.

Senator HARRIS. How many families will there be receiving family assistance under your program?

Secretary FINCH. About 3.9 million.

Senator HARRIS. What you add here into training is 150,000 training slots?

Mr. VENEMAN. Actually, the additional persons that would be added because of this measure would be primarily working people, people that are already employed.

Senator HARRIS. I am just saying this, first—see if this is correct: 1,800,000 families now receiving AFDC, and they are the types that are to be encouraged or required to go to work; there will be 3.9 million, some of whom will be working poor under your program, and, according to your estimates, a good many of whom, I presume, are not now earning above the poverty level because of lack of training for jobs that might be available.

Is it true, then, that compared to that, there are only 150,000 new training slots provided in this bill for them? Is that correct?

Secretary FINCH. Yes, sir.

Senator HARRIS. Can you explain that?

Secretary FINCH. There are 150,000 training slots provided in the bill. Of the 1,800,000 families now receiving AFDC, about 7 percent of the female heads of households are working part time, and I think about 7 percent full time.

Mr. HAWKINS. That is correct.

Mr. VENEMAN. Fourteen percent of the caseload is now employed. Also, out of the caseload, 61,000 are in the unemployed parent category.

So, most of those probably would be covered by the WIN slots that are available now. But 100,000 are predominantly for female heads of households, and will be effective only if the day-care component is adequate.

Secretary FINCH. I would like to put into the record chart 13 of the welfare reform and work incentive—the material that has been circulated. Based on, roughly, manpower training capabilities and institutional openings in 1969 of 323,000, in 1971 we project 462,000 on the job.

The figure went from 140,000 in 1959 to 234,000 in 1971. Work support experience is 538,000 in 1971. And then, under this bill, including the 75,000 upgraded positions, you have another 225,000, or a total of 1,459,000, if you are looking at the whole galaxy of slots that are available to the Secretary of Labor.

SECRETARY SHULTZ'S STATEMENT OPPOSING CREATION OF JOBS IN PUBLIC SECTOR

Senator HARRIS. The staff just handed me here the testimony of Secretary Shultz testifying in the Ways and Means Committee, in their hearings on this bill, as follows:

It is not our intent to create jobs in the public sector, especially for the hard-core unemployed as a way of solving manpower problems, and represent instead a failure to face up to the more difficult task of equipping individuals to compete for the ever-increasing number of real jobs that our economy is producing. We estimate that there will be 2 million job openings a year in clerical, sales and operative occupations.

Now, it seems to me that you are talking about an unrealistic thing with the health manpower crisis, the manpower shortage in education, and, I think, a good many other fields, such as rebuilding the cities, and there are tremendous demands for personnel in the public sector generally, and, if you are not going to make any effort at all to increase the employment in these service functions, which are the fastest growing in the country, I don't see how you are going to take up the slack. But, we could go into that later.

Obviously, you are not going to put people to work; you are putting people out of work under the macro economics now being practiced.

COMPARISON OF NUMBER OF CHILDREN RECEIVING WELFARE WITH DAY CARE AVAILABLE

What about day care? How many children presently are in families receiving aid to families with dependent children?

Mr. HAWKINS. As of November, Senator Harris, there were 5,269,000 children.

Senator HARRIS. 5,269,000. How many will there be under the family assistance program which you advocate? How many children will be in families receiving that type of assistance?

Mr. VENEMAN. Under the working poor category?

Senator HARRIS. Whatever category. The total taking up cumulatively those now receiving AFDC and those who finally would be receiving assistance under your program, how many children would be in such families?

Mr. VENEMAN. Based upon a 1967 survey with a 1971 projection, we estimate that there would be 12½ million children under 18.

Senator HARRIS. Twelve and one-half million children.

Mr. VENEMAN. In all.

Senator HARRIS. Twelve and one-half million children. There are now 5.2 million-plus children in families receiving assistance now, and there would be 12½ million children in families receiving assistance under the program that you recommend.

Secretary FINCH. Many of those would be in intact families.

Senator HARRIS. I understand that, but, nevertheless, you could break it down more if you wanted to compare it with the figures I was just going to cite.

Under your bill there would be only 300,000 children provided for in the child-care program for children of school age, and 150,000 children provided for who are of preschool age. Is that so? Is that all the day care that would be provided, as opposed to the number of children that would be involved in the program?

Mr. VENEMAN. Let's not forget, Senator, that in the intact families there presumably is a mother at home taking care of the family.

Senator HARRIS. Could you break out those figures for me? Right now you have an AFDC family. An employed father is not entitled to, or his family is not entitled to assistance now, except in five States.

Mr. VENEMAN. I would think in the family group it would be somewhere around 7 or 8 million children. That would be in families with a father and mother and kids, and the mother is home to take care of the children. So you are still talking 5 or 6 million children that would be in single-headed households.

Senator HARRIS. That is exactly my point: 5 or 6 million children.

Mr. VENEMAN. These additional day-care slots that we are talking about would be in addition to those in existence at the present time.

Mr. PATRICELLI. We are spending roughly \$80 to \$90 million on day care now.

Senator HARRIS. That wouldn't provide very much, if \$386 million only provides 150,000.

Mr. PATRICELLI. This would be a 100- to 500- percent increase in 1 year.

Senator HARRIS. I am not talking about the increase; I am talking about the pious statement that we are going to require these people to go to work. As I understand it, we can't require the mother to go to work unless there is a day care that meets some standards.

Mr. VENEMAN. That is true. One of the provisions is: day care would have to be made available.

LACK OF INFORMATION ON TOTAL NUMBER OF CHILDREN FOR WHOM DAY CARE WILL BE PROVIDED

Senator HARRIS. We are only providing the cumulative total of day care under your bill for school-age children of 300,000?

Mr. PATRICELLI. There are two mechanisms in the bill to provide day care. One is a project grant authority under which we propose to make \$386 million available in the first year to provide day care.

Senator HARRIS. Will it be more the next year? You said "the first year."

Mr. PATRICELLI. This is done on a fiscal year by fiscal year basis. We haven't projected for fiscal 1973.

Senator HARRIS. So, all we know about this level is what we are asked to approve for the fiscal year?

Mr. PATRICELLI. There is separate mechanism for reimbursing parents, essentially, for the cost of day care which they themselves provide. This is a provision for disregarding day care expenses in coming up with accountable income for the purpose of determining eligibility for payments. The Federal Government in effect would be helping to reimburse them for day care that they buy themselves.

Senator HARRIS. Have you somewhere in the figures the number of children that would normally be eligible for day care? Obviously, there is quite a discrepancy between 450,000 children and 5 or 6 million, or whatever it is.

Does somebody have those figures?

You started with a 12 and a half million kids altogether. Some of those are children of intact families, where, presumably, one parent would be available to take care of the child, and then you come down to the amount that you are providing.

All I am interested in, in my judgment, and I would presume you agree, is that there would be a very wide difference between the number of children who would ordinarily be eligible for day care and the number of day care slots provided for in your program: is that so?

Mr. VENEMAN. Senator, I believe that the program provides an adequate number of day care slots for a first full year's functioning of the program.

We have to take into consideration that 11 percent of these people have some kind of child arrangements already, because they are working either part time or full time.

Mr. Patricelli indicated we do permit deduction for day-care services which they are obtaining on their own. We can't estimate what that is. Also, we can't assume that every woman who is on the AFDC caseload is available for employment. They are not all trainable, and we might as well face that fact of life. There is going to be a certain percentage—

Senator HARRIS. How did you pick out 300,000 and 150,000?

Mr. PATRICELLI. That was done by projecting the day-care opportunities that would be needed to sustain the 150,000 job training opportunities for the AFDC mothers. And the calculation was based on average family size and number of children for such mothers, namely: three.

So, three times 150,000 is 450,000.

The five-plus million children that we are talking about in AFDC of course includes a large number of children who are under six, and we do not require mothers of children under 6 to go to work, so day care is not necessary to sustain a work requirement for those people.

Senator HARRIS. Would you be satisfied to leave the record then like it is, that you are not able to estimate how many children fall into any of these categories, or how many would be available or what percentage of them your day-care recommendations would take care of?

My judgment is there is a wide gap. I take it you are not even willing to admit that. Or if not, if you are to say how much it is, it seems to me you surely could have some figures on it. Why can't you come up with the numbers?

Mr. PATRICELLI. I think we are starting from different places, Senator. We provide financing for day care adequate to sustain the work training and employment programs which are provided for.

Senator HARRIS. I understand that. I suppose my time has run out, but I will ask you this one last question: is there any way you can particularize your figures on this?

Mr. PATRICELLI. We will try.

Senator HARRIS. Would you do that?

Mr. PATRICELLI. Certainly.

Senator HARRIS. Can you now?

Mr. PATRICELLI. Given the instruction we have had about ballpark estimates and back-of-the-envelope figures, we would prefer to put the figures in the record.

Senator HARRIS. We have been so loose on this that I will take ballpark figures. If you can give them now, you may do so.

Secretary FINCH. I think we had better come back with figures.*

Senator ANDERSON (presiding). Senator Jordan.

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Secretary, I am not going to use my 10 minutes to get into the details of the bill. I want to discuss with you the dimensions of the program as you see it and what the impact might be on the economy as we project it into 1971.

COST ESTIMATES BASED ON 3.5 PERCENT UNEMPLOYMENT RATE

I think you have stated in your statement and others have said that the \$4.4 million additional figures was based on an unemployment level of 3.5 percent.

Secretary FINCH. Yes. Those were the figures we had at the time we began to work on it.

*At pres-time, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

Senator JORDAN. And I think when Senator Williams asked what would be the additional amount which would be required to finance the present 4.5 or 4.4 percent of unemployment, your offhand guess was: \$400 million.

Senator Williams countered with his estimate of \$1 billion and a quarter. Someplace in between that is probably the right amount: wouldn't it be?

Secretary FINCH. That would certainly depend upon a number of variables—obviously, the strength of the economy and a variety of other factors. I don't know how we could be much more precise.

Senator JORDAN. More precise than \$400 million at this time for the additional 1 percent?

Secretary FINCH. We will have before this committee as precise estimates as we can make.

Senator JORDAN. That is good. What, in your judgment, is the amount you have to add to this figure of \$4.4 million, billion, or \$5 billion, or whatever it is, of the amount of \$1,600 base was raised by \$100?

Secretary FINCH. Again, I think the figure is, roughly, \$400 million, Senator Jordan.

Senator JORDAN. Would that be a constant accretion for each \$100 increase of the base, or would it be a variable?

Secretary FINCH. According to our projection it would be close to \$500 million for the first \$105.2, or about a \$300 million difference at \$1,800. Then you pretty much get a breakout at that point.

We can give you more complete data.

Senator JORDAN. I hope you will.

COST OF PROPOSED AMENDMENTS

Have you given any calculations to the amendments Senator Ribicoff proposed and their effect dollarwise on the total cost of the program?

Secretary FINCH. Yes, sir; I said earlier that we have only given you a rough, overall total. We will provide you with a detailed analysis, as we see it, as to what the cost of his proposals would be.

As the Under Secretary indicated, we are trying to get the figures updated, based upon the new unemployment figures, and we felt that was the item of first priority.

Senator JORDAN. It is not likely this Congress, if the bill passes, will pass it with less than it came from the House. This is my calculation, personally, but I am very fearful that it is going to be raised substantially. Budget surpluses in the present economic climate have a way of disappearing overnight, and especially on the unified method of accounting for budget, under which we are presently operating.

IMPLEMENTATION OF BILL IF FUNDED WITH BORROWED MONEY

Already the \$1.3 billion surplus estimated for 1971 has been dissipated, and several times over. Assuming that this historical trend continues, Mr. Secretary, would you continue to be enthusiastic over implementing this program at an estimated annual cost of \$5 billion, or more, if it had to be done on borrowed money?

Secretary FINCH. My answer would have to be no. I think it would be very dangerous.

Senator JORDAN. Then there are two alternatives ahead of us. Would you be willing to recommend that the President go before the Congress and ask for an extension of the surtax in order to finance the Family Assistance Act of 1970 on a pay-as-you-go basis; or, in lieu of that, and given the other alternative, what programs are you going to cut? You have testified this morning it would be a hard job for you to differentiate between the need for funds for education and welfare and health and so on in your own Department, and maybe you would be willing to venture a little farther afield than your own Department of HEW.

How would you assess the priority of this program with respect to funds for ABM in Defense or the SST in Transportation or Rivers and Harbors in Public Works or Foreign Aid and so on?

Secretary FICHER. The only thing I can be grateful for in being Secretary of HEW is that we don't have a foreign policy. I can't make that kind of value judgment. I think we have to be realistic—there is an enrichment value that comes with this program, we think, in terms of some increased taxable income.

In terms of what happens with Federal revenues, there are changes that could be made within this legislation, which, of course, you will consider—whether you want to knock out the unemployed father aspect of it, or whether you want to throw a greater burden on the States—but certainly we couldn't, I don't think, justify, under the language of the President in his message, any increases in the amount to be spent. Any change would have to be accomplished by tradeoffs within the bill.

Senator JORDAN. You are not going to attempt then to set up priorities with respect to these other departments and thus involve yourself in an inter—

Secretary FICHER. I think that it would be presumptuous for me to try to speak for the entire administration.

Senator JORDAN. Someone else will have to do that and Congress will have to do that.

Secretary FICHER. You will hear from the Bureau of the Budget. They will give you their ideas on priorities.

Senator JORDAN. We will find out what they think about it, too.

SETTING OF FAMILY ASSISTANCE BENEFIT AMOUNTS

Do you have any idea that this \$1,600 base is going to survive the congressional action, and tell me how you arrived at \$1,600. Why not \$1,700; why not \$1,500? What reasoning prompted you to accept a figure of \$1,600 as a base?

Secretary FICHER. Well, as I said in my testimony, this was the figure that, after a great deal of pulling and hauling, came out of our first task force before we came into office. As we evaluated all of the other possibilities, this seemed to be the most realistic floor, when related to the problem of the working poor.

You have to realize the benefits will be, for many, more than the \$1,600 base.

When you add \$860 in food stamps, the State supplementals in 44 States, and the other increments—public housing and so forth—you get up to a higher figure. You have diversity in the mix from State to

State and from city to city. We felt this was a realistic floor for a program of income supplementation.

Senator JORDAN. Already amendments have been suggested that would increase the \$1,600 base to \$3,600.

The staff has supplied me with a table from the House report showing that a \$3,600 base would cost not \$4.4 billion, as you have estimated, for the \$1,600, but the \$3,600 base would run the cost up to \$20.7 billion.

At what point, if this is tampered with, Mr. Secretary, do you think the straw would break the camel's back? At what point would the President veto it as being beyond our means?

Secretary FINCH. Well, before the latter figure you suggested, Senator, I would say the bill as we have presented it, and the bill as it came out of the House, provides an appropriate level. We believe it is tolerable to devote that amount of our resources to this problem, in view of the other problems we have abroad and at home.

Senator JORDAN. You don't want to project a guess as to how much higher than that might be a tolerable limit and acceptable downtown?

Secretary FINCH. Not very much higher, Senator. There is very little tolerance, in my opinion.

Mr. VENEMAN. I think we have to bear in mind we are talking about a national floor. We are not speaking to the question of adequacy. At the present time, this program would raise the AFDC payments for a family of four above the existing level in eight States. We have to give consideration also to break-even points—\$3,920 for a family of four under our proposal—to the tax rate and other variables.

In direct response to your question regarding the legislative process, I would only say that the \$1,600 proposal has been subjected to two legislative tests so far and has passed them.

Senator JORDAN. Very well. I shan't ask any more questions in detail today. I have plenty more later on.

The CHAIRMAN. Senator Byrd.

NUMBER OF HEW EMPLOYEES

Senator BYRD. Thank you, Mr. Chairman, Mr. Secretary, I am glad to see you, sir.

Secretary FINCH. It is nice to see you, sir.

Senator BYRD. I believe this is the first time this committee has had the opportunity to see you since you came before us for confirmation.

Secretary FINCH. I have to appear before more committees than any other Secretary. I am sorry I haven't been back here. Once I was to be here and was ill. I am sorry I wasn't able to respond to the one other invitation.

Senator BYRD. I am glad to see you today and I hope we will see you more frequently in the future.

Secretary FINCH. You will see a great deal of me in the next few days, I gather.

Senator BYRD. How many employees does HEW have?

Secretary FINCH. At this point we are down now to 102,000-plus, from an all-time high a few years ago of 110,000.

At the same time I think it is important to point out that we have gone in the last 2 years from a \$50 billion to a \$60 billion budget.

Senator BYRD. How many do you have in Washington?

Secretary FINCH. If you leave out Baltimore—are you talking about all over the environs of Washington? Including NIH and social security?

Senator BYRD. All in your Department, that you have jurisdiction over in HEW?

Secretary FINCH. Are you including all of the buildings in the immediate environs, Maryland and Virginia, as well as the District? We spread out to Bethesda and Baltimore and other nearby cities. I would guess somewhere between 45,000 and 50,000.

Mr. VENEMAN. We can supply the exact information.*

Senator BYRD. Thank you; I wish you would.

HEW FAILURE TO RESPOND TO COMMUNICATIONS

I am going to get to the welfare program in just a minute, but I thought perhaps you had a shortage of employees here in the Washington area because I have such great difficulty in getting a reply to any of my communications. I have only addressed the communications to the distinguished Secretary of Health, Education, and Welfare on two major matters and I have found it very difficult to get any reply from your office.

Now, I am going back to March 27 of 1969, and I asked a very simple question and I said, "Will the proposed move of HEW office from the city of Charlottesville result in a savings to the Government and, if so, how much?" And it seems to me that was a reasonable request, because the press release which your office put out said there would be a savings.

Then, on April 2, my letter was acknowledged by Mr. Jerry W. Poole of your office, in which he said a full report would be forwarded as soon as possible.

Six weeks later I received notification that you were attempting to gather information to answer my letter. That was on May 19. On June 5, 1969, I sent a telegram again seeking information and I ask that that telegram be inserted for the record at this point, Mr. Chairman.**

On June 27 I sent another telegram, again asking for this information. And I ask that that telegram be inserted for the record.

Now, on July 8, 31½ months later, I received a letter from you which did not answer the questions I put to you in March, and to this day I have not received an answer.

We will let that go because that was last year.

Mr. VENEMAN. I think we can supply those figures now.

Senator BYRD. I would be very happy if you would.

*At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

**Correspondence referred to by Senator Byrd during this exchange appears at pp. 250ff.

(The Department subsequently supplied the following information:)

MOVE OF HEW CHARLOTTESVILLE FACILITIES TO PHILADELPHIA

There will be no immediate dollar savings as a result of the move of the HEW Charlottesville office to Philadelphia. The primary reason for the President's decision to realign regional boundaries was to improve coordination among agencies and service to the public and achieve greater efficiency in government operations. It is in this respect that savings will be realized and not necessarily in the case of running the regional offices. Dollar savings, if there are any, will be on a long-term basis and will result from an improved coordination of HEW programs.

Senator BYRD. That was my effort for 1969. Now we come to 1970.

On February 18 I sent you a telegram requesting that you investigate the situation in Newport News.

On February 26, never having received an acknowledgment, Mr. Veneman having been before the committee that day I put the question to him and he was kind enough to indicate that he would get me an answer.

But on March 12 I had to send a telegram to the Honorable John G. Veneman: John, my good friend, it was 2 weeks ago you promised to look into the Newport News situation and let me have your thinking thereon. I heard nothing from that.

Two months after my original telegram I get a reply from Secretary Finch in which he enclosed the examiner's hearing report issued February 11. And this is the very report that prompted my telegram in the first place.

Now, the point that I am suggesting is that if a Member of the Congress can't get any information out of HEW, what about the poor guy on the school board? These school board members serve without compensation, most of them. They don't know how to proceed. They come up here and try to get information from your Department. They come to their representatives and that is our job, and if we can't get it for them, certainly they are not likely to get it on their own.

And the same thing applies to the superintendent of schools and so on down the line.

The only thing I am suggesting is that I think that the representatives of the public, it is not because of us as individuals, but the representatives of the public are entitled to get some sort of reply.

I stay in my office until 7:30 and 8:30 and 9 at night, and sometimes 9:30, signing mail, and I think when people write me I am obligated to reply to those people, and I think the same thing applies to HEW.

I was under the impression that you didn't have adequate help but 45,000 or 50,000 people here I think you have adequate help.

(Correspondence referred to by Senator Byrd follows:)

[Telegram]

MARCH 27, 1969.

HON. ROBERT H. FINCH,
Secretary of Health, Education, and Welfare,
Washington, D.C.

MY DEAR MR. SECRETARY: I am informed that an announcement was made by your department phasing out and finally closing the Charlottesville office of Health, Education and Welfare.

I would appreciate an answer to the following questions concerning this move: Will the proposed move result in a savings to the government? If so, how much and in what areas will the savings accrue?

To you I send my best wishes.

Sincerely,

HARRY F. BYRD, JR.,
U.S. Senator.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.
Washington, D.C., April 2, 1969.

HON. HARRY F. BYRD, JR.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: This is just a brief note to let you know that Secretary Finch has received your letter of March 27, 1969, regarding an announcement made by the Department phasing out and finally closing the Charlottesville office. A full reply will be forwarded to you as soon as possible.

Sincerely,

JERRY W. POOLE,
Deputy Assistant Secretary for Congressional Liaison.

SECRETARY OF HEALTH, EDUCATION, AND WELFARE.
Washington, D.C., May 19, 1969.

HON. HARRY F. BYRD, JR.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: This is a further response to your letter of March 27, 1969, requesting information relative to the savings to the Government as a result of the relocation of our Regional Office in Philadelphia.

To fully answer your question about the financial implications of this change, we will need to gather information and consult with the Bureau of the Budget. We are in the process of developing this information in conjunction with the Bureau of the Budget, Civil Service Commission, and other Federal agencies.

A full response to your questions will be prepared as quickly as possible; however, at this point, due to the many complexities involved, we are unable to provide you with the information requested.

Thank you for your expression of interest. We will be in further contact with you.

Sincerely,

ROBERT H. FINCH, Secretary.

[Telegram]

JUNE 5, 1969.

HON. ROBERT H. FINCH,
Secretary, Department of Health, Education and Welfare,
Washington, D.C.

Ten weeks ago (March 27, 1969), I corresponded with you concerning transfer of HEW Regional Headquarters from Charlottesville. I requested specific information at that time as to whether the proposed move would result in savings to the Government; if so, how much and in what areas would savings accrue. At a time when economy in all facets of Government is being sought, I would have thought that requested information would have been available during the consideration phase prior to finalizing of this decision. I received two interim replies dated April 2 and May 19, but have not yet received requested information. I would appreciate getting the facts.

HARRY F. BYRD, JR., U.S. Senator.

[Telegram]

JUNE 26, 1969.

HON. ROBERT H. FINCH,
Secretary, Department of Health, Education and Welfare,
Washington, D.C.

Thirteen weeks ago (March 27, 1969) and again four weeks ago (June 5, 1969), I corresponded with you concerning transfer of HEW Regional Headquarters from Charlottesville. Requested specific information at those times as to whether proposed move would result in savings to Government; if so, how much and in what areas would savings accrue? At a time when economy in all facets of Government is being actively sought, I would have thought that requested

information would be available during consideration phase prior to finalizing of this decision. Have received two interim replies (dated April 2 and May 19), but have not as yet received requested information. Would appreciate getting the facts.

HARRY F. BYRD, Jr., *U.S. Senator.*

SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., July 8, 1969.

HON. HARRY F. BYRD, JR.
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: This is in further reply to your letter of March 27, 1969, and subsequent telegram, requesting information concerning the President's decision to relocate the regional office of the Department of Health, Education, and Welfare from Charlottesville, Virginia to Philadelphia, Pennsylvania.

The decision to realign regional boundaries of the Departments of Labor; Housing and Urban Development; Health, Education, and Welfare; the Office of Economic Opportunity; and the Small Business Administration was based on the urgent need to improve cooperation and coordination among agencies concerned with domestic problems. As a part of the decision, regional offices of all of the affected agencies will be located in the same cities and where possible in the same building to further facilitate working relationships and to increase operational efficiency.

Savings to the Government which will result from the Charlottesville move can be considered only in relation to the entire plan for improving the system of administering social and economic programs. Since the Department of Health, Education, and Welfare is the only agency maintaining a regional office in Charlottesville, our staff there finds it increasingly difficult to maintain close working relationships with other Federal agencies. Frequent travel to Philadelphia and Atlanta is necessary to participate in the increasing number of joint programs. This necessity is expensive of staff time and resources. In view of the prospect of even greater coordinated effort in the future, the need for closer proximity of all agencies is essential. The inherent savings in time, effort, and resources will result in better service to persons affected by State and Federal programs.

The relocation of the Charlottesville office to Philadelphia was made after analysis of a number of factors, such as transportation patterns, population distribution, the effect on program operations and upon employees concerned. The Philadelphia location was selected since it will additionally provide increased accessibility to State capitals within the regions, and thereby enhance working relationships among State, local, and Federal agencies.

Please be assured of our continued concern that these realignments are implemented with the minimum adverse effect upon the continuity of local, State, and Federal programs, and upon the communities and employees affected.

Sincerely,

ROBERT H. FINCIE, *Secretary.*

[Telegram]

FEBRUARY 18, 1970.

HON. ROBERT H. FINCIE,
Secretary of Health, Education, and Welfare,
Washington, D.C.

I am advised that a new hearing officer has recommended a cutoff of Federal funds to the schools of Newport News, Virginia, having ruled unacceptable a completely integrated neighborhood zone plan. The Examiner stated that in his opinion a plan by HEW requiring busing to achieve racial balance would be acceptable. If correctly reported, this violates federal law. It also is in violation of the statement made by you yesterday as reported in the Washington Post this morning. I strongly urge prompt investigation and action on your part to preserve funds due the city of Newport News.

HARRY F. BYRD, JR., *U.S. Senator.*

[Telegram]

MARCH 12, 1970.

Hon. JOHN G. VENEMAN,
Under Secretary, Department of Health, Education, and Welfare,
Washington, D.C.:

John, my good friend, it was two weeks ago that you promised to look into the Newport News situation and let me have your thinking thereon.

Cordially,

HARRY F. BYRD, Jr., *U.S. Senator.*

SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., April 13, 1970.

Hon. HARRY F. BYRD, Jr.
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: Thank you for your telegram concerning the status of school desegregation at Newport News, Virginia.

As you know, the school district has been involved in administrative enforcement proceedings under Title VI of the Civil Rights Act of 1964. Title VI prohibits discrimination as to race, color, or national origin in programs, including those of school districts, which receive Federal financial assistance.

On February 11, 1970, a Federal hearing examiner issued an initial decision and order in the case. The hearing examiner ruled that the school district's eligibility for Federal financial assistance should be terminated in that the district is found to be in noncompliance with the nondiscrimination provisions of Title VI.

In summary, according to the hearing examiner, "HEW has suggested a plan to initiate desegregation of the elementary and secondary school system which the school district rejects. The school district contends its Freedom of Choice plan complies with law and is effective. HEW refuses to allow continuation of the Freedom of Choice plan and has rejected a neighborhood zoning plan suggested by the school district. The said plan suggested by the school district is hereby found to be inadequate to accomplish compliance with the Act and Title VI Regulations, since it would not produce sufficient secondary school student integration and eliminate discrimination. The school district did not present any plausible or valid arguments or evidence to prove or show that the said HEW plan, if employed substantially, would not readily effectuate compliance."

The school district may appeal the decision to the Reviewing Authority and under the circumstances further comment on the part of the Department would be inappropriate at this time.

The Department's recommended desegregation plan, submitted to the school district prior to the hearing proceedings, is but one alternative and effective means of eliminating the discriminatory effects of the dual school system in Newport News. The object of the plan is not to "overcome racial imbalance" in the school district; nor would it in fact accomplish such a purpose. Rather, the objective is to overcome the vestiges of discrimination pursuant to Title IV and in accordance with the decisions of the Federal courts. There may be effective methods other than the Department's recommendations which meet the requirements of the law.

We are enclosing a copy of the hearing examiner's decision for your information.

If the Department can be of further assistance, please let us know.

Sincerely,

ROBERT H. FINCH, *Secretary.*

Senator BYRD. Now, let's get to the question at hand.

First, I want to say I concur in the request of Senator Williams for additional information, particularly in regard to OEO. I think that Senator Talmadge put some questions that certainly need to be answered before this committee proceeds further.

SECRETARY'S OPPOSITION TO FINANCING NEW PROGRAM WITH BORROWED FUNDS

I think Senator Jordan just put some very searching questions, and I was most interested in your comment on his question as to whether you would feel that this should be financed on a basis of borrowing money in order to finance this program. As you understand it, you replied in the negative.

Secretary FINCH. That is correct.

REASONS FOR ADDING 14 MILLION PERSONS TO WELFARE ROLLS

Senator BYRD. Let me ask you, why do you wish to add 14 million people to the welfare rolls?

Secretary FINCH. We think that helping the working poor is absolutely indispensable to the whole program. It is the only way we think we can come to grips with work incentives and prevent the low-wage worker from dropping into welfare. It induces, we think, a man on welfare to want to get to a better job. It does not discriminate against those who are working, and it does have a substantial impact on the people we want to help rise above the poverty level, and in avoiding remedial costs later on. I think that would be about the broadest statement I could make in response, Senator.

Senator BYRD. I am correct, am I not, that you have at the present time 10 million persons on the welfare rolls?

Secretary FINCH. Yes, sir.

Senator BYRD. And if this legislation is enacted, you will have 24 million persons on the welfare rolls?

Secretary FINCH. That is approximately correct.

Senator BYRD. Let me ask you this question: as I understand it, in recalling some of the campaign statements of 1968, there was a need to reverse the trend for the welfare state. How does this reverse the trend toward the welfare state when we increase the welfare rolls from 10 million persons to 24 million persons?

Secretary FINCH. Well, as we have constantly reiterated throughout our testimony, if our presumptions are correct, we will move many of these people off the rolls, which the present system is not doing. If we keep the present system, it is very clear that by 1974 and 1975 we will be spending, as I indicated, just as much if not more, than under this bill, with the same deplorable consequences and with no hope of having remedied this situation.

Senator BYRD. I want to say first that I feel that our present system is outdated and outmoded and goes back, a lot of it, to the depression era of the 1930's, and I think it should be changed. I think it certainly should be changed. What I am trying to do is understand your proposal and to understand how it is going to benefit the situation to increase the welfare rolls from 10 to 24 million persons?

Mr. VENEZIAN. I wonder if I could respond briefly, and perhaps point out that maybe we are not using the right title here. Maybe we should be talking about another category. The major group we are talking about are not really welfare recipients in the traditional sense of the word as we have used it in the past. These people are working, they are members of intact families, and we are not suggesting putting

them on welfare. We are suggesting that we supplement their income to a degree that there would not be such an incentive as presently exists to leave their jobs and go on welfare.

Now, in order to take care of these families, the expenditure to supplement their incomes, on an average, I believe, is around \$740 a year. This is for a million and a half families, or whatever number would fall into the working poor category. This compares with an average cost of over \$2,000 for a family under the existing caseload. So actually it is a preventive measure with this group to keep them from getting on what we consider the traditional welfare caseload. We think that we are going to make a reversal of this process. We are going to have to take away some of the real incentives that exist to leave an employment situation and get into the public assistance programs. I think this bill is the only place we can start.

ADEQUACY OF \$1,600 FLOOR FOR FAMILY OF FOUR

Senator BYRD. In response to a question put by Senator Jordan, I was not clear as to your answer. But, as I understand it, you are indicating that \$1,600 probably would not be an adequate figure for a floor?

Mr. VENEMAN. No; I said that is the Federal floor. I said we are not talking to adequacy. An adequate amount is usually considered to be the poverty level, at the very minimum.

Senator BYRD. You are not talking to adequacy, but to my mind that meant that you feel—and I don't want to put words in your mouth—you feel that at some future time that it should be made adequate?

Mr. VENEMAN. What we are suggesting is that the States will maintain their participation in the public assistance programs to the extent that they are participating now.

As I indicated, this floor brings eight States above what they were paying previously, and we think that in most of the other States there will be additional income to the recipients because of the States' supplementation.

Senator BYRD. You are saying that you are not talking about adequacy?

Secretary FINCH. We are not suggesting that \$1,600 is an adequate amount for a family of four to live on. We have never said that that would be sufficient.

Senator BYRD. As I understand it, you would oppose an increase above \$1,600 as a floor?

Secretary FINCH. Yes, sir; that is correct.

Senator BYRD. Do you envision that you would continue to oppose a figure above that next year and the following year?

Secretary FINCH. If you mean by that, assuming this bill were enacted?

Senator BYRD. Yes.

Secretary FINCH. We would certainly want to see what experience showed—how the States responded and how the work training aspect of the plan worked out.

I would oppose, for example, the suggestion by Senator Ribicoff of incremental steps in the immediate future. We would want to see how the plan worked for a while.

Senator BYRD. It wouldn't be illogical to assume that if it were established at \$1,600, each year there would be an effort made to increase that amount?

Mr. VENEMAN. Senator, I am sure that pressure would be upon you, because Congress would have the prerogative of making that decision. But it is not different from what has been done, and we do have a little more control over it. It is no different from the situation in which the State legislatures are in session every year with pressures on them to raise the welfare grants, and when they raise the welfare grants, you in Congress and those of us on the Federal level have absolutely no control over costs. We pay on an average a little over half of the cost without making the decision. When they raise the grant we simply say: "We will pick up our share." Now we would be in a position where the Federal floor is established by Congress. We say that we will participate in the state supplementals up to the poverty level and to the extent of 30 percent.

There is more Federal control over the cost of the welfare program under this proposal than we have ever had under the existing law.

Senator BYRD. I found in the Virginia Senate that the demand there was it had to be increased because of what the Federal Government did.

Mr. VENEMAN. We never mandated grant increases.

Senator BYRD. Do you feel, then, that this is an improvement over the present program?

Mr. VENEMAN. Yes, sir.

NEW DEFINITION OF UNEMPLOYMENT

Senator BYRD. In that respect, in speaking of a man where he works regularly 34 hours a week and he is regarded under your proposal as being unemployed, one of you mentioned that one reason you favored this proposal is that of uniform standards, that you proposed to tighten this requirement. Am I correct in that; did I hear you correctly?

Secretary FINCH. As Mr. Patricelli pointed out, the reason the regulation was established in the first place is that when the States were setting their criteria they had gotten up very close to 40 hours a week as a criterion for unemployment.

Senator BYRD. Would you recommend reducing this below 34 hours?

Secretary FINCH. I think I would be disposed to; yes, sir, I am not locked in on any precise number. I think 35 is probably a little liberal.

Mr. VENEMAN. Contracts are signed with shorter workweeks, and I think this has to be taken into consideration as it relates to what constitutes full employment.

Secretary FINCH. We would also have to consider impact on the minimum wage, and a great many other factors.

FEDERAL ROLE IN WELFARE

Senator BYRD. You say on page 18:

We are convinced that income maintenance is a problem requiring a national solution and that uniform administration is essential.

And that means uniform payments, too. I assume?

Secretary FINCH. A uniform floor.

Senator BYRD. Uniform floor but not uniform payments?

Mr. VENEMAN. The States would have the opportunity to supplement.

Secretary FINCH. The States always have the option to build on the flood beyond what we have already prescribed.

Senator BYRD. But you would encourage that it be federally administered and not State administered?

Secretary FINCH. I think the fact that we would pick up the administrative cost is another way in which the States and localities will save some dollars out of this program, and be able to devote them to whatever purpose seems best to them as they see their progress.

Senator BYRD. I am not advocating or opposing the program; I am just trying to understand it a little bit better than I do at the present time.

I have many more questions, but my time has expired.

Senator ANDERSON (presiding). Mr. Hansen.

Senator HANSEN. Thank you.

Mr. Secretary, I know you have had a long day and evening yesterday and you have been here a long time now. I will try not to take too long to ask a few questions I would like to ask.

Secretary FINCH. I am going to get back to the office and find out about my correspondence with Senator Byrd.

DEFINITION OF POVERTY LEVEL

Senator HANSEN. What is the poverty level in the country now?

Secretary FINCH. \$3,720 for a family of four, and for a single person—

Mr. VENEMAN. Mr. Mahoney indicates it is now about \$3,553—\$3,720 in the bill for a family of four, and \$1,920 for a single person: \$2,460 for a two-person family.

Secretary FINCH. We have a definition on page 28, Senator, for purposes of this legislation.

Senator HANSEN. What factors go into the formula that results in your coming up with this figure?

Contemplating \$3,720 under this bill a family of four can buy what things? Does this include housing, clothing, some expenses for education, medicine, food and shelter?

Secretary FINCH. The language in the bill goes on to say:

The Secretary shall adjust the amount shown for each size of the family group by increasing the amount by the percentage at which the average level of the price index for the months in the calendar quarters, beginning as of April 1st of such year exceeds the average level of the price index for the months of 1969.

So, it leans primarily on the Consumer Price Index as published by the Bureau of Labor Statistics.

Senator HANSEN. I would be correct, then, in assuming that if the prices of all of the costs that go into the composition of the poverty level were to increase, that the level itself would go up?

Secretary FINCH. Undoubtedly it would.

Mr. VENEMAN. That means also, Senator, to project it one step further, our matching participation would increase because we agree to pay 30 percent up to the poverty level, which is not a fixed figure.

Senator HANSEN. Is it your feeling that this represents an acceptance, maybe not a welcome, but an acceptable level below which total income should not fall, I suppose? Is that what we are saying?

Secretary FINCH. No.

Senator HANSEN. Or, is this the goal that we are shooting for?

Secretary FINCH. This is simply an effort to bring the States into some degree of parity. This comes out as the best level to start with—and I am talking now about the floor, as against the ceiling which you have been talking about. The amount paid will fall between the two, as we have outlined on these charts.

Senator HANSEN. Is it your feeling that this amount of money would buy, essentially the same goods and services the country over, or do you believe there may be differences in the various regions?

Secretary FINCH. Clearly, as your question suggests, there will be regional differences. Such differences now exist. We think that the State legislatures and the lesser governmental units consider those differences. But this gives them a base to work from.

WORK PROGRAM AND JOB OPPORTUNITIES

Senator HANSEN. Do you feel that the success of this program, the new direction and thrust you are giving it, will reflect in part the job opportunities that exist in the country?

Secretary FINCH. Well, I know that Secretary Schultz, when he testifies, will have a good deal of information on how, with their computer banks and so on, they can more effectively find people who would be affected under our family assistance program and get them to existing jobs. This is a problem that many of the other Senators were directing their questions to.

So, yes; we think this plan is a better mechanism to pick up people in the target areas we are trying to reach, and to pull them into the existing and anticipated manpower training programs.

Senator HANSEN. From time to time, I am sure most of the Members of the Congress have been appealed to by their colleagues to join in support of legislation which would protect the domestic industry to some degree.

Just recently the junior Senator from New Hampshire, Mr. McIntyre, wrote to me inviting my cosponsorship of legislation he has introduced which would establish some quotas in the areas of textiles and shoes. His feeling, as I gathered from a reading of the bill and the statement that accompanied it, was that the threat posed by more cheaply-produced imports could dry up jobs in this country and could bring about some disruption and perhaps even in some areas an elimination of certain industries.

Do you have a concern in this area?

Secretary FINCH. We certainly do. You can't disassociate this problem, obviously, from the import-export situation we are faced with in a variety of areas, including your own State.

Senator HANSEN. Would it be your feeling, generally, or I shouldn't say generally, but would it be your feeling that American industry pays higher wages than are paid in practically any other country in a given industry throughout the world and contributes more in

taxes insofar as the cost of the product article they offer on the market than would be true in imports?

Secretary FINCH. I suspect that to the extent you could generalize, that would be true. I have not had an opportunity to look recently at the British situation, but in most countries that would be certainly true.

Senator HANSEN. I understand some elements of the electronics industry have plants just over the border in our neighboring country of Mexico where wages are not even approximating our \$1.65 an hour minimum wage or whatever it may be that is paid to fairly productive workers.

Secretary FINCH. That is true.

Senator HANSEN. And they may pay perhaps not more than a fifth of what we are paying in this country. Had you heard that?

Secretary FINCH. I have been there and seen them. That is true.

Senator HANSEN. Does this propose a threat, in your judgment, to the sort of employment and the level of earnings that, as Secretary of Health, Education, and Welfare, you are committed to try to reach?

Secretary FINCH. I don't feel that my job is to achieve certain levels with regard to salaries, or to get into the minimum wage problem. That is the job of the Secretary of Labor.

What we are trying to do is create a favorable climate through our various programs in education and health, and in this case zeroing in particularly on the family unit and the child.

Senator HANSEN. I am afraid I didn't state my question very well. What I meant to say was: Recognizing that we have had a rather substantial number of people employed in the United States in industries which now seem to be moving out of the country, and bearing in mind also the fact that there is a very significant market for the type of radio or whatever we may be talking about that is manufactured abroad, my question is, Does the great disparity between wages paid by these industries in America and that that may be paid by industries in other countries, concern you? Do you view it as a threat to the type of full employment and to the type of wage levels that you would hope may come about if you are to achieve the goals that I assume are in your mind as you present this bill?

Secretary FINCH. Well, I would say that the danger you raise is a very real one, but I don't see this bill as confronting that problem. I don't think this bill would subsidize cheap labor. Certainly that is not its purpose.

Senator HANSEN. If I could interrupt you, I did not mean to imply—

Secretary FINCH. Someone raised that question, but we don't see it that way at all.

Senator HANSEN. Well, my question was, without any reference to this bill: does this direction seemingly in which our country has gone, lowering tariff barriers and imposing very little restraint upon imports from areas where wages are substantially lower than they are in this country, do these things concern you as possibly reducing the number of jobs that might be available in this country so as to bring about the full employment that I assume you would like to see us have here?

Secretary FINCH. The answer is "Yes."

Senator HANSEN. I don't have any further questions, Mr. Chairman.
Senator ANDERSON (presiding). We will now adjourn and we will reconvene at 10 o'clock tomorrow morning.

(Whereupon, at 4:30 o'clock p.m. the hearing was adjourned to reconvene on Thursday, April 30, 1970, at 10 o'clock a.m.)

H.R. 16311—THE FAMILY ASSISTANCE ACT OF 1970

THURSDAY, APRIL 30, 1970

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

The committee met, pursuant to recess, at 10:08 a.m., in room 2221, New Senate Office Building, the Honorable Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Harris, Byrd, Jr., of Virginia, Williams of Delaware, Bennett, Curtis, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. I will now call this hearing to order.

There were some questions that members of the committee wanted to ask of the Secretary, but yesterday we did not have the opportunity to call upon all Senators present. In addition to that, there were some necessary record additions at that time. For that reason, we will call upon those who did not have an opportunity to interrogate the Secretary yesterday.

Senator Curtis is recognized.

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Secretary, perhaps many of the questions that I ask I might know the answer to, or there might not be any answer available. Nevertheless, I want to ask them for the record.

ADDITION OF EMPLOYED PERSONS TO WELFARE ROLLS

I was impressed yesterday by the fact that Senator Ribicoff pointed out that this was a new turn in welfare legislation, that we are going to break with the past and chart a new course for the future. He said that in substance. If that is true, and I believe it is, we are perhaps legislating upon a system that will be with the country for a long time. I am in sympathy and in accord with the announced objectives of the President of the United States to establish payrolls, not relief rolls, to give an opportunity for those people on relief to become employed. But I have some questions about the bill which the House sent over to us, that it will not accomplish this. It is within that purview that I ask the questions.

My first question is how many fully employed people not now on welfare will receive a welfare check if this House bill is enacted by the time it is in full effect?

STATEMENT OF HON. ROBERT H. FINCH, SECRETARY OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT PATRICELLI, DEPUTY UNDER SECRETARY FOR POLICY; CHARLES E. HAWKINS, SPECIAL ASSISTANT TO THE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS, SOCIAL AND REHABILITATION SERVICE; MICHAEL MAHONEY, DIRECTOR, PROGRAM EVALUATION, FAMILY ASSISTANCE PLAN; AND JEROME M. ROSOW, ASSISTANT SECRETARY FOR POLICY, EVALUATION, AND RESEARCH, DEPARTMENT OF LABOR

Secretary FINCH. Our estimate is that 7,300,000 people in families of full-time workers would be eligible under the family assistance plan. Senator CURTIS, 7,300,000?

Mr. VENEMAN. That would be the entire family.

Secretary FINCH. That is the number of families involved who are covered under family assistance where the head of the household is a full-time worker.

Senator CURTIS. And how many workers would that be?

Secretary FINCH. The number of families covered where the family head is working full time is 1.3 million. That is 33.8 percent of the total program. The number of the so-called working poor who would be affected by the program we are discussing is 7,304,000.

Senator CURTIS. This is a far-reaching proposal, because that is going to place on the relief rolls about five times as many people as live in the State of Nebraska.

Secretary FINCH. Well, I would hope, sir, that we could get a change in terminology. Here we have suggested the term "income supplement," but we do have an attitudinal problem—people will tend to regard this as relief.

Senator CURTIS. Yes.

AGE OF WORKERS ADDED TO WELFARE ROLLS

Now, what is the average age of those workers who are heads of households that make up this number?

Secretary FINCH. We will try to complete the record for you, Senator. The only breakdown we have at this point is that 98 percent of the families we have just discussed—families with a fully-employed male head—are less than 65. We will have to get you a further breakdown.

Senator CURTIS. You do not have an average age?

Secretary FINCH. Not yet, sir. We will get that.

Senator CURTIS. You do not have the median age?

Secretary FINCH. No, sir; we do not.*

Senator CURTIS. How many families live within an urban area?

* At presstime, June 11, 1970, the material had not been received from the Department of Health, Education, and Welfare.

Mr. VENEMAN. Senator, we do not have information on age for the working poor category, but I can give you an age distribution of the mothers that are now on AFDC.

Senator CURTIS. I am directing my question to the new people that will be brought in.

Mr. VENEMAN. About 30 percent of mothers now on AFDC are between 31 and 40, 30 percent between 21 and 30, and the rest between 41 and 50.

Senator CURTIS. That does not follow at all. ADC is paid to mothers. You have to take into account the usual child-bearing age, and the lapse of a number of years until the children are no longer eligible. You may come up with an entirely different age when you consider employed heads of households that are not within the definition of aid to dependent children.

Mr. VENEMAN. The reason I think there may be some parallel here is because the existence of a child in the family is a requirement for the working poor.

WHERE FAMILY ASSISTANCE RECIPIENTS LIVE

Senator CURTIS. I will go back to my other question. How many people live in the urban areas?

Secretary FINCH. Senator, in the yellow book before you, tab 2, page 7, of the 1,116,000 families, you see the more complete breakdown. The yellow book is entitled "Selected Characteristics of Families Eligible for the Family Assistance Plan." You will see that about 60 percent are rural. Of those, 32 percent of the people are farm; 28 percent are nonfarm; 39 percent are urban. That breaks down into central city, 15 percent; urban fringe, 12 percent, and outside (roughly, cities from 2,500 to 50,000) another 12 percent.

Senator CURTIS. And that is on tab 2?

Secretary FINCH. Tab 2, sir; page 7.

Senator CURTIS. Then it is your estimate that 39.4 percent, almost 40 percent live in urban areas?

Secretary FINCH. Yes, sir.

Senator CURTIS. And what is your definition of an urban area?

Secretary FINCH. It is the standard census definition.

Senator CURTIS. Do you know what percent of them who live in urban areas are in areas of high unemployment, so that we would have reason to believe that their economic plight is because jobs are not available rather than because of the deficiency in skills and training of the individual involved?

Secretary FINCH. I do not think we have that information at this time. We have some employability figures under tab 4, but they do not go to the geographic problem.

Senator CURTIS. Now, in reference to the rural, you have roughly 60 percent, 32 percent are farm and 28 percent are nonfarm. Now, I presume for farm, you followed the traditional census definition of a farm?

Secretary FINCH. That is correct, sir.

Senator CURTIS. And nonfarm would be small towns and cities?

Secretary FINCH. Yes, sir.

Senator CURTIS. Now, in reference to the nonfarm rural, these employed people with a low income, what percent of them are living in an area of high unemployment where the opportunities are lacking and what percent are in their predicament because they lack training and skills?

Secretary FINCH. Again, we will endeavor to get the best information we can from the Department of Labor and the Department of Commerce.*

Senator CURTIS. Do you have it in reference to the nonfarm rural?

Secretary FINCH. No, we do not; sir.

Senator CURTIS. Now, in reference to the rural and those people who are living on the farm, how many of those derive their total income from farms and how many of them have a combination of farming and some employment?

Secretary FINCH. We will get that material for you, Senator. We will have it for you within a few days.*

PROGRAM PROJECTIONS BASED ON 1966 SURVEY

Senator CURTIS. Now, these figures that you have submitted, are they the result of an actual check, or how were they arrived at?

Mr. PATRICELLI. These were tabulations done from the Office of Economic Opportunity special survey that was conducted in 1966. It has been updated by census projections to—

Senator CURTIS. Updated by whom?

Mr. PATRICELLI. By the Office of Economic Opportunity. There was a special survey, asking questions that the census does not ask. It was based on a 1966 survey, including 30,000 families nationwide.

Senator CURTIS. Were there 30,000 families in the year 1966, or is that the original plus the updated?

Mr. VENEMAN. The number of families did not change. The information was updated.

Senator CURTIS. The updating is not based upon interviews.

Mr. PATRICELLI. The updating was based upon applying to this group the Census Bureau surveys on what was happening to the population as a whole. I am informed that the interviews were actually carried out in 1967.

Senator CURTIS. What information did you get from the Census Bureau since 1966 concerning the employment status and income status of these people that could update the OEO survey?

Mr. VENEMAN. Senator Curtis, I think if you will look in the introduction of the yellow book, it gives an explanation of how the information was developed.

Senator CURTIS. In what year was the updating done?

Mr. PATRICELLI. Senator, we can ask Mr. Mahoney to give you detailed answers on these. The actual interviewing was done in 1967, asking families to report on their 1966 status. Then, based on those interviews, the projections were made using Census Bureau data, Bureau of Labor Statistics data, some information from the National Planning Association, administrative data—all of these things that we could collect on known trends in income and employment information.

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

Senator CURTIS. In how many States did the OEO conduct interviews?

Secretary FINCH. We will get you the figures you want.

Mr. MAHONEY. Senator, the survey was meant to be a national survey. It is possible that one or two of the very low population States were not actually interviewed. I will have to check and get a count on those States.

Senator CURTIS. Will you supply that information for the record?

Secretary FINCH. Yes.*

EXPERIENCE OF POOR FAMILIES UNDER PRESENT LAW

Senator CURTIS. How many of these people who will go on family assistance program have asked for some assistance of some kind in recent years and been denied?

Secretary FINCH. We could not provide meaningful figures on that, Senator. We are talking about the working poor. It would be a very, very small percentage. I would think, just on the basis of our own experience.

Mr. PATRICELLI. All we could provide in this case would be the acceptance or rejection rates in connection with the AFDC program itself. We do not have any data on the working poor, who were not eligible under the previous system.

Senator CURTIS. Why do people hang onto a job that pays a sub-standard wage and hang onto it year after year, probably throughout their life?

Secretary FINCH. I would think they get some sense of fulfillment out of it. Yet they are hampered by lack of education, lack of motivation, lack of exposure to training opportunities.

DESERTION RATES AND AID TO FAMILIES WITH UNEMPLOYED FATHERS

Senator CURTIS. But this large group that we are talking about somehow hung on and did not desert their families?

Mr. VENEMAN. Senator, when the ADC program began, something like 20 to 30 percent of the families were those where the father had left because of separation or divorce. Now that figure is up to 70 percent. But partly this is because social security has taken over on the death and disability cases. Seventy percent of those that are on the present AFDC caseload, are female-headed households because of separation, divorce or desertion.

Senator CURTIS. All right. How does that 70 percent compare, or the percentage, whatever it is, in those States where AFDC is granted to unemployed fathers as well as where the father is absent from the home?

Mr. HAWKINS. Well, Senator, in the States that have AFDC-UP you have had a very rapid turnover in the unemployed father group. The average duration of receipt of assistance by those families has never exceeded 8 or 9 months. There are restrictions in the law since 1967 that prevent overlap with unemployment compensation, so you are usually in the latter stages of a phase of unemployment.

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

Now, to a very large degree, and certainly to the extent that these people have been in urban areas, they have been very heavily put in training and work projects in the last couple of years.

Senator CURTIS. Now, how many States give AFDC benefits for unemployed fathers, thus removing the temptation for desertion?

Secretary FINCH. 23, sir.

Senator CURTIS. You do not need to read them off, but insert them at this point in the record. I know they are available, but I want them at this point.

Secretary FINCH. Yes, sir.

(The information follows:)

AID TO FAMILIES WITH DEPENDENT CHILDREN OF UNEMPLOYED FATHERS AS REPORTED MARCH 31, 1970

Plan in operation—24 jurisdictions.

California	Maryland	Oklahoma
Colorado	Massachusetts	Oregon
Delaware	Michigan	Pennsylvania
Guam	Missouri	Rhode Island
Hawaii	Nebraska	Utah
Illinois	New Jersey	Vermont
Kansas	New York	Washington
Maine	Ohio	West Virginia

Senator CURTIS. My question is this: How does the desertion rate compare in those 23 States with the other 27 States where theoretically, a father has to absent himself from the home in order to get a relief benefit?

Mr. HAWKINS. The proportion of the caseload in which the father is absent is slightly lower in the States that do not have an unemployed father program. Now, that says nothing about the desertion rate. There are data contained in the House report going from 1961 to 1967 which indicate that during this period in which the unemployed father program was in operation, if you consider all States, the proportion rises slightly; if you exclude New York, which is a rather atypical situation in some respects in the last few years, for the other States with an unemployed father program, there has been less increase, some drop, between 1961 and 1967.

Senator CURTIS. I want to make sure I understand what you said. You say caseload shows that the family break-up or absenteeism of breadwinners is less in those States that do not provide AFDC benefit in case of unemployed fathers?

Mr. HAWKINS. No, sir.

Senator CURTIS. I thought that is what you said.

Mr. HAWKINS. No, I said during the period that the unemployed-father program had been going on, you had a slight increase in the States which do provide unemployed-father aid.

Senator CURTIS. In other words, the family break-up is growing faster in those states where they do provide a benefit if the father stays home?

Mr. HAWKINS. It is if you include New York State.

Senator CURTIS. That is part of the United States.

Mr. HAWKINS. It is.

Senator CURTIS. Now, New York is a high-paying State from the relief standpoint, is it not?

Mr. HAWKINS. Relatively so, yes, sir, one of the highest.

Senator CURTIS. And they do pay AFDC benefits to unemployed fathers?

Mr. HAWKINS. Yes, sir.

Senator CURTIS. That means that if a family is facing a desperate situation, the father does not have to struggle with the decision, must I leave my family in order for them to get welfare benefits, is that not correct?

Mr. HAWKINS. That is right.

Senator CURTIS. Is it not true that in addition to the benefits provided under AFPC, there are certain State benefits available.

Mr. HAWKINS. For other families, yes.

Senator CURTIS. Is it not also true that in addition to cash benefits, in the State of New York, they have very generous benefits in reference to medicaid and other programs for people of low income?

Mr. HAWKINS. Particularly medicaid; yes, sir.

Senator CURTIS. And housing?

Mr. HAWKINS. The housing benefit is simply a question of whether, if the proportion who use public housing had to buy the housing in the private market, they would probably have to pay a higher cost for it. It is a benefit in terms of somewhat better housing at a rate that the welfare agency will include within the payment.

Senator CURTIS. Does New York have an aid program which has been traditionally described as general aid, welfare?

Mr. HAWKINS. That is what it would be generally called. I think they call it home relief, yes.

Senator CURTIS. Now, what is the situation in New York in reference to family break-up?

Mr. HAWKINS. It is an extremely complicated situation, Senator.

Senator CURTIS. Well, how do the numbers add up? Because of this tremendous welfare program and generosity, has it attained the objective that many people are interested in of lessening the number of family break-ups?

Mr. HAWKINS. I do not think it can be demonstrated that it has.

Senator CURTIS. Not according to the figures?

Mr. HAWKINS. On the other hand, I think there are many interpretations that can be placed on those figures. No one knows what it would have been without that program.

Senator CURTIS. Of all the family break-ups that occur in the country, do you have any figure, any hard information, indicating how many of them break up because of the operation of our welfare laws?

Mr. HAWKINS. No, sir.

Senator CURTIS. Someone has said, I guess it is true, that 50 percent of the marriages in Los Angeles County break up. Does that have any relationship to the welfare program?

Mr. HAWKINS. I think we have some people here who know more about California than I do. I always suspected there were other reasons out there.

Secretary FINCH. We are here striking at the possibility that you have a prima facie incentive and a reward for family break-up. Let us eliminate that possibility.

Senator CURTIS. Well, I doubt very much if you have. I know a lot of poor people and they are the finest people in the world. They have just as much family devotion as any other economic class. The fathers are just as dedicated to their wives as any other class. They are just as determined that they should be self-sustaining and send their children off to school every morning, get the lift from the feeling that they are self-sustaining as any other economic group. I do not have figures to show to what extent other activities encroach upon the lives of the poor that in turn lead to family break-ups and I am thinking of such things as alcoholism, drug abuse, and the like. But no one has come up with any figures or any plausible theory to indicate that it is not basic loyalty and love within a family and morals and devotion to their marriage vows that keeps families together. I cannot think of anybody who might be supporting a family of four who works all day long and only makes \$2,000 a year who is willing to violate their wedding vows and desert their children in order to have the U.S. Government give them \$700. I have a higher regard for those people, and I think that the big play that has been made in this presentation of family break-ups is without statistical support, is without logical support. In fact, the contrary is true, that the high relief States have had a more rapid growth in family break-up and that there are other causes involved. That is why, while I am for the objectives of the President, I think that in connection with the bill sent over to us, there is a lot of work yet to be done.

Secretary FINCH. Senator, I concede that there are a lot of other causes involved. But we get back to the hard fact of the present AFDC caseload. Roughly 41 percent involve either divorce, legal separation, separation without court decree, desertion, not married to the mother, in prison, or absent for some other reason.

We are not saying that we have a panacea here. But we have hard figures with respect to the present AFDC caseload.

Mr. PATRICELLI. We can provide for the record, Senator—

Senator CURTIS. We are under the 10-minute rule, but I will have some more time tomorrow, Monday, or Tuesday, however long it takes. But I will just read one thing from the committee report of the House of Representatives, page 28. It says:

Between 1961 and 1968, marital status of the city's AFDC women changed considerably—

This is New York City—

The number of AFDC women whose husbands have deserted them rose from 12,138 cases in 1961 to 52,885 cases in 1967, a 335.4-percent increase, as compared to the total increase of 159.7 percent between 1961 and 1967.

This is a survey for—it was done by HEW.

I have exceeded my 10 minutes.

Secretary FINCH. Just to further respond to that, if I may, Senator, we will supply for the record clear national data to show that family

stability varies directly with income and so does illegitimacy. I cannot give you those figures now, but we will have those for you.*

Senator CURTIS. Well, that may show something and it may not show all the picture. It may show that the family income is the dominant factor, but it may also show the moral tone of the community involved, the wave of promiscuity, the educational level, and countless other things are factors. I believe that HEW testified before the Ways and Means Committee that the reason for family breakups was complex; is that not correct?

Secretary FINCH. Oh, you are absolutely right. No one will dispute that, Senator.

Senator CURTIS. Well, when I get some more time, I want to find out how many of these new people who will go on the list live in my State, because I would hate to insult them and say, "We are paying you this in order that you will be loyal to your wife," because I think they are loyal now.

That is all, Mr. Chairman.

The CHAIRMAN. I will yield my turn to Senator Williams. He did not have the opportunity to ask all the questions he wanted to yesterday. We took some liberty on this side of the aisle because one Senator could not be here and for various other reasons, so the Senator could have a justifiable complaint if he said he did not receive sufficient time.

Senator Williams did want to get some additional information and I hope he will be accorded such time as necessary to get the answers to the questions he has this morning.

COMBINATION OF WELFARE BENEFITS UNDER THE BILL WITH OTHER BENEFITS

Senator WILLIAMS. Thank you, Mr. Chairman.

I did ask the Secretary to bring some charts and I understand they are going to put them on the screen.

These statistics were compiled at my request by the Department and I appreciate their cooperation.

For a check, I took the State of Arizona—my own State—Illinois, and New York. The questions I raised were that you had to look beyond this bill and the State supplement and take into consideration the food stamp program that would be available as these people were triggered in as eligible for family assistance. That is in effect welfare, and it triggers in medicaid. I wanted the average of medical assistance for these families. It also triggers in, in so many cases, public housing which would give them a total income larger than it looks.

You can start with whatever chart you wish. The first one is Phoenix, Ariz. That does not have medicaid and will not be as much of a distortion. That is the first table that was done, anyway.

(The table referred to follows:)

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

TABLE 1.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$1,600	\$524	\$2,124				\$441	(^c)	\$1,260	\$3,825	
\$720.....	1,600	524	2,844			\$37	441		1,164	4,412	18
\$1,000.....	1,460	477	2,937			52	441		1,152	4,478	76
\$2,000.....	960	310	3,270			104	441		1,068	4,675	80
\$3,000.....	460	143	3,603			156			1,008	4,455	78
\$3,866.....	27		3,893	\$9		201			960	4,643	78
\$3,920 (FAP breakeven).....			3,920	17		204			948	4,647	93
\$4,000.....			4,000	28		208			936	4,700	34
\$5,250 (State breakeven).....			5,250	212	\$18	273				4,747	96

¹ A woman with 3 minor children where State pays \$3,866 to a family with no other income.

² Calculated according to the family assistance State supplementary formula, but assuming exercise of secretary discretion to hold reduction rate to 67 percent, as authorized in sec. 452(b)(2).

³ Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.

⁴ Current State tax schedule.

⁵ Social security tax of 5.2 percent will be in effect Jan. 1, 1971.

⁶ Arizona has no food-stamp program, but has a surplus commodity program with an income eligibility ceiling of \$3,072 for a family of 4 with no earnings and \$3,552 for a similar family with earnings. Not all eligible families participate in the commodities program. Such families' benefits and cumulative reduction rates would be lower.

⁷ Arizona has no title XIX program.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,680 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$4,200 of countable income; for continued occupancy \$5,250. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Precise figures unavailable for Phoenix, Ariz., of number of AFDC recipients living in public housing.

Senator WILLIAMS. Mr. Secretary, I think we established yesterday in the record that while generally speaking and in an overwhelming majority of cases, these so-called families of four will be headed by the mother and the four children, in some, the father is the head of the household and the mother has passed away or gone and you still have three children. The same formula would be in effect for the father and three children; is that right?

Secretary FINCH. Yes, sir.

Senator WILLIAMS. I will let them proceed to explain these charts. I think they can explain them as well as they did before.

EFFECT OF BILL IN PHOENIX, ARIZ.

Mr. PATRICELLI. While we are getting the projector set up, Senator, I would like to ask the Senators to refer to the materials that are in the blue booklets that were passed out this morning and all of these charts that are in reproduced form for you.

It is important, before getting into the specific numbers on the table, to understand from the footnotes the assumptions that had to be made to put together a table like this.

From the first footnote, you will see what the AFDC payment level is now in Arizona for a family with no other income.

Second, footnote number two states that the so-called reduction rate that will be applied to the state supplemental payment in excess of the family assistance benefit is assumed to be 67 percent.

Third, we did use the Federal income tax figures based on the new law and projecting ahead to 1972, when the new deductions and exemptions and rates would be fully effective.

Fourth, the State income tax, on the other hand, was based on the present tax schedule.

Fifth, the social security tax rate was taken prospectively as of January 1, 1971.

Footnotes 6 and 7 will vary for each of the cities we are going to discuss.

For Arizona, as Senator Williams has stated, there is no food stamp program, but there is a commodity program. In this case, we are using the figures that relate to the value of the particular commodity package that is supplied in Phoenix, Ariz.

Senator WILLIAMS. And Arizona is not in title XIX, as I understand, so it would be somewhat different.

It does not trigger in the Medicaid, which it will do in the other States.

Mr. PATRICELLI. That is correct.

Senator WILLIAMS. And these charts are based on the assumption that the bill would be approved and passed in identical form as it came from the House committee, with no recommended modifications. This is just on that assumption.

Mr. VENEMAN. That is correct.

Mr. PATRICELLI. Footnote 8 relates to the public housing bonus. That was calculated on the basis of three-bedroom units, from data supplied by local housing authorities. As is pointed out in the footnote, maximum admission limit for family income in Phoenix is \$4,200 a year of countable income. If you have countable income under \$4,200 in the first place, you can get in. Once you are in public housing, your income may rise to \$5,250 before you are ejected from the project.

We do not have, for Phoenix, precise figures as to the number or percent of the AFDC recipients who are in public housing, but it is presumably low, probably under 20 percent.

You see in the far left-hand column a series of numbers relating to earnings that the family can have. We know that \$3,866 is the so-called State break-even point—that is, the point at which the State supplemental payment would tail off to zero under the new program. Then \$3,920, as we have stated in testimony, is the family assistance break-even point. That is the point at which, again, the reduction formula reduces the benefit to zero as earnings go up.

I think the table tends to be somewhat self-explanatory. The last column, which is off the screen, is an important one that has to do with the cumulative reduction rate (or, if you wish, the marginal tax rate, in economists' lingo) which applies to earnings over the previous increment of earning.

In other words, you see, for earnings from \$720 to \$1,000, the individual is facing a marginal reduction rate of 76 percent. That, I repeat, is the marginal rate. That is not the average rate. If someone were considering accepting a job that would take his earnings from zero to \$1,000, the rate would not be 76 percent; it would be an average. It would be a weighted average of the 18 percent and the 76 percent that follows it in the chart.

WORK DISINCENTIVES UNDER THE BILL IN PHOENIX, ARIZ.

Senator WILLIAMS. If I may, perhaps I could explain it the way it looks to me and then you correct me if I make an error.

Take the first line and start out with \$1,600 and the family of four gets \$1,600. That figure is fixed in our minds. But in Arizona, that also triggers in State supplement, \$524, which is paid on the basis of 70 and 30 in this bill, as I understand. That would bring the total money income to this family, doing nothing—no work—up to \$2,124, but they would be eligible for \$441 in food stamps. There is no medicaid, but public housing assistance valued at \$1,260 per year, for a total of \$3,825 for this family of four: if they earned \$720 which is not counted, except there would be social security tax on it, they bring their income to \$4,412. But if they increase their earnings up to \$3,000 at that point, they still only have \$4,455, or less than they would have if they worked for \$2,000. If they raise their income from \$2,000 to \$3,000 they have \$4,675 of total income—that is cash and in kind. But their total income drops down \$220 by earning an extra thousand dollars. If they work up and make \$5,250 after taxes their income is \$4,747. But if they make only \$4,000, they have a total income of \$4,700. So they really do not, by adding on the \$1,250 income, they only increase their income by \$47.

The point is what incentive is this to work?

I think if we move over to the next chart where you trigger in medicaid, it would show it more glaringly.

Senator CURTIS. May I ask a question?

Senator WILLIAMS. Yes.

Senator CURTIS. Is it true that if they go out and work and make \$3,000, they will only get \$600 more than if they make nothing?

Senator WILLIAMS. That is correct.

Mr. PATRICELLI. Again, I would repeat, Senator, we are talking about something less than 20 percent of the AFDC caseload that may be in public housing.

Senator WILLIAMS. That may be true, but these can be triggered in.

Mr. PATRICELLI. That is correct.

Senator WILLIAMS. If some of the proposals that are before the Congress are accepted, there will be public housing for all of them anyway. These are all hypothetical cases but they can be in under the bill.

Senator CURTIS. Are they limited to AFDC cases?

Senator WILLIAMS. They would be limited to this bill; yes, sir.

Senator CURTIS. No; are they limited to AFDC cases or everybody who comes under the bill?

Mr. PATRICELLI. This would be limited to female-headed families or male-headed families where the father was unemployed (so-called UF families). The working poor would not be properly shown on the chart because they do not have the State supplemental payment.

Mr. VENEMAN. Nor are they eligible for medicaid.

Mr. PATRICELLI. That is right.

Senator WILLIAMS. Do you want to move over to chart 2?

Mr. PATRICELLI. This, of course, is what would happen under the present law, with further complications and problems.

Senator WILLIAMS. I understand and we understand that the present law has a lot of notches which we are trying to correct.

In order not to take more time than is really properly due me, I would like you to explain just this. Forget the present law and let us talk about what we have to correct it. We know what the present law is. We spent most of yesterday talking about it. I can see the present law does have these notches and needs to be corrected, but I want to point out to what extent, if any, are we correcting them and point out the fact that we are still only putting in notches in a different place. So these notches--this is all in the bill.

EFFECT OF BILL IN WILMINGTON, DEL.

Mr. PATRICELLI. Well, I am bound to say, Senator, that pursuant to your request, we took, of course, the new Family Assistance Act. We did not take, as enacted, the President's food stamp proposals, which would change the so-called cumulative rates to some extent. But again, just trying to put it in a proper time sequence, this chart shows a city--in this case, Wilmington, Del.--which does have a commodity program (though not a food stamp program) and does have the medicaid program. Under present law, of course, the medicaid program cuts out at the point at which the 30 $\frac{1}{2}$ formula cuts out the AFDC benefit. So you see, it breaks right there around \$2,000, a little bit over, in a sudden way. That produces the jump in the marginal tax rate (or cumulative reduction rate) to 108 percent over that previous range of earnings. These are what we mean by notches, very high disincentives to work, when one of these programs cuts out.

WORK DISINCENTIVES UNDER THE BILL IN WILMINGTON, DEL.

Senator WILLIAMS. That is what I wanted to point out. Just to summarize it, a family of four in Wilmington with no earnings has \$3,366, including the \$1,600 of the FAP payments. If they make \$720, they bring that up to \$4,109. If they are earning \$2,000, including medicaid and food stamps, they have \$3,821 income. But if they increase their income from \$2,000 to \$3,000, they only have \$3,736. In other words, they have about \$100 less by earning \$1,000 more.

(Table 2 referred to above follows:)

TABLE 2. COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN WILMINGTON, DEL.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income, money and in kind from all sources	Cumulative marginal reduction rate (percent)
0	\$1,600	\$188	\$1,788				\$661	\$437	\$480	\$3,366	
\$720	1,600	188	2,508			\$37	661	437	540	4,109	(-)
\$1,000	1,450	141	2,601			52	661	437	540	4,187	72
\$1,850 (FAP breakeven)	1,035		2,885			96		437	540	3,766	150
\$2,000	960		2,960			104		437	528	3,821	63
\$3,000	460		3,460			156			432	3,736	108
\$3,920 (State breakeven)			3,920	\$17	\$12	204			348	4,035	68
\$4,000			4,000	28	13	208			342	4,093	18
\$6,500			6,450	417	60	335				5,538	37

¹ A woman with 3 minor children where State pays \$1,788 for a family with no other income.

² Same as table 1, footnote 2.

³ Same as table 1, footnote 3.

⁴ Same as table 1, footnote 4.

⁵ Same as table 1, footnote 5.

⁶ Delaware has no food-stamp program but has a surplus commodity program with an income ceiling of \$2,580 net income (earnings less mandatory payroll deductions). Not all eligible families participate in the commodities program. Such families' benefits and cumulative marginal rates would be lower.

⁷ Based on estimates of medical vendor payments, May 1969. In view of the seasonal variation in medical care costs, it was assumed that May 1969 represents 4/3 of the annual 1969 payments.

Income eligibility is AFDC cutoff for AFDC recipients or \$3,000 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,550 yearly in city leased housing) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$4,800 of countable income; for continued occupancy \$6,000. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. For example, only 29 percent of AFDC recipients in Wilmington, Del. live in public housing.

The increase in the public housing benefit increases money income by 103 percent of earnings

Mr. PATRICELLI. That is correct.

Mr. VENEMAN. That is if they are in public housing.

Senator WILLIAMS. That is right.

Mr. VENEMAN. We have to take all these ifs in.

The CHAIRMAN. Do you mind adjusting that machine to show all the chart in?

Mr. PATRICELLI. I am sorry, Mr. Chairman, we cannot do it. The chart is too big for the lighted area.

Senator WILLIAMS. If they earn \$4,000 under this program if it is enacted, they will have a total of \$4,093 in cash expendable and public housing—well, that is all that is left—\$4,093.

The CHAIRMAN. Let us get these exhibits so we can at least see them. I would suggest someone move that screen a little closer to the machine so we can focus the whole thing.

Mr. PATRICELLI. I would like to comply, Senator. The trouble is the slide is too wide for the top of the machine.

The CHAIRMAN. Well, if you get the screen closer—

Mr. PATRICELLI. It is not projecting, Senator.

The CHAIRMAN. Well, it is better now, I can see better now.

Senator WILLIAMS. We pointed out that a man who makes \$2,000 is better off than if he makes \$3,000, where he loses \$100 of income. If he makes \$4,000, he has \$4,093 total of spendable income, or \$16 less than he would do if he only worked hard enough to get \$720.

Mr. PATRICELLI. Right.

Senator WILLIAMS. I just point out these notches because we have a disincentive to work built in here, when you take all these into consideration. Those are the points that I think the committee should understand. He gets a pay raise and makes less money. He would be better off just to spit in the boss' face and make sure he doesn't raise his pay. In fact, he would be better off to tell his boss what he thinks of him and get fired and then he has more money yet. I think these notches have to be taken into consideration before we can intelligently act on this bill. That is what I am trying to bring home to the committee.

As he said, I did pick Wilmington, Del., because I did not want anybody to think I was picking out their State or anybody else's, but I put my own State in it.

Mr. PATRICELLI. This particular notch with the commodity program is one of the reasons why the administration is trying to move away from the commodity program to the food stamp program, which has a graduated decline in the value of the program to individuals. When you have an abrupt dropoff like this, you really build in a very high disincentive to work.

If you look at this program with the President's food stamp proposal, you see it starting with roughly \$661 in stamps, which would decline on an even basis to \$200.

Senator WILLIAMS. But when you do that, you add \$200 to the income of the man doing nothing up there, so he would get more for doing nothing under the food stamp program of the administration than he would under the present laws. And what is your comment on that?

Mr. PATRICELLI. Well, as a matter of fact, we cannot predict what is going to happen, because the House committee has apparently put a

work requirement in the Food Stamp Act. So depending on the congressional disposition of that, it may be very close in fact to the work requirement of the welfare bill.

The CHAIRMAN. What is the point of requiring the man to go to work if he's going to end up with less money? That is the point. Why do that?

Mr. PATRICELLI. We agree wholeheartedly. All we have been able to do in the Family Assistance Act is remove some of the notches. We have not been able to rewrite the commodity program, the social security program, the food stamp, the medicare program.

COORDINATION WITH OTHER KINDS OF WELFARE BENEFITS

Mr. WILLIAMS. I sympathize with Secretary Finch. He is not able to come up here with a complete answer, because the public housing comes under HUD, the food stamp program comes under the Department of Agriculture and so on. I think in handling this, we have to get all the agencies in together and they have to cooperate. I do not think we can consider them separately. If we do, we are just going to keep these notches and all we do is shift the notch. You cannot get away from the fact that, just using my own State as an example, a man or woman making \$2,000, they dare not go beyond that, because if they do, they will lose money by doing it. They will actually lose money by doing additional work. I think we cannot justify that. That is generally agreed.

Let us move on to Chicago.

Mr. VENEMAN. Let me say that in the Administration's proposal on the food stamp program, the Department of HEW and the Department of Agriculture did work together, and as the income increases, the value of the stamp decreases and we have eliminated that notch to a great degree.

Senator WILLIAMS. You have eliminated it in some way, but you have increased it in other places, as I see it. We do not want to get into this hypothetical way of speaking on this law. You would increase the take-home pay of the man who sits around and does absolutely nothing. It would increase the premium even on this chart for the man doing nothing. To me, that is the point that would have to be taken into consideration.

Mr. PATRICELLI. I would beg to clarify, Senator, that the President's food stamp bonus—that is, the schedule under the food stamp plan—is already in effect. It has been put into effect administratively and the idea of \$2,400 is already in effect as to the food stamp piece of it.

Senator WILLIAMS. If it is, it is in this chart here, because these charts were prepared night before last, so they are not worth talking about, because it is in the chart. If they are not in the chart, it is your fault. Your Department has been working on this for the last 3 months and we just got the charts within the last 48 hours, so I accept the premise that they are based on the program in effect.

Mr. PATRICELLI. I believe it is.

EFFECT OF BILL IN CHICAGO, ILL.

This is Chicago.
(Table 3 follows.)

TABLE 3—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN CHICAGO, ILL.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in kind from all sources	Cumulative marginal reduction rate (percent)
0	\$1,600	\$1,628	\$3,228				\$408	\$789	\$1,116	\$5,541	
\$720	1,600	1,628	3,948			\$37	312	789	1,116	6,128	18
\$1,000	1,460	1,551	4,041			52	312	789	1,116	6,206	72
\$2,000	960	1,414	4,374			104	312	789	1,116	6,487	72
\$3,000 (FAP breakeven)	460	1,247	4,707			156	288	789	1,116	6,744	74
\$3,920		1,094	5,014	\$17		204	288	789	1,116	6,986	76
\$4,000		1,040	5,040	28		208	288	789	1,116	6,997	86
\$5,000		373	5,373	172	\$11	260	288	789	1,116	7,123	87
\$5,560 (State breakeven)			5,560	262	16	289			1,116	6,109	281

¹ A woman with 3 minor children where State pays \$3,228 for a family of 4 with no other income.

² Same as table 1, footnote 2.

³ Same as table 1, footnote 3.

⁴ Same as table 1, footnote 4.

⁵ Same as table 1, footnote 5.

⁶ Food-stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit is AFDC breakeven for AFDC recipients or \$3,600 net for nonrecipients. Not all eligible families participate in the stamp program. Such families would have lower benefits and cumulative reduction rates.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC breakeven for AFDC recipients or \$3,600 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$2,076 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deduction allowed. Maximum admission limit is \$5,000 of countable income; for continued occupancy above \$8,400. Since continued occupancy at higher incomes for increased rent is permitted, no cutoff point for eligibility for public housing is shown in this table. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 18 percent of all AFDC recipients in Chicago, Ill., live in public housing.

Mr. PATRICELLI. To refer again for the moment to the footnotes, to draw the differences between Chicago and the other cities we have looked at, the public housing—we do have a percentage here for AFDC recipients of public housing. It is that 18 percent of all AFDC recipients live in public housing. So this chart shows the situation for 18 percent of the recipients. We do have a food stamp and not a commodity program in Chicago, so that you do see a diminution of the stamp bonus up to the point where, under the current schedule, there is a steady payment rate up toward the top of the food stamp scale.

WORK DISINCENTIVES UNDER THE BILL IN CHICAGO, ILL.

Senator WILLIAMS. But in Chicago the family of four gets not only the \$1,600 under this program, but they get at least \$1,628 State supplement, which is 70-30 financed, Federal-State funds. It gives them a money income of \$3,228. They get a food stamp bonus of \$408. Their average medical benefits of \$789 and public housing of \$1,116, which means an income of \$5,541. That is for a family with no income whatsoever.

If they earn \$720 a year, they have family assistance benefits of \$1,628. If they increase their earnings from \$720 to \$5,560 under this bill, they have a spendable income of \$6,109, or \$19 less than they would if they sit in a rocking chair earning only \$720. Is that not correct?

Mr. PATRICELLI. That is correct, Senator; they would have less if they earned \$5,560 than if they earned \$720, provided they get public housing, medical payments, and so forth.

Senator WILLIAMS. They are penalized \$19 because they go out and earn \$5,500.

Is that correct?

Mr. PATRICELLI. That is correct.

The CHAIRMAN. How can anybody justify a situation where a fellow goes to work to help himself and his family and he makes \$3,920; he gets up to where his total income is \$6,986, and then if he makes \$1,600 more, his total income drops to \$6,109. Now, how can you justify the man having \$800 less after he makes \$1,600 more? How do you justify that? What possible logic is there to it?

Mr. PATRICELLI. There is none, Senator. This is why we tried in the Food Stamp Act to create a schedule which tails off on an even basis. But this should probably be done to public housing and to medicaid as well.

The CHAIRMAN. Let me just ask you a question.

Senator, let me interrupt you for a minute.

Senator WILLIAMS. Yes.

The CHAIRMAN. We are going to be conferring on a bill this afternoon where the Commerce committee initiated a bill which has taxes in it. So having initiated the authorizing part, they then pass it over to us to look at the taxing part of it. Now, as a Senator, I am on both those committees, but it does not make any difference if I am not on either one. At the time we passed that bill, we looked to see whether the taxing part notches into the authorizing part and vice versa. So the Senators on the authorizing committees came to us and said there are certain parts about the taxing phases they did not agree with. We looked at their authorizing part and passed judgment on the top parts and by the time we get through, we will have worked out something that makes sense all the way through. When we bring a

conference report in here, we will have conferees from the Finance committee seeing it as well as conferees from the Commerce committee, different men all looking at the same package, saying, "All right, we will accept this." There is no reason why we cannot do that with this program. If we do, we will have a good bill. If we do not, that is what causes constituents to ask, what is the matter with us up here? They are paying us well; why can't we work out something that makes sense? You have said it does not make sense to you. A man works and by the time he gets through, he has \$800 less. That does not make any sense.

Senator WILLIAMS. I appreciate the comments and I want to make it clear that while I asked for these charts to be put up, I would like any member of the committee who has any questions to ask them. I do not consider this my presentation. I just wanted these called to the committee's attention so we could get an understanding of the problem.

It has been my position throughout life that if you have a problem, you have to lay the problem out cold in its worst light and then we can sit down and intelligently start working out a plan to solve the problem. You cannot solve the problem until you recognize it.

I am not trying to discredit anybody or embarrass anybody, but putting all these programs together does show these notches. In my opinion, instead of an incentive to work, they provide an incentive not to work. Even though it may, as has been said, be available to only 18 or 20 percent of the people in one city, we want that 18 to 20 percent of the people to be trying to work off the relief rolls, not on it. If any member of the committee that has any questions at all about this, I want him to feel free to ask it. Don't consider that he is interrupting me, because this is just a presentation.

Secretary FINCH. I think Senator Hansen has a question.

Senator HANSEN. Would you yield?

Senator WILLIAMS. Sure.

Senator HANSEN. If I interpret this chart on table 3 correctly---

Secretary FINCH. Is that Chicago, Senator?

Senator HANSEN. Yes. I gather that a person earning \$720 would have a total income, money and in kind from all sources, of \$6,128. A person with earnings of \$5,560 would have a total income, money and in kind from all sources, of \$6,109.

In other words, by earning \$4,840 more, he would be \$19 less better off. Am I interpreting this chart correctly?

Mr. VENEMAN. If he lived in public housing.

Secretary FINCH. And took advantage of these other options.

Senator JORDAN. Will the Senator yield?

Senator WILLIAMS. Sure.

ACCUMULATED MARGINAL REDUCTION RATE MEASURE OF WORK
DISINCENTIVE UNDER THE BILL.

Senator JORDAN. I do not understand the final column, "Accumulated Marginal Reduction Rate." I wish someone would explain that to me.

Mr. PATRICELLI. That is an economic concept. It is the percent by which your income is reduced by reason of the mechanisms of these various programs as you earn more. It is the percent by which these other benefits are reduced as your wages go up. The two offset.

In other words, if you have \$10 and you earned \$1 more, I am going to take away 50 cents from something else you have. We say that the 50-cent reduction for every dollar of earnings is a 50-percent reduction rate. It is like a positive tax rate.

Senator WILLIAMS. To put it another way, \$5,000—we have \$7,123 spendable income. If he moves up to \$5,560—\$500 more—which is increasing his earning capacity to \$5,560, he loses about a thousand dollars in spendable income.

Now, that means that for each \$1 that he goes out and works for and earns, for each \$1 he earns, he loses \$2.81.

Senator JORDAN. That is where that factor comes in.

Senator WILLIAMS. That is where that factor comes in. They are taking away \$2.81 for every \$1 he earns.

Mr. PATRICELLI. Every dollar over \$5,000.

Senator WILLIAMS. That is why I say the man who is working at \$5,000, if the boss says, "You are doing a good job, I will let you work an hour overtime," or "I will give you a 10-percent raise in salary." If he gives him a 10-percent raise in salary, he is really giving him a 20-percent reduction in total income.

Senator BYRD. Would the Senator yield at that point?

Senator WILLIAMS. Yes.

Senator BYRD. How does this create incentive for people to work?

Senator WILLIAMS. It does not.

Secretary FINCH. We based this presentation very directly on our earlier conversations with Senator Williams. We have taken a typical city—Chicago, New York, and some others where you have other kinds of programs. You do get a distortion in these cities among those who work and who live in public housing.

We can see that these distortions do exist in some cities. But again, we are trying to take the first step toward a national program.

DESIRABILITY OF ELIMINATING OTHER WELFARE BENEFIT PROGRAMS

Senator WILLIAMS. You agree, do you not, that you need to take into consideration all of the programs on some of these.

Secretary FINCH. That is right. Part of the reason we are in this situation is that we have built these programs one on top of the other.

Senator BYRD. But you are not eliminating any programs?

Secretary FINCH. We think there is good reason to consider eliminating them.

Senator BYRD. This bill itself does not do it?

Secretary FINCH. We cannot do it. Many of them are city or local programs. Obviously, some of them are beyond the jurisdiction of this department or this committee.

Senator WILLIAMS. Some of them are, but if I may, the State supplement, we could have something to say about that in this bill, because it is 30 percent federally funded under this bill.

Secretary FINCH. Yes, sir.

Senator WILLIAMS. So we can have the medical payments—is it largely federally funded, medicaid, is it not? Or medicare? Substantially.

Secretary FINCH. It is 50-50 now.

Senator WILLIAMS. But the food stamp program?

Secretary FINCH. That is 100 percent.

Senator WILLIAMS. And to what extent public housing?

Secretary FINCH. That is almost entirely local in most of these areas. Senator WILLIAMS. But the rent supplement—do we not have some rent supplement programs, too?

Secretary FINCH. We will find out.*

Senator WILLIAMS. That is a column I forgot to ask about.

Secretary FINCH. That is over in HUD.

Senator WILLIAMS. Lest there be some mis-understanding, I want HUD dropped in here, too, because that is ours before we get out this bill.

I repeat, I do not criticize you, Mr. Secretary, for not bringing it in, because I realize each department testifies on its own problem. I do think the time has come when we as a committee, acting on this broad program, have to bring all these related programs in and take it into consideration.

Go ahead and proceed.

Mr. PATRICELLI. One last conclusion I would like to draw out from this chart, gentlemen, which is something the Secretary referred to in his testimony yesterday. When you are considering proposals to raise the basic payment—the so-called \$1,600 base for a family of four—or otherwise improve the welfare benefit, it should be done while keeping in mind all these other programs that are paying benefits to the family. The 18 percent of the families in Chicago that are receiving public housing would have a \$5,541 income with no earnings, if you enact FAP. I think that draws into question the wisdom of putting money into the basic payment as opposed to some other improvement in the family assistance plan.

Senator CURRIS. I want to ask one question. You keep referring to New York and Chicago and so on as typical cases.

Senator BENNETT. Atypical.

Senator CURRIS. Atypical case. Is it not true that they get a sizable proportion of the whole expenditure? Does not New York get about 15 percent of the total dollar expenditure the Federal Government makes?

Secretary FINCH. My response to Senator Byrd was that the housing supplements and so on are unique to those cities, and are not Federal money programs. That is why they were atypical.

Senator CURRIS. But under the existing Federal welfare programs, does New York get about 15 percent of the dollars?

Secretary FINCH. In terms of the head count, yes, sir. The larger cities obviously consume a great chunk of these dollars.

EFFECT OF BILL IN NEW YORK CITY

Mr. PATRICELLI. We have to go city by city because laws vary within a State. In New York, only 8 percent of all AFDC recipients are in public housing, so that this chart again does not apply to 92 percent of the AFDC recipients in New York.

We have given you a corrected copy for New York. There were some errors on the first set. You have the corrected copy separate from the other tables.

Again, the same kind of progressions occur. I think the committee can draw its conclusion.

(Table 4 follows:)

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

** The first version of this table appears on p. 236.

TABLE 4.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN NEW YORK CITY¹ (Revised)

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income, money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$1,600	\$2,288	\$3,888				\$522	\$1,153	\$2,052	\$7,615	..
\$720.....	1,600	2,288	4,608			\$37	522	1,153	2,052	8,298	5
\$1,000.....	1,460	2,240	4,700			52	522	1,153	2,052	8,375	72
\$2,000.....	960	2,070	5,030			104	522	1,153	2,052	8,653	72
\$3,000.....	460	1,900	5,360		\$6	156	522	1,153	2,052	8,925	73
\$3,920 (FAP breakeven).....		1,754	5,674	\$17	21	204	522	1,153	2,052	9,159	75
\$4,000.....		1,700	5,700	28	26	208	522	1,153	2,052	9,165	92
\$5,000.....		1,033	6,033	172	53	260	522	1,153	2,052	9,275	89
\$6,000.....		366	6,366	336	80	312	522	1,153	2,052	9,365	91
\$6,550 (State breakeven).....			6,550	417	100	342			2,052	7,743	395
\$9,599.....			9,599	951	222	406				8,020	81

¹ A woman with 3 minor children where State pays \$3,888 to a family with no other income. The standard in New York State was adjusted to include the rent as paid to a public housing authority (\$101 a month) for a typical unit. Does not reflect increased standards as of May 1, 1970.

² Same as table 1, footnote 2.

³ Same as table 1, footnote 3.

⁴ Same as table 1, footnote 4.

⁵ Same as table 1, footnote 5.

⁶ New York City has a surplus commodity food program with an eligibility ceiling of AFDC breakeven levels for AFDC recipients or \$4,200 for other low-income families of 4.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC breakeven for AFDC recipients or \$5,300 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$3,264 yearly in city-aided apartments) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$6,900 of countable income; for continued occupancy \$8,800. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

WORK DISINCENTIVES UNDER THE BILL IN NEW YORK CITY

Senator WILLIAMS. In New York, a family of four has a State supplement, they get \$1,600 under this bill, a State supplement of \$2,288, which gives them \$3,888 in cash, expendable income. They get a food stamp bonus of \$522, the average medical is \$1,153. With public housing, they have \$7,615 of spendable income. If they earn \$9,599, they have \$8,020 of spendable income—because of taxes. But if they earn \$720 only, they have \$8,298. They lose \$272 in spendable income and benefits because they increase their earning capacity up to \$9,600.

Mr. VENEMAN. This would not apply to 92 percent of the caseload in New York City.

Senator WILLIAMS. Mr. Secretary, a few years ago, we had—I should not relate this, but we had an unpleasant situation in one of the bureaus down here, exposing some scandal operating in one of the departments. All I heard throughout that time was why was I so excited because it was less than one-half of 1 percent. I do not know if you have ever packed apples in a barrel, but if you have a rotten one, you had better get it out.

You have 8 percent here and you are talking about your whole program of make work. I think you would recognize and agree with me that there are only a small percentage of those people on welfare who want to be there anyway. You are putting not only these work incentives in the bill, but you are putting in the bill a requirement that they register to take jobs, are you not? That will apply to only a small percentage who today want to live on the wealth of this country and do nothing, and we make laws against the percentage.

We have a law against murder. You and I are subject to that law here, but they do not have to write the law for us, because we are not going to break that law anyway.

I am not impressed by the fact on this percentage deal of 8 percent and I wish we could drop it. The notch is here. And if it is such an unimportant problem and we are told to discount it just on percentages, I lose confidence that we are going to have the cooperation of the administration to correct it.

Mr. VENEMAN. I am not trying to discount it on the basis of percentages. What I am trying to do is put the amendments in the Social Security Act in perspective. When we start talking about the public housing bonus, that is a separate issue. It is not incorporated in the Social Security amendments.

If you look at column 4, you would find the total money income. That is really what we are dealing with. In each case you retain more money by working.

Senator WILLIAMS. Mr. Secretary, that is the reason that I wanted this chart. I have said to you on many occasions—and your representatives and you have been most cooperative in working with me on this—that if you could take the first four columns in the charts which

you put on yesterday, this program looks like a good program. That is the idea that has been sold to the country. But you have to have these other programs.

Senator CURTIS. Will the distinguished Senator yield?

Senator WILLIAMS. In a moment, I would just like to ask this question.

When you have this program, if we enact this bill, a family of four can draw \$7,600 in New York City. I heard that the postal worker is drawing \$7,000 or \$8,000 for a year's work.

Mr. VENEMAN. A family of four not working, with all the benefits you have indicated, gets \$7,600. That is what they get now.

Senator WILLIAMS. Aren't you trying to correct the inequities in the law, or are you just trying to proceed and write in all the economic weights and expand them?

I recognize that you have these problems. But this is the bill we pass, and then the question comes, to what extent have we corrected it.

I wanted to criticize very much the postal workers' striking. I think it was indefensible. I introduced a resolution that I thought the President ought to enforce the law. I had no patience whatsoever.

But on the other hand, let us just face the problem. How can we, as Members of the Congress, justify approving a bill which either initiates or perpetuates—either one—a proposal where a family of four in the city can get \$7,615 doing nothing and get \$8,298 by working and making \$720, and then tell the postal worker that "You should deliver the mail and you only work for \$7,000 or \$8,000."

Now, you must have some incentive for people to work. When you figure that a man can make \$8,298 if this bill is passed and signed by the President, by working and getting \$720, whereas if he works every day at a good job and makes \$9,599, he has \$8,020, or \$270-odd less than he would if he spent his time in rocking chairs—well it just makes no sense.

Now, I have nothing against a rocking chair. I like them. But I do not want to get such a tremendous demand for them that those of us who would like to get one can't; there will be a shortage of them.

Mr. VENEMAN. I think we have to be concerned when a family of four does in fact get \$7,600 without doing anything. But in order to put it into perspective, let me say that, when we get to the State supplemental payment of \$2,298, it is a decision of the State of New York to pay that amount. When you get to the \$522 payment under the surplus commodity program, that is a program implemented by the State. When you get to the medical payment, the scope of services under title XIX, we provided the program, but the State implements it. They decide how much the individual is going to get. The public housing bonus of \$2,052 was not made by the Congress; it was made by the New York Housing Authority.

If we want to project this till further, we can talk about the benefits under education that they are getting. We can bring this up even higher.

Senator WILLIAMS. I appreciate that and we will put all the blame on New York. But I have entirely too much respect for you as a Secretary to believe that the State of New York came down and told you that the legislature is giving \$3,888 supplement, and you must pay up so much of that as the Federal Government and you said, "Yes, sir; we will do it."

The food stamp program is Federal money and the State of New York did not tell Congress or you—I respect the State of New York, but I hope that the State of New York did not come down and write this bill and tell you how much Congress is going to have to pay. You are not paying under the existing law any part of the State supplement, are you?

Mr. VENEMAN. Under existing law, we pay half of the total amount of \$3,888 that the family of four receives. So we are participating. The determination as to whether or not we are going to pay that \$3,888 was made by the State of New York. If the State of New York said, "We want to pay \$5,000," we would have to pay half of that. We have no control.

Senator WILLIAMS. You pay 50 percent of the State supplement now?

Mr. VENEMAN. Yes.

Senator WILLIAMS. And if the State of New York wanted to give them \$10,000, you are obligated to pay half?

Mr. HAWKINS. There is some outer limit of reasonableness.

Senator WILLIAMS. I just wonder if we should not have the Secretary from the State of New York sitting here. I did not know the State of New York was telling you what you had to do.

Mr. VENEMAN. They do.

Senator WILLIAMS. That you had to pay 50 percent?

Mr. VENEMAN. In essence, that is what happens now under the present law. The State sets grant levels and we match the grants.

Senator WILLIAMS. Did they force Congress and the administration to accept that 50 percent?

Mr. VENEMAN. No, Congress said, "States, if you raise the grants, we have some money here and we will match the grants."

Senator WILLIAMS. You think that is wrong?

Mr. VENEMAN. I am not saying it is right.

Senator WILLIAMS. Then let's correct it.

Mr. VENEMAN. We are correcting it in this bill. We are saying we will supplement 30 percent of the State portion over the \$1,600 up to the poverty level. We have placed a limit on what we will supplement.

Senator WILLIAMS. I think Congress may draw a little more limit. But you will admit that \$8,298 for a man to have as expendable income with a family of four in the State of New York, which is \$270 more than if they worked and earned \$9,599—is no incentive to work.

Mr. VENEMAN. I think that, taking into consideration all the factors in these charts, there is a very definite disincentive to increase your earnings up to that level, if you live in a public housing unit.

Senator WILLIAMS. Very definite disincentive. I think that is well stated. I will not ask to move over—

Senator CURTIS. May I ask a question about New York before you go?

Senator WILLIAMS. Sure.

Senator CURTIS. I think we are very indebted to Senator Williams for bringing all of these programs into the picture. It is true that they are administered by many different departments, but they all have their basis in acts of Congress, and therefore, Congress has the responsibility.

But coming back to the New York chart in column 3, which does not include all of these additional benefits, if I understand that chart correctly, the family of four has earnings of \$1,000 and if they go out and increase it up to \$4,000, they have only raised their income \$1,000. And that is disregarding all of the housing benefit, food stamps, and everything else.

Senator WILLIAMS. That is correct.

Senator CURTIS. And that certainly is not an inducement.

Senator BENNETT. May I suggest something? You should not stop at column 3. You should go through the next three columns, because if they go out and earn \$4,000, taxes come in and hit them. So they do not get a thousand dollar increase in income. They get a thousand dollar increase in income minus the taxes. If they have an income of \$1,000 they only pay \$52 social security tax. If they have an increase of \$4,000, they will pay approximately \$265 taxes. So there is approximately \$200 off of that thousand dollars for the taxes that they have accumulated because they work.

INCREASE IN FAMILY INCOME AS FAMILY SIZE INCREASES

Senator WILLIAMS. Well, I will explain it another way. They start out with the \$7,615 for this family of four, for doing nothing. If they earn \$9,599, they have increased their net expendable income to \$8,020, but they have gone out and worked to make that increase up to \$9,599. Now, if they want to stay at home and have three more babies, you can see by table 8 that they can increase this income by \$2,591, or nearly \$700 for each child they have. I think we should put the family of seven up here on that, to show the FAP benefits would jump over \$2,500. The State supplement would go to \$2,792, which would give them \$5,292 in cash expendable. Food stamps would be \$846, average medical \$2,017, public housing \$2,052, or \$10,207 by this family of seven, which is \$2,591 more or about \$700 per baby that they get per year increase.

(Table 8 referred to above follows:)

TABLE 8.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN NEW YORK CITY¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$2,500	\$2,792	\$5,292				\$846	\$2,017	\$2,052	\$10,207	
\$720.....	2,500	2,792	6,012			\$37	846	2,017	2,052	10,890	5
\$1,000.....	2,360	2,745	6,105			52	846	2,017	2,052	10,968	72
\$2,000.....	1,860	2,578	6,438			104	846	2,017	2,052	11,249	72
\$3,000.....	1,360	2,411	6,771			155	846	2,017	2,052	11,530	72
\$4,000.....	860	2,244	7,104			208	846	2,017	2,052	11,811	72
\$5,000.....	360	2,077	7,437	\$6		260	846	2,017	2,052	12,086	72
\$5,720 (FAP ⁹ breakeven).....		1,957	7,677		19	297	846	2,017	2,052	12,276	94
\$6,000.....		1,770	7,770	\$14	26	312	846	2,017	2,052	12,336	79
\$7,000.....		1,103	8,103	156	53	364	846	2,017	2,052	12,445	89
\$8,000.....		436	8,436	297	80	416	846	2,017	2,052	12,558	89
\$8,658 (State breakeven).....			8,658	398	104	406		2,017	2,052	11,819	212
\$9,916.....			9,916	593	149	406				8,768	342

¹ A woman with 6 minor children where State pays \$5,292 to a family with no other income.

² Same as table 1.

³ Food stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit is AFDC break even for AFDC recipients or \$6,060 net income for nonrecipients. Not all eligible families participate in the food stamp program. Such families would have lower benefits and cumulative reduction rates.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ New York City has a surplus commodity food program with an eligibility ceiling of AFDC break-even levels for AFDC recipients or \$6,060 for other low-income families of 7.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC break even for AFDC recipients or \$7,200 for medically indigent nonrecipient families of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$3,264 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$8,084 of countable income for continued occupancy \$9,800 for federally aided projects. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

Senator WILLIAMS. Now maybe this is the way to do it. It shows what we have learned about population control. I just wonder if we have in this bill taken into consideration all of the factors that we should deal with.

I want to concur in what the Secretary said yesterday in his analysis of the existing law. The existing law is a jungle that needs correcting. There is no question about it. And I want to help correct it. But we cannot correct it without recognizing not only the problems in existing law, but also recognizing the problems in this bill. What I want to do in any bill that I help support, is to correct not only the existing law but problems with the bill that are called sharply to our attention like these here.

I think we can do it, but I do not think we can do it by acting on just one phase of this program alone and saying at a later date we will operate on food stamps, at another date we will look at public housing or HUD, and so on. I think we should have all of them, have the whole picture here.

Maybe there is no solution. But I am one of those fellows who thinks you can solve any problem if you really recognize it head on and get to doing it.

WORK DISINCENTIVES UNDER THE BILL FOR FAMILY OF SEVEN IN
NEW YORK CITY

Now, this same man with a family of seven, if he works and makes \$9,916, he would have \$8,768 of income, or \$1,149 less than he would if he did not work at all.

The CHAIRMAN. If I might interject there.

That demonstrates that if that recipient goes to work and actually by dint of his own hard work makes \$9,916, then as a result of earning almost \$10,000, he is then, after all is considered, more than a thousand dollars worse off than he would be if he had not gone to work at all.

Is that correct?

Mr. PATRICELLI. Correct.

The CHAIRMAN. How can we justify that kind of result, that a person earns \$9,900 and he is worse off than he would be if he had never gone to work at all?

Senator WILLIAMS. That is based on the bill which is before us assuming we approve it without an amendment.

Mr. PATRICELLI. I would like, if the committee would permit us, to show how the bill changes present law. We have lost sight of that.

The CHAIRMAN. Is this how the bill would work?

Mr. PATRICELLI. This is how the bill would work. The situation under existing law is worse.

The CHAIRMAN. If you are going to spend \$4 billion to change the existing law, why does it work out that way? Can't you spend \$4 billion better than that?

Mr. PATRICELLI. We are trying to, Mr. Chairman, but we are confronted with 20 years of legislative and executive oversight. We have changed the food stamp program and the welfare part so the notches are removed from those parts. But we certainly agree that the problem is very severely complicated by housing.

The CHAIRMAN. Why not junk the whole thing and start over again, say, "All right, on the next January 1"—

Senator HANSEN. I would like to offer my bipartisan support to do just that.

Senator CURTIS. Will you yield right there?

I am thoroughly convinced that we have to take into account all of these other programs, because whether you have jurisdiction of them or not, the Congress does.

But coming back even to column 3, this family of seven, if they make \$720 and raise that up to \$8,000, they get to keep \$2,000. That is all. That is no incentive to work. That is an incentive not to work. And certainly that part of the picture was available before Senator Williams had even done the homework for all of us.

Mr. PATRICELLI. One of the problems, of course, is how much is being taken away from earnings as a result of the operation of these programs. One of the most retrogressive—

Senator CURTIS. That does not affect column 3.

Mr. PATRICELLI. This is in fact only the rates applying from here on out, because nothing is changing in any of these columns. You are up to a 72-percent reduction rate, partly by reason of the operation of the social security tax. One of the most retrogressive things that the Social Security Act includes is the 5 percent social security tax, starting at zero income. That is one of the problems. That gets you up from 67 percent, which the committee enacted in the WIN amendments.

Senator CURTIS. No, that is only \$516. You are still having somebody who makes \$720, if they increase their earnings up to \$8,000, get about \$2,000 gain.

Mr. PATRICELLI. Until July 1 of 1969, in a great many States, these figures were 100 percent. That was because the committee change in 1967, which did not go into effect until 1969, permitted this.

Senator CURTIS. In attempting to remedy the problem, you are extending the problem to 17 million more people.

Mr. VENEMAN. No, they would not be affected by the latter parts of those columns. They would only be affected by the—

Senator CURTIS. They would be affected by column 3?

Mr. VENEMAN. No, only columns 1 and 2.

Senator CURTIS. What difference does it make?

Mr. PATRICELLI. The male heads of households are not in this column at all. They are not getting—

Senator CURTIS. I am talking about column 3. It would be the same if it is a man.

Mr. PATRICELLI. No, full-time workers are not included for State supplementation under the family assistance plan.

Mr. VENEMAN. The States are not required to supplement the income of the working poor, Senator.

Senator CURTIS. They may elect to do so?

Mr. VENEMAN. With 100-percent State financing. The Federal Government would not participate in it.

Mr. PATRICELLI. In New York State, where there is a wholly State-financed supplementation, the State takes \$1 away from that supplementation for every dollar increase, so there is a 100-percent re-

duction rate because of that State-financed program, over which the Congress has no control.

Senator WILLIAMS. I am not so sure that if Congress is paying 50 percent of it, they have no control.

Mr. PATRICELLI. Congress is not paying any of it.

Senator WILLIAMS. They are now going to pay 30 percent of it?

Mr. VENEMAN. No, Senator, we are talking about two different groups.

Senator WILLIAMS. I am talking about this group right here.

Mr. VENEMAN. We now supplement about half of the total money payment column with Federal money.

Senator WILLIAMS. I am talking about if we pass this bill as it is right now.

Mr. VENEMAN. If we pass this bill as it is right now, we pay \$2,500 as shown in the first column, 100 percent, and we pay 30 percent of the amounts shown in the second column, up to the poverty line. The poverty line for a family of seven is \$6,120.

Senator WILLIAMS. If we think it is too much, all we have to say is we only pay zero percent or only up to a certain amount. We can write it in?

Mr. VENEMAN. We have written it in.

Senator WILLIAMS. With all due respect to the State of New York, and I respect them, we do not have to write in 30 percent or an unlimited amount.

Mr. VENEMAN. We pay 30 percent up to the poverty line and——

Senator WILLIAMS. If we want to drop it, we can drop it.

Secretary FINCH. Right.

Mr. PATRICELLI. All I was trying to point out, Senator, is there are a number of State-financed programs that further complicate this picture. Wherever a State has a general assistance program that there is no Federal money in, if it is reducing that assistance at a rate which is too high, it completely undermines the work incentives in the Federal program.

Senator WILLIAMS. I appreciate that you cannot tell a State what they are going to do with their own State money. But we can in this bill regulate the amount of a State program in which we will have any participation whatsoever. We can also eliminate or put into the bill, and the bill does have some, that States cannot reduce that which they were paying before if it was below the poverty line. We have minimum restrictions on the State and penalties if they do not. We do to a certain extent tell the State and we can regulate that point as long as Federal money is following through.

Now, just use that chart again. We would like a bill here that not only provides an incentive for a man to work, but it is important that a man take pride in his work and work toward advancement and try to be a better man. We even have a training program here where you can train men to improve their position. That is a noble objective. But if that man is working and making \$8,658 under this bill with a family of seven, he has \$11,819 expendable income. But if he improves his status, he is offered a promotion by his manager or he can get a promotion and wants to bid, if he takes that promotion and improves it up to \$9,916, for each \$1 that he gets extra salary, he loses \$3.42. That is not an incentive.

Mr. VENEMAN. Are you talking about the man without a wife or family?

Senator WILLIAMS. I am talking about the earner.

Mr. VENEMAN. This would not apply, of course, to the intact family.

Senator WILLIAMS. That is correct. I am speaking only of families that are affected by this bill.

Mr. VENEMAN. Which is the AFDC caseload.

Senator WILLIAMS. That is right. And I will agree that there will be a small percentage of them. I just hope that we can, in working up this bill, bring all of these factors into consideration by the committee from all of the agencies irrespective. I am going to ask you to also—apparently I overlooked one column here which would be a notch, and that is on HUD's rent supplement, to what extent that would be affected.

Mr. VENEMAN. The Federal money is what you are interested in.

Senator WILLIAMS. Yes, and, Mr. Secretary, if you could think of any other, regardless of what it is, that would be affected, I would like to have it included in here so we can get it before us. Maybe it does not need changing. Maybe it needs expanding. But I would like to have it, and I could more intelligently act on this bill. I say that as one who thinks it would be almost criminal if we sit back and say we are going to keep the existing law and do nothing. The existing law may, in many instances, be as bad or worse than this. But I would like to have all cases to see if we cannot correct the program so that 2 years from now somebody will not have to come in and correct the notches we have created.

Senator BENNETT. I think it would be interesting to have rent supplement added, but a man does not get both public housing and rent supplement.

Senator WILLIAMS. That is correct.

Senator BENNETT. So you do not really add it, you put in a substitute.

Senator WILLIAMS. What I meant by adding, some do not get rent supplement at all. So public housing would come out and maybe a lower figure would go in. With rent supplement, it may eliminate a notch.

Mr. VENEMAN. We could probably determine what percent of the caseload get public housing or rent supplements. We have 8 percent in public housing, we may have another x percent in rent supplements, and we have others paying entirely for their own housing.

Senator WILLIAMS. If you think of any program that would by inclusion make this appear better, or less notches, put it in. I am not trying to pick up the notches that are bad. I have put in all that I could think of, but I have found out a new one today.

MOST FISCAL RELIEF UNDER BILL GOES TO SIX STATES

Senator BYRD. Would the Senator yield so that I might ask a question?

Senator WILLIAMS. Surely.

Senator BYRD. May I refer to page 44 of the report of the Committee on Ways and Means. That is the table dealing with State and fiscal relief under the committee proposal. My question is this: Am I cor-

rect in my assumption that under this bill 30 percent of the relief going to the States will go to the State of California, approximately 38 percent will go to New York, Massachusetts, Illinois, Pennsylvania, and Ohio, and the remaining 32 percent will then be divided among the other 44 States? I want—my question is whether I am understanding this table accurately.

Mr. VENEMAN. I have not broken down the percentages, but I think it would work out approximately in that range.

Senator BYRD. In other words, if Congress enacts this bill, of the fiscal relief going to the various States, 30 percent in round figures will go to California; another 38 percent will go to five States—New York, Massachusetts, Illinois, Pennsylvania, and Ohio, and then the other 44 States will get the remaining 32 percent?

Mr. VENEMAN. That is approximately correct, Senator. I think it could be pointed out that California and New York and some of the industrial States and particularly the States that have relatively high adult categories, have had rather significantly larger welfare programs at the present time than other States have had. California has some 260,000 people in the aged category, I think, plus or minus, plus a rather large caseload in the disability program.

Senator BYRD. Regardless of the reason, 30 percent of the total would go to California?

Mr. VENEMAN. That is approximately correct.

Senator BYRD. Thank you.

Mr. VENEMAN. It was \$167 million, as you will note, under the administration bill, and the changes made in the committee will increase it by \$167,000, primarily in the adult categories.

Senator BYRD. Thank you, Senator Williams.

The CHAIRMAN. Senator Bennett has not yet had a chance to question the Secretary and his assistants, so Senator Bennett is recognized.

Senator BENNETT. I did not hear the Secretary and his associates and their testimony yesterday. I recognize that we have a conference at 2 o'clock this afternoon. I would hope that you would permit me to take my turn at the end of the list, as I am just getting exposed to the discussion.

DURATION OF RESIDENCE REQUIREMENT

The CHAIRMAN. I would like to ask a couple of questions, and then I will be glad to pass it on to the other senators.

Mr. Secretary, the residence requirement in State laws were declared null and void by the Supreme Court on the ground that they violated the provision of the Constitution that required equal protection of the law as among States. It would be, I believe, within the power of the Congress to legislate a residence requirement that would be equally applicable to all States. If we did that, that would bypass the basis upon which the Supreme Court threw out the residency requirement?

Secretary FINE. As it affects welfare.

The CHAIRMAN. Yes.

Mr. VENEMAN. I do not know how that would work, Senator.

The CHAIRMAN. If we said a person had to be a resident of a State for 6 months or a year in order to be eligible for welfare payments within that State, and required as a condition for Federal participation in a State welfare plan that the State from which the person migrated should continue to make welfare payments to that person for that first 6 months or year as the case may be, then if a person should migrate from, let us say, Mississippi to California or to New York, looking at the better welfare statutes in those States, the State from which he migrated would be required to continue welfare payments until he could qualify under the laws of the State to which he had migrated.

Now, in the first place, as I understand it, that equal protection clause does not apply to the Federal Government; it would apply to the States. But even if you did envision it as applying to the Federal Government, what I described would require equal protection. The recipient would be protected by the law by receiving payments from the State from which he had migrated until the State to which he had migrated had picked up the payments.

What is your thought about the advisability of having some residency requirements legislated in Federal law to protect the state that provides more generous welfare payments from a sudden migration of large numbers to that State because of a lack of residency requirements?

Secretary FICHL. That is a pretty thorny constitutional question, Senator. We did not attempt to address it.

The CHAIRMAN. What do you think about the merits of it? I can find plenty of lawyers to advise me about the constitutional issue.

Secretary FICHL. We think that by imposing a national minimum floor, we have taken a first step in easing this disparity between the States. We think we have made a first step toward setting some standards that will be helpful nationally.

The CHAIRMAN. Well, now, please understand, I am not quarreling with you.

Secretary FICHL. Again, this is argued by the sociologists back and forth about what motivates a person to move from one State to another. I am sure that in most cases when a head of a family decides to go from one State to another, he does not go because he thinks there is better relief or welfare there, he goes because he honestly wants to improve his lot. But he is buttressed by the fact that there is better welfare there, because if he does not get the job he is hoping for, he is going to be in a better fallback position.

But we think we have taken a step in the right direction here by putting in this floor. It will help to meet the great disparity problem we have now.

The CHAIRMAN. Well, I can recall the situation that existed in Louisiana when we made a major increase in our welfare payment. We made a tremendous increase in 1948, and we levied a lot of additional taxes in order to pay for all of that. There was a standing joke that somebody thought up that the traffic on that bridge from Natchez, Miss., was all in one direction; people were leaving Natchez to come over to Louisiana to get that increased welfare, and the traffic on the bridge from Sabine, La., was all in one direction, too, with the people leaving Louisiana to go to Texas to avoid paying all those taxes.

It is hard to do much to help the State that is picking up the burden of States bordering all four sides. Colorado had a more liberal program than the surrounding States, just as did Louisiana at one time.

I notice the bill you have here would strike down any residency requirements. On page 67, I see it says that it prohibits any residency requirement which excludes any individual who resides in the State. Now, that codifies the court decision. It seems to me that if any State wanted to have an imaginative program for its working poor or for its less privileged that went substantially beyond what the Federal Government did, it might find a great deal of the burden it is picking up would be people coming to the State to take advantage of it.

Secretary FINCH. This reflected the court decisions as we found them at the time the legislation was drafted. I would not rule out the possibility of the kind of program you envision.

But speaking again of this specific State, your State, it is the feeling within the Department that the States around Louisiana would be brought up markedly—that the program would probably do more to create population stability in that area than any other single thing that could be done by Federal legislation.

The CHAIRMAN. Well, it seems to me that we should certainly consider the desirability of giving a State some protection from a great number of unanticipated beneficiaries. Even if you have a residency requirement, particularly if you do what I am talking about, to say that a State plan would have to continue benefits, let us say for a year after the person migrated from the State, and that a person would not be eligible in the new State until a year after he went to the new State, then it would provide some protection, it would seem to me, for a State that tries to do more for its poor than the average State.

Secretary FINCH. I can see some pretty severe administrative problems, given a bad economic situation in the State which would cause an outmigration. If the people were moving to a State with a higher base, the State might find itself with a serious drain on its resources.

Senator BEXFET. The higher cost of living?

Secretary FINCH. And the variations in cost of living from one place to another.

The CHAIRMAN. They are doing it with employment insurance. The claim follows the worker from the State where he does the work, and that is different from the one where the check finds him, where he may be out of work.

Mr. VENEMAN. Under unemployment insurance the benefit is not paid on the basis of residence, but on the basis of where the income was earned.

The CHAIRMAN. Well, he earned it. It is my understanding that if he earned the entitlement in Louisiana, let us say, and then if he becomes unemployed and moves to Mississippi or Alabama, the Louisiana department forwards a check to him over in Alabama or Mississippi, wherever he happens to be at the time.

Mr. VENEMAN. But could that person be, say, a resident of Texas, and earn his unemployment insurance in Louisiana, and receive it in Mississippi?

The CHAIRMAN. My impression is that he earns his entitlement wherever he happens to be.

Mr. VENEMAN. To work?

The CHAIRMAN. Wherever he is working, and he draws his check from the State where he earned the entitlement.

Mr. VENEMAN. It does not make any difference where residence is in that case. Residence is not a factor.

The CHAIRMAN. There is no doubt in my mind that we can legislate a residence requirement if we want to. The States are powerless to do anything about it under that Supreme Court decision, but I would think if we thought it would be desirable, we could do so. After all, we are Senators of the United States on this committee, but we do represent those States that sent us here. What favorably affects 50 States favorably affects the country as a whole, it seems to me.

SUBSTITUTE FATHER RULING

As I understand it, a 1968 Supreme Court decision holds that a State could not consider a child ineligible for aid to families with dependent children when there is a substitute father in the house unless the man had assumed a legal obligation to support the child. I assume that you have examined this case, and I would like to know what your views are on it.

Mr. PATRICELLI. We do try, in the Family Assistance Act, Senator, to deal with that problem. It has to do with the question of whether the income of a common-law spouse can be segregated from the rest of the family's for purposes of computing their payments. If there is a common-law husband in the family, we take account of his income, regardless of whether or not that income is available to the family. We are trying to create, through the welfare law, a strong requirement that a man in this situation has a responsibility to support the family. I think that policy moves in the direction that you want to go in.

The CHAIRMAN. I know that prior to the time that we got so active in this field of disbursing welfare payments to people, the old way we would do it was that if a man was the father of a child, whether they were married or not married - assuming that he was not married to the mother - and he was not providing support for that child, the mother would file a suit declaring him to be the father of that child. If you read what the lawyers write about those cases, they say that is a fairly easy type case to win, because juries can be very sympathetic to a mother and child. That is not a criminal case. You do not need but a majority or that jury so to determine. That being the case, that man is then held liable for support of that child, and he pays support or we put him in jail. Now, that was a rather effective remedy if the father was capable of working and making something prior to the time that we began providing larger amounts of welfare support.

One tends to gain the impression nowadays that the law encourages the mother not to have that man declared to be the father of that child, because in doing so, she might no longer be eligible for the large welfare payments that she could have if that child was regarded as a child of unknown parentage.

Now, last week, the Supreme Court struck down the California statute that assumed that the income of a man who assumed the role of a husband is available to a family. I wonder if you have studied this case and, if so, what your view on that would be?

Secretary FISCH. I have not studied the case.

We will have to give you a response for the record on that, Senator.*

The CHAIRMAN. Aside from being at a hearing with the California authorities themselves, the witnesses you have at that table would have better credentials on the California law than any group you could find anyplace else. Mr. Veneman over there, what experience did you have with the California law?

Mr. VENEMAN. I tried to help write it, Senator, but I failed.

Mr. HAWKINS. I know this program was a very difficult one out there. The committee received a letter from a woman in California who said, "The man liked me enough that he took my child to a ball game and they cut off my welfare payment." This is the problem, I gather, on which the case occurred.

Mr. VENEMAN. I think there was a measure put through that made a presumption that a man assuming the role of spouse would be liable for the children. I think this is the one that was knocked down, but I have not read the decision.

The CHAIRMAN. How do you feel about the case where there is a stepfather in the house? Should not that income be regarded as being available to that family unit?

Mr. VENEMAN. If the income is available, he is liable.

The CHAIRMAN. If a man is living in that same house with that family and has not married the mother, why should he be treated any differently?

INCOME OF UNMARRIED FATHER EXCLUDED UNDER THE BILL.

Let me just read this on page 13 of the bill:

There shall be excluded the income and resources of any individual, other than a parent of a child (or a spouse of a parent), which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family. . . . and for such purposes such individual, in any other case, shall not be considered a member of the family for any purpose.

It seems to me that is a matter of writing right into the statute that if a man refuses to claim his own child, he has a cash advantage.

Secretary FIXEN. The prior sentence, Senator, says appropriate State law should be applied. So we will be, I think, pretty well guided as to the legal definition on which we in the Department would act.

The CHAIRMAN. But that doesn't seem to apply to subsection (d) which I read. When you say there shall be excluded the income of any resources of any individual other than the parent, which is determined in accordance with the criteria prescribed by the Secretary as not available—then you say in any other case shall not be considered a member of the family for any purpose. The way we read that is that no matter how much income that person had, if he does not marry that mother and withhold the income from that family, even if he be a wealthy person, you must still provide the welfare benefits for that family, even with that man living there.

Secretary FIXEN. Yes, but there would be a question whether that State would in that situation consider the relationship a common-law relationship, in which case the man would be held liable for those obligations. That is what the language goes on to say.

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

The CHAIRMAN. I am advised it is only if he assumes the liability that that comes into effect.

Secretary FINCH. I cannot give you the number of States where that liability would ensue, but there would certainly be a number of them.

Mr. VENEMAN. Senator, this whole section is entitled, at the bottom of page 12, line 24, "The Income and Resources of a Non-Contributing Adult." So it is deemed that this money is not available for members of the family.

The CHAIRMAN. That is the sort of thing we are talking about, where a man is well able to contribute and is living with that family.

Mr. VENEMAN. If it is deemed that the money is available for the family, he would not be a noncontributing adult. This is after it is deemed that the money is not available for the family.

The CHAIRMAN. If they are going to get the full welfare benefit without anybody making any effort to cause that father to pay for something, it is hard for me to see how we are going to have a situation where that father will make any contribution. If he either makes no contribution or makes it furtively—if they cheat on it, they are just better off.

Now, in Louisiana, during a period when the State got tough about it, we found that a lot of papas came home when the welfare payments were cut off. Old papa came home then and started supporting his family. But up until that time, mama was not demanding that.

Mr. VENEMAN. If he is a parent of one of those children, he has to contribute. He would not be considered a noncontributing adult.

The CHAIRMAN. Well, let us assume that he is a parent but he has never been legally declared to be so. That mother does not charge he is a parent and he claims he is not.

Mr. VENEMAN. Well, that is a tough one.

The CHAIRMAN. Would it not be to their advantage to collect the maximum welfare payments?

Mr. VENEMAN. There you are getting into the question of fraud, really. If he is in fact the parent and says he is not, and the mother says he is not, then you have the issue of fraud. If he is in fact determined to be the parent of the child, he cannot be a noncontributing adult. He would have to support his child. We have two groups, those who draw a little, those who draw a lot. People do the same thing on income tax.

The CHAIRMAN. There are a lot of people who chisel on you, especially those who do not find it to their advantage to supplement their income by employment. I would think the degree of cheating and the degree of temptation to draw the maximum degree of benefit, would cause some people to fudge on it and tend to lie about it, if it tends to be to their advantage. Do you not in this bill remove the incentive of that mother to have that fellow declared the father and make him responsible for the support of the child? They can draw a lot of welfare if they do not do it.

Mr. HAWKINS. The Senate put in, in 1967, much stronger provisions than had been there previously on the subject of paternity, and welfare agencies are being pushed to do as much as they can under your 1967 amendments on this very subject. We are talking about the same group that are receiving AFDC today.

Mr. VENEMAN. Senator, I am not disagreeing with you. In fact I would like to make sure that everybody who has the liability and the responsibility is paying for the support of his children. But I think we have written it in the bill as strongly as we can. If you are the parent of the child, you are liable. Now how do we get it in stronger language? That is what I am concerned about. How would we change this section to make it any stronger?

The CHAIRMAN. If the man simply declines to admit he is the father of that child, there is no way that you can reduce your welfare payments under this statute—it is written right in the bill that you cannot do anything to make him support that family. That implies to me that all the pressure is taken off the mother to have him declared the father of the child.

Mr. VENEMAN. More is required than just a simple statement that he is not the father. There are ways of determining who is the father.

The CHAIRMAN. I suggest that we get together, some of our people get with your staff, and try to work this out.

Secretary FINCH. Under section 464, we have a grid of Federal liability which overrides the State law and the problem that the mother might have if she brings legal action against the actual father or reputed father. I think we should look at this section in relation to the problem you are raising, Senator, and try to work this out together.

The CHAIRMAN. We will have some suggestions to make along that line also.

Senator BENNETT. May I have one question?

The CHAIRMAN. Yes.

Senator BENNETT. Mr. Chairman, during the presentation of the charts, particularly for New York and Chicago, there was constant comment that, well, this is better than existing law. So I would like to ask the Secretary if he can arrange between now and the time we come together tomorrow to give us a parallel chart showing, in the first column and the second column—well, I assume the third column is unchanged.

Mr. VENEMAN. The third column would be changed to a degree in some States, Senator. What we can do is break the column down into Federal and State payments.

Senator BENNETT. In other words, I would like to have up to the end of the third column what existing law would be. In the final column I would like to see its total cumulative effect so we can compare what the pattern would be under existing law with the pattern under the new bill. This would show us where we have improved or where we have made the situation worse by the proposals in the new bill. But there is no use doing it for all of these. Do it for New York and Chicago.

Mr. VENEMAN. Would we do it, Senator, assuming that the food stamp program would be the one that is in effect now, or use the President's proposal?

Senator BENNETT. If that is a change in existing law, let us do it showing the change in the food stamp program.

Mr. VENEMAN. The proposed administration food stamp program.

Senator BENNETT. But that is not existing law. That should have been in here, perhaps. Let us take the existing law and compare it with this chart. That is columns 2 and 3.

Secretary FINCH. We will do that, Senator.

Senator BENNETT. Then we can question you about it when we meet tomorrow.*

The CHAIRMAN. Mr. Secretary, Senator Talmadge had to leave, but he asked that I request that you prepare these same tables for Atlanta, Ga., and for Brooks County, Ga. I would appreciate it if you would furnish those tomorrow.

Secretary FINCH. We cannot do that by tomorrow, sir. We will have it as quickly as we can.*

The CHAIRMAN. Senator Anderson?

IMPACT OF BILL ON MEDICAID PROGRAM

Senator ANDERSON. How much would be the additional cost of the medicaid program for fiscal 1972 if the bill is enacted?

Secretary FINCH. The total costs, Senator?

Senator ANDERSON. What is the additional cost of the medicaid program?

Mr. VENEMAN. If the family assistance plan goes into effect, how much more would—

Senator ANDERSON. Yes.

Mr. VENEMAN. Medicaid would not cover the working poor category. This was not considered. I am not sure the Department has projected what the increase would be if the working poor were to be covered by medicaid.

Secretary FINCH. There has been a projection of about—

Senator ANDERSON. If the working poor person has a private health insurance plan, would one of his payments be deductible from his assistance payments?

Secretary FINCH. It would not.

The CHAIRMAN. Senator Harris?

WORK DISINCENTIVES UNDER BILL

Senator HARRIS. First of all, a couple of statements, Mr. Chairman. I think that Senator Williams has done an excellent service in pointing out the kinds of notches that appear in the present law. This is a question I had yesterday, whether those same notches would not still be in the law under the new program. It has been demonstrated today that they would be. I think that, together with the question which the chairman asked in regard to the striking down by law of residence requirements, a decision with which I happen to agree, indicates you really cannot very well patch on to a system which both taxpayers and welfare recipients agree is a failure. That is why I offered a substitute plan and will offer a substitute plan, because it will, with a flexible level which could be phased in over a period of years, together with discretion in the Secretary about what resources and income will be

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

taken into account, avoid altogether this notch problem which we have seen in the present law yesterday and in the FAP program today.

In addition, of course, as this bill does not do, my bill provides for uniformity among the States, counting one child as being of the same worth in whatever State he lives.

Also, the plan which I have suggested would relieve the States of the enormous and growing burden of welfare which is upon them. The bill before us we did not do so. So I hope we will, at the proper time, have a chance to present an alternative way to do this. The suggestion which I have made is not just a matter of raising the level. It is throwing out this old system and starting a new one, which would be an all-Federal system, and avoid the inequities and anomalies which exist in the present law as well as in H.R. 16311.

POOR PRESENTATION BY HEW AND QUESTION OF WHETHER
ADMINISTRATION WANTS BILL SABOTAGED

There is another thing that I want to say. With all due respect, gentlemen, I believe this is the most ill-prepared presentation that I have seen since I have been in the Congress of the United States. I am really amazed that some of these very simple questions do not get a very quick and easy response—such things as just asked a minute ago about medicaid, and the questions I asked yesterday about the day-care costs. It seems to me that those are things which ought to have been easily available, because they ought to have been thought out in advance when you put this plan together.

Now, I will just be very frank with you. Rumors are circulating very strongly in this room today and yesterday that the administration intends to abandon this bill in this committee and that the presentation has been lukewarm and confused purposely to sabotage this bill. I think you are entitled to know that is what is being said, and I just want to hear you say for the record whether or not that is what you intend to do.

Secretary FINCH. Senator, we could not possibly have contrived a scenario like this.

Senator HARRIS. I do not think so. I do not think you could have contrived an appearance which could have been less helpful to your proposal than what has accidentally occurred.

Mr. Chairman, I am hopeful that we will be able to proceed during the afternoon, because I do not believe I have ever looked at a bill, including the 300 page social security bill we had 2 years ago and the tax bill we had last year, that I have as many questions about, or seen as many things we can ask about. So I hope we will go this afternoon, Mr. Chairman.

The CHAIRMAN. Hold on just a minute.

As you know, Senator Harris, we have a conference scheduled this afternoon with regard to the airport tax bill and there are five members of the committee who, of course, would like to know what is being said in the committee room but who unfortunately will be at that conference. If the Secretary can be here this afternoon, as far as I am concerned I would be willing to continue this hearing this afternoon. I understand you will not be in town tomorrow.

Senator HARRIS. That is right.

Senator BEXNER. I would have to add this caveat, on condition that we can find a Republican who is willing to sit, because I do not think it is fair to ask the Secretary to come back without a member of his own party being available.

Senator HARRIS. I think it is terribly important that we get this record complete.

The CHAIRMAN. We will furnish one Democrat. We will see if we can find one Republican member.

Secretary FINCH. Just to clean up the record, if the Senator wanted a categorical denial of any intention to abandon the bill, I am happy to enter it. If the Senator wants to expedite the situation, he can submit questions in advance; we will be responsive. This is a bill of enormous magnitude. We have had a number of changes made in the House. We have had to alter our material considerably on the basis of those changes. We will continue to be as responsive as we can under the circumstances.

Senator HARRIS. I am glad to hear it said, Mr. Secretary, because I want you to know that that is a very strong feeling which circulated around here yesterday and today. I think you are entitled to know it, and I am glad to hear your response that it is not so.

The CHAIRMAN. Well, to be entirely fair about the matter, I think the record should indicate that a number of these questions have related to State laws and the way 50 different States were administering their welfare programs. Of course, it is somewhat difficult for one here in Washington to know how someone under State law is discharging his responsibility. So the Secretary has also been called upon to testify with regard to what happens when you lay his program alongside another program that he is not administering.

But I do think that it is essential that all these programs be looked at together in context, because without it, we get into these anomalies such as were discussed here this morning where a man works to make \$9,000 and he is not a bit better off than if he had not worked at all.

Senator Williams has requested that the remaining tables be printed at this point in the record. Without objection that will be done.

(Tables 5, 6, and 7 follow.)

TABLE 5.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family	Public housing bonus ⁷	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$2,500	\$500	\$3,000				\$756	(⁸)	\$1,176	\$4,932	
\$720.....	2,500	500	3,720			\$37	756		1,056	5,495	22
\$1,000.....	2,360	453	3,813			52	756		1,032	5,549	81
\$2,000.....	1,860	286	4,146			104	756		960	5,758	79
\$3,000.....	1,360	119	4,479			156	756		900	5,979	78
\$3,722 (State breakeven).....	999		4,721			194	756		852	6,135	78
\$4,000.....	860		4,860			208			828	5,480	336
\$5,000.....	360		5,360			260			720	5,820	66
\$5,720 (FAP breakeven).....			5,720			297			648	6,071	65
\$6,000.....			6,000	\$14	\$4	312			600	6,270	29
\$6,375.....			6,375	67	10	332				5,966	181

¹ A woman with 6 minor children where State pays \$3,000 to a family with no other income.

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ Arizona has no food stamp program, but has a surplus commodity program with an income eligibility ceiling of \$4,344 for a family of 7 with no earnings and \$4,824 for a similar family with earnings. Not all eligible families participate in the commodities program. Such families would have lower benefits and cumulative reduction rates.

⁷ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,680 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$5,100 of countable income; for continued occupancy \$6,375. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate.

⁸ Arizona has no title XIX program.

TABLE 6.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN WILMINGTON, DEL¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$2,500.....		\$2,500.....				\$1,185.....	\$764.....	\$1,020.....	\$5,469.....	
\$720.....	2,500.....		3,220.....			\$37.....	1,185.....	764.....	996.....	6,128.....	8.....
\$1,000.....	2,360.....		3,360.....			52.....	1,185.....	764.....	972.....	6,229.....	64.....
\$2,000.....	1,860.....		3,860.....			104.....	1,185.....		876.....	5,817.....	141.....
\$3,000.....	1,360.....		4,360.....			156.....			780.....	4,984.....	183.....
\$4,000.....	860.....		4,860.....			208.....			684.....	5,336.....	65.....
\$5,000.....	360.....		5,360.....			260.....			588.....	5,688.....	65.....
\$5,720 (FAP breakeven).....			5,720.....		\$11.....	297.....			528.....	5,940.....	65.....
\$6,000.....			6,000.....	\$14.....	14.....	312.....			468.....	6,128.....	33.....
\$7,650.....			7,650.....	249.....	48.....	398.....				6,955.....	50.....

¹ A woman with 6 minor children where State pays \$2,172 to a family with no other income.

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ Delaware has no food stamp program, but has a surplus commodity program with an income eligibility ceiling of \$3,840 net income (income less mandatory payroll reductions). Not all eligible families participate in the commodities program. Such families would have lower benefits and cumulative reduction rates.

⁷ Based on estimates of medical vendor payments, May 1969.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,560 yearly in city leased housing) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$5,700 of countable income; for continued occupancy \$7,125. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. For example, only 29 percent of AFDC recipients in Wilmington, Del. live in public housing.

TABLE 7.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN CHICAGO, ILL.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$2,500	\$2,144	\$4,644				\$696	\$1,380	\$1,116	\$7,836	
\$720	2,500	2,144	5,364			\$37	600	1,380	1,116	8,423	18
\$1,000	2,360	2,097	5,457			52	552	1,380	1,116	8,453	89
\$2,000	1,860	1,930	5,790			104	552	1,380	1,116	8,734	72
\$3,000	1,360	1,763	6,123			156	504	1,380	1,116	8,967	77
\$4,000	860	1,596	6,456			208	456	1,380	1,116	9,200	77
\$5,000	360	1,429	6,789			260	408	1,380	1,116	9,433	77
\$5,720 (FAP breakeven)		1,309	7,029			297	408	1,380	1,116	9,636	72
\$6,000		1,122	7,122	\$14		312	408	1,380	1,116	9,700	77
\$7,000		455	7,455	156		364	360	1,380	1,116	9,791	91
\$7,683 (State breakeven)			7,683	253	\$7	400	360		1,116	8,499	289
\$8,000			8,000	297	11	416			1,116	8,392	134

¹ A woman with 6 minor children where State pays \$4,644 to a family with no other income

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ Food stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit is AFDC breakeven for AFDC recipients or \$5,400 net income for nonrecipients. Not all eligible families participate in the food stamp program. Such families would have lower benefits and cumulative marginal rates.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC breakeven for AFDC recipients or \$5,400 for medically indigent nonrecipient families of four.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$2,076 yearly) minus amount of public housing rent paid. Calculated for 3 bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$7,800 of countable income; for continued occupancy above \$10,470. Since continued occupancy at higher incomes for increased rent is permitted, no cutoff point for eligibility is shown in this table. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 18 percent of all AFDC recipients in Chicago, Ill. live in public housing.

Secretary FICCH. We had people working all night to respond with this material that you saw this morning. We do not have a lot of easy answers.

The CHAIRMAN. What time do you want to come back?

Senator HARRIS. What do you say about 2:30?

The CHAIRMAN. Very well; we are recessed until 2:30.

(Whereupon, at 12:30 p.m., the committee recessed, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

Senator HARRIS (presiding). The committee will be in order.

Mr. Secretary, Senators Bennett, Jordan, Famin, and Hansen, on the Republican side of the committee have indicated they will come, or all of them will be here from time to time during the afternoon. We can either wait or proceed—we haven't any rule that particularly covers this situation—if you like.

Secretary FICCH. I think we might as well proceed.

Senator HARRIS. Okay. Thank you very much.

Yesterday I asked several questions relating to child care, and you have given me since that time some material which has to do with how that program would operate.

Without objection, we will place in the record at this point a sheet entitled "Child Care Under the Family Assistance Program" and one entitled "Major Steps in Providing F.A.P. Day Care". Both of these carry the name of J. M. Sugarman, January 26, 1970, and also an additional two charts dated January 28, 1970, both labeled "Major Responsibilities in the Provision of Child Care Under the Family Assistance Program."

As I say, those will be placed in the record at this point. They detail how that program will work, and so forth.

(The documents referred to follow:)

CHILD CARE UNDER THE FAMILY ASSISTANCE PROGRAM

1. Who Is Eligible for Child Care?

People who need child care to enable them to participate in *training, educational rehabilitation or employment*, AND:

(1) Who are entitled to benefits under Part D (Family Assistance) or Part E (Supplementary Payments),

(2) To the extent the Secretary permits, persons who were *formerly* entitled to benefits under Part D or Part E, and who still need child care to maintain employment,

(3) Until Family Assistance becomes effective, persons who are receiving AFDC.

2. What Kinds of Child Care Will Be Provided?

We have strongly emphasized our desire to give parents a wide range of choice in child care arrangements. At the same time we have emphasized our desire to create the best possible *developmental* day care so that parents have *real* alternatives available to them. Parents will have the following basic options:

(1) If they have income, they may make their own arrangements and *exclude the costs* of the child care from their reported income.

(2) They may arrange to have the child cared for *in their own home* or in the home of a friend or relative and the Federal Government will pay for the cost.

(3) They may have their child cared for in a *family day care home* which would have a small group of children (2-6) cared for in someone's home.

(4) They may have their child cared for in a *group day care center*.

(5) They may, through a vendor payment system, choose among available day care programs, or in some cases, organize their own programs.

In each of these options we would expect to set reasonable standards as to how Federal funds can be used. These standards will mandate for options 3, 4, and 5 that there be educational activities, health and social services, nutrition and parent participation. It is our belief that a large number of parents will initially select options 1 and 2, but will switch to 3, 4, or 5 when they understand how much more they offer to children.

Child care will be available, as necessary, for children from birth through 14 years of age.

3. How Will Funds Be Distributed?

We intend to parallel the model called for in the Manpower Act. There will be a prime grantee at the State level and other prime grantees in those local areas which have large child care needs. The prime grantee will then contract with a variety of public and private organizations (including for-profit groups) to provide the actual care.

We intend to encourage States and local communities to form 4-C (Community Coordinated Child Care) organizations to serve as the prime grantee. These organizations are broadly representative of public and private education, health and welfare agencies as well as parents. Such linkage is very important to our overall strategy in the emerging field of child development.

Where a 4-C organization does not exist a welfare or education agency, a Head Start program, a health and welfare council, or other similar agency may be the prime grantee. Under some circumstances a corporation might be selected as a prime grantee on a national level (e.g., Ford Motor Company might want to develop day care at its plants for FAP recipients who were receiving on-the-job training.) (It should be clearly understood, however, that funds under this act may *not* be used to support day care for persons other than those specified in the act.)

4. Staff and Facilities

Training funds are authorized in the Act and will be extensively used. Particular emphasis will be placed on (a) developing managerial and planning

competence, and (b) employment of non-professionals. We estimate that 65% or more of the total staff can be non-professionals. In the *early stages* of the program child care jobs could be created for as many as 12% of the persons registering under FAP.

The Act permits use of funds for renovation and remodeling. The latter term considerably broadens existing authorities and will permit a broad range of building improvements, including structural changes, or even additions to buildings which do not increase available space by more than 20%. On the other hand, it *does not* permit land purchases or construction of new buildings. We still have under consideration the possibility of submitting construction legislation. Program grants can include money for rent and thus may stimulate private industry to build facilities.

5. *Administrative Linkages*

The administrative process involved is as follows:

A. *At the Federal Level*

OCD, Labor, and Social Security will form working teams at both Washington and regional levels. They will plan jointly and develop coordinated plans for operation.

B. *At the State and Local Level (See attached chart)*

1. Labor advises OCD of the estimated number of persons to be registered in each geographic area. OCD (a) identifies a prime grantee, and (b) begins the process of funding day care programs based on anticipated numbers of persons entering training and employment.

2. The Social Security Administration receives applications for Family Assistance and refers individuals to the employment service.

3. The employment service registers the individual. At the same time, a representative of the prime grantee or of the agency providing social services for that area counsels the parent on available day care options.

4. The employment service notifies the prime grantee when the individual is scheduled for training.

5. The prime grantee completes child care arrangements with the parent.

6. OCD monitors the operation of prime grantees and works on problems identified by Labor or Social Security.

MAJOR RESPONSIBILITIES IN THE PROVISION OF CHILD CARE UNDER THE FAMILY ASSISTANCE PROGRAM

Social Security Office	Employment service	Prime grantee ¹	Day care contractor
A. INITIAL ARRANGEMENTS FOR CHILD CARE			
1. Individual applies for family assistance. Social Security notifies employment service.....	2. Individual registers for training or employment. Employment service advises child care prime grantee of approximately when individual will enter employment or training	3. Representative of prime grantee may be assigned as a member of employment service team. In any event will work closely with coach. Prime grantee advises individual of available options. (a) Income exclusion. (b) In-home care. (c) Family day care. (d) Group day care. (e) Vendor payment. A. If individual selects income exclusion, prime grantee notifies Social Security. B. If individual selects in-home care or vendor payment, prime grantee arranges payments. C. If individual selects family or group care, prime grantee arranges child's enrollment.....	4. Contractor provides day care.

¹ Examples of prime grantee would include a 4 C organization, a welfare department, an education agency, or a health and welfare council.

² Contractors may include any competent public, private nonprofit, or private for-profit organization.

B OTHER RESPONSIBILITIES

- | | | |
|---|---|---|
| 1. Notifies prime grantee when individual no longer qualifies for FAP | 1. Advises prime grantee if individual terminates training or employment.
Individual alleges that child care arrangements are inadequate to permit her to maintain employment. | 1. Works with employment service to develop jobs for FAP recipients in child care field.
2. Helps individuals to change child care arrangements if they are dissatisfied.
3. Monitors operation of child care programs to see that standards are met.
4. Collects fees from parents who can pay part of costs.
5. Assists individuals to obtain other child care when they are no longer eligible for care under family assistance program.
6. Coordinates activities with other early childhood programs. Provides training and technical assistance. |
|---|---|---|
-

CHILD CARE UNDER THE FAMILY ASSISTANCE PROGRAM
Who

Families needing child care to participate in training or to maintain employment, and who --

- Receive FAP payments,
- Receive supplementary payments,
- Formerly received FAP or supplementary payments, and
- Received AFDC and/or participated in WIN.

Eligible for

Preschool and school-age child care through --

- Group day care,
- Family day care, and
- In-home care.

Funded through

- Grants to competent public and private agencies of all types.
- Grants to agencies to provide child care vouchers to parents.
- Excluding child care costs from the calculation of income.
- Fees on a sliding scale basis determined by HEW.

MAJOR STEPS IN PROVIDING FAP DAY CARE
 [Major steps follow numerical sequence, 1 through 19]

DOL/Employment Service	DHEW,OCD	Prime grantee ¹	Operating agency ²
1. Advises OCD of expected number of placements.....	2. Estimates numbers of children requiring service.....	3. Estimates types of services required and gaps in available resources. Requests funding level for new programs.	
	4. Approves establishment of new programs and sets preliminary funding level.....	5. Programs funds and invites applications from operating agencies.....	6. Prepares application for funds.
		7. Recommends applications for approval.	
	8. Approves application and forwards funds to prime grantee.....	9. Contracts with and allocates funds to operating agencies.....	10. Operates program.
11. Notifies prime grantee that individual is scheduled for training or employment.....		12. Counsels with family and explains alternatives to them. Exclusion of day care costs. Voucher system In-home care. Family day care. Group day care.	
		13. Arranges for enrollment of child where necessary. Approves in-home and voucher arrangements.....	14. Provides service and reports to prime grantee.
		15. Pays operating agency. Collects fees from parents. Monitors programs.	
		16. Reprograms contracts as necessary because of changes in enrollments.	
	17. Receives reports from and monitors operations.		
18. Notifies prime grantee that individuals are no longer eligible for child care.....		19. Terminates enrollment of child.	

¹ Prime grantee will be that organization which has greatest capacity to develop coordinated day care programs. Preference will be given to recognized 4 C organizations.

² May be competent public, private nonprofit, or private for-profit organization.

³ Must be coordinated with agency making FAP and supplementary payments.

MAJOR RESPONSIBILITIES IN THE PROVISION OF CHILD CARE UNDER THE FAMILY ASSISTANCE PROGRAM

Social security office	Employment service	Prime grantee ¹	Day-care contractor ²
A. INITIAL ARRANGEMENTS FOR CHILD CARE			
1. Individual applies for family assistance. Social security notifies employment service.	2. Individual registers for training or employment. Employment service advises child-care prime grantee of approximately when individual will enter employment or training.	3. Representative of prime grantee may be assigned as a member of employment service team. In any event will work closely with coach. Prime grantee advises individual of available options: (a) income exclusion; (b) in-home care; (c) family day care; (d) group day care; (e) voucher. A. If individual selects income exclusion, prime grantee notifies social security. B. If individual selects in-home care or voucher, prime grantee arranges payments. C. If individual selects family or group care, prime grantee arranges child's enrollment.	4. Contractor provides day care.
B. OTHER RESPONSIBILITIES			
1. Notifies prime grantee when individual no longer qualifies for FAP.	1. Advises prime grantee if individual terminates training or employment; individual alleges that child-care arrangements are inadequate to permit her to maintain employment.	1. Works with employment service to develop jobs for FAP recipients in child-care field. 2. Helps individuals to change child-care arrangements if they are dissatisfied. 3. Monitors operation of child-care programs to see that standards are met. 4. Collects fees from parents who can pay part of costs. 5. Assists individuals to obtain other child-care when they are no longer eligible for care under family assistance program. Coordinates activities with other early childhood programs. Provides training and technical assistance.	

¹ Examples of prime grantee would include a 4-C organization, a welfare department, an education agency, or a health and welfare council.

² Contractors may include any competent public, private nonprofit or private for-profit organization.

NUMBER OF CHILDREN ELIGIBLE FOR CHILD CARE UNDER THE BILL

Senator HARRIS. However, we have not yet received information from you as to the number of children who would be eligible for child care under the bill, and the number of children who would under present law be eligible for child care.

I looked at the material, some of the material which the committee had given us, and there is a chart which is called "Table M—AFDC Families by Whereabouts of Father, 1969," which is a table excerpted from a preliminary report of findings—1969 Study of Aid to Fam-

ilies with Dependent Children by the Department of Health, Education, and Welfare.

Without objection, we will place that in the record at this point. Secretary FISH. Which document is that, sir?

Senator HARRIS. I will just hand it to you. It is Table M-AFDC Families by Whereabouts of Father, 1969. It shows the number, the total number, 1,630,400. That is the number of families presently. Of those families, 275,500 presently are headed by a father in the home.

That would leave, by my calculations, under present law, 1,332,900 AFDC families which are headed by a mother, where the father is for various reasons absent from the home.

Without objection, as I say, we will place that in the record.

(The table referred to follows:)

AFDC FAMILIES BY WHEREABOUTS OF FATHER, 1969

Whereabouts	Number	Percent
Total	1,630,400	100.0
In the home	275,500	18.2
In an institution:		
Mental institution	6,900	.4
Other medical institution	6,200	.4
Prison or reformatory	53,500	3.3
Other institution	1,300	.1
Not in the home or an institution; he is residing in:		
Same county	311,300	19.1
Different county; same State	86,200	5.3
Different State and in the United States	128,100	7.9
A foreign country	18,600	1.1
Whereabouts unknown	630,600	38.7
Inapplicable (father deceased)	90,800	5.6

Senator HARRIS. I have also looked at an excerpt from the President's budget having to do with child care, and without objection at this point we will place that in the record.

It states that the average children receiving care per mother is expected to rise from 2 in 1969 and 1970 to 2.5 in 1971.

So under the President's budget figures I take it you could at least double the number of families presently headed by mothers, where the father is absent from the home and say there are at least that many children under present law who are eligible for child care.

And then I was looking at the President's budget here which does not carry forward sufficient numbers of people in child care to meet what you testified yesterday is the goal, namely, 300,000 school-age children in child care and 150,000 preschool children in child care. But, at any rate, the President's budget anticipates 122,533 mothers would be served by this child care program in 1971, and that would include approximately 306,333 children.

Now, the point—as I say, we will place that excerpt from the President's budget in the record at this point.

(The excerpt follows:)

FISCAL YEAR 1971 BUDGET FOR CHILD CARE UNDER THE WORK INCENTIVE PROGRAM

2. *Child care.*—This activity provides for child care for children of WIN enrollees. An estimated 45% of the average enrollees in 1971 are mothers who

are unable to provide child care for their children while they are undergoing training. Therefore, unless child care is provided, approximately one-half of the enrollees would be unable to accept the training to upgrade their employability.

In addition, child care is provided for the children of employed former WIN enrollees until such time as other satisfactory child care arrangements can be made or the mothers can pay for the care from their earnings.

Average children in care per mother are expected to rise from about 2 in 1969 and 1970 to 2.5 in 1971.

The tables below show workload data for WIN child care:

CHILD CARE UNDER WORK INCENTIVE PROGRAM

	1969 actual	1970 estimate	1971 estimate
Average mothers receiving care			
Enrollees	6,475	34,170	49,750
Employed mothers	825	13,161	43,603
Total	7,300	47,291	93,353
Average children receiving care			
Preschool	4,088	26,433	65,348
Schoolage	10,512	63,099	168,035
Total	14,600	91,582	233,383
(Enrollees)	(12,950)	(67,860)	(124,375)
(Employed mothers)...	(1,650)	(26,722)	(109,008)
In care end-of-year:			
Mothers	28,500	65,450	122,533
Children	57,000	126,850	340,057

Source: Appendix to the Budget for Fiscal Year 1971, page 443.

Senator HARRIS. My point yesterday was that we ought not to mislead ourselves or the general public into thinking that we are going to place all of these people in work, because as we discovered yesterday, there is a question about where are the jobs that they could fill.

And secondly, we talked about child care and whether or not it would be available to any other than a rather small percentage of those mothers even presently heading families on AFDC, which obviously would be, I take it, a larger figure under this bill.

I just wonder if you have any comment on that. I don't want to belabor it, but I think it is important that we know just how far we are going insofar as work is concerned.

Secretary FINCH. Mr. Chairman, we should have for you by tomorrow, and for the committee, that additional information.*

I may have misunderstood the figures that you recited. It is possible that they are the WIN figures as opposed to what we had proposed under FAP, and not having seen them, I am not sure—

Senator HARRIS. The President's budget—those were indeed, I think, WIN figures.

Now, are the figures under the bill which you now propose, the FAP bill, would they be cumulative or would they be in addition?

Secretary FINCH. They are in addition to what is proposed in the budget.

Senator HARRIS. Those are not broken down under the WIN program by school or preschool children, so we do not know just what categories they would fall in.

*At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

COMPARISON OF MOTHERS ON WELFARE AND AMOUNT OF CHILD CARE UNDER THE BILL

But at any rate, I take it you will agree that there will be a wide gap between the number of mothers who would either be required or encouraged to seek outside employment or training, and the number who will be able to do so if child care is a bar, since we will not be able to produce sufficient child care to make those figures the same.

Secretary FINCH. No, sir, I would not concede that.

Senator HARRIS. Then you are not prepared to say how many mothers would be involved?

Secretary FINCH. Not until I have seen the figures.

Senator HARRIS. That is right. You don't know how many children and how many mothers are involved so you are still not able to answer the question.

Mr. VENEMAN. You mean under the bill, Senator?

Senator HARRIS. Yes.

Mr. VENEMAN. There are 150,000.

Senator HARRIS. Oh, I know that. What I mean is how many are eligible, I know how many you cover.

Mr. VENEMAN. Mr. Rosow probably has that.

Senator HARRIS. That is the question I asked yesterday.

Mr. Rosow. Senator Harris, I am Assistant Secretary of Labor Rosow.

We estimate that there are about 800,000 mothers who have at least one child under 6 who are not mandated to register under the bill, and we have no firm estimate on how many of those would volunteer.

But the bill encourages volunteers and says in its present form that they would receive the same priority as mothers who are mandated to register who have children from age 6 to 17.

In the latter category, I believe our figures, from memory, were 500,000 mothers in that category.

Senator HARRIS. With school age children?

Mr. Rosow. With school age children; yes, sir. And the reason that the bill asks for 150,000 training opportunities for mothers in the first year is that we believe that is a realistic figure in relation to our present base-load under the WIN program where we have already registered about 138,000 people, and it is a question of how many more we can absorb.

So the 450,000 figure for children is merely derived from a basic number as to how much training and employment we think we can generate in the first year, added on top of the present WIN base-load.

Senator HARRIS. It is anticipated, then, that that figure would rise to accord with the number of children who might be served?

Secretary FINCH. Not in the first year.

Senator HARRIS. After the first year.

Secretary FINCH. Subsequently?

Senator HARRIS. After the first year.

Secretary FINCH. Yes.

Senator HARRIS. And so is it correct--I presume it is, as the President's budget indicates--that you have to figure 2.5 children per mother covered for 1971? Is that correct?

Mr. Rosow. I think it may be a little higher than that.

Senator HARRIS. And then if there are 500,000 mothers, as you estimate it, who would have school age children, and therefore under the

law could be required to take employment, you would multiply that by two and a half and you would get something over a million children, only 300,000 of which are provided for in the bill for child care in the first year. Is that right?

Mr. Rosow. That is right.

Senator HARRIS. That is correct.

Mr. Rosow. And we think that is realistic, because the child-care program is a support service to the work and training objectives of the bill, and one could not race ahead of the other. And, of course, it is recognized in this bill that when the mother takes a job, or when she completes training and gets a job, the child care continues, whereas under present law, depending on the behavior of the State, it may continue, but in most cases it phases out after about 90 days.

Senator HARRIS. I understand that and that would also increase the pressure for this number of child-care positions by reason of the fact that by law you are extending the time during which the care might be rendered.

Mr. Rosow. Yes, sir.

Secretary FINCH. I think there are two other points, Mr. Chairman, that are relevant at this point. One is that should the bill be enacted, this portion of the program would be immediately operative, apart from the operative date of the rest of the program. This early effective date is to try to compensate for the problem you are addressing.

Senator HARRIS. Yes.

Secretary FINCH. The second point is that the average number of children in EAP-eligible female-headed families is 3.0, and 51.7 percent of the EAP female-headed families have three or more children.

Senator HARRIS. So the multiplier might actually be greater.

Secretary FINCH. Right.

Mr. Rosow. About a million and a half children.

COST OF CHILD CARE PER CHILD

Senator HARRIS. I have been told that the amount of money in this bill that would provide for the 150,000 child-care positions is based on a cost of \$800 a year per child as the figure. Is that correct?

Mr. Rosow. We used \$1,600 a year for the preschool aged child, which is estimated to represent a typical case of one in a family of four, and two children who are school age, at which the figure was \$400.

So when you average it out, that is right, it was \$800 per capita, but blended—there was \$2,400 for three children divided by three gave you an average of \$800 each, but it was differentially computed for the preschool cost being substantially higher and the after-school cost substantially less.

Secretary FINCH. As I recall, that data is based on Headstart figures.

Senator HARRIS. It is my understanding that testimony will be presented to this committee which will indicate that the figure should be something around \$2,000 as the national average per child for day care. Do you disagree with that?

Mr. Rosow. I think HEW has some facts on that.

Mr. PATRICELLI. Senator, all we can say at this point is that when these figures were put together, this was the unit cost in Headstart exclusive of capital construction for full-day Headstart. There is some

indication it may have gone up to about \$1,700 in the interim, but I am not familiar with the \$2,000 figure.

Senator HARRIS. Is that a proper analogy—Headstart with day care?

Mr. PATRICELLI. At the present time all Federal day-care programs are governed by the same set of so-called interagency Federal day-care standards. They are the Headstart standards. And WIN day care is supposed to meet those standards, as well.

So pending change in those administrative standards, yes, it is a fairly high level, enriched form of child development service.

CHILD CARE STANDARDS

Senator HARRIS. While we are on that, how will the standards be set for the type of care and what sort of oversight and administration will there be of this child-care program generally?

Mr. PATRICELLI. We would contemplate, again, having a set of standards, as we do now, that would largely govern the quality of care that is given in the family assistance day-care program.

The House committee wishes to make clear, and it did in its report, that different types of care would be appropriate in different types of situations. And it may be more appropriate for an older child, for example, who is going to school, that he be taken care of in the hours of 3 to 5 in a program that might be more recreational in nature than you would want to give a preschool child, whom you are concerned with on a full-day basis. But the present intent is to apply interagency standards that we are now trying to redefine with the Office of Economic Opportunity and the Labor Department.

QUESTION WHETHER REGISTRATION BY WOMEN SHOULD BE VOLUNTARY OR MANDATORY

Senator HARRIS. Mr. Secretary, you stated in your original testimony that a good portion of the women who would by this bill be required to work voluntarily choose jobs, or at least that seems to me to be the import of what you have stated. Why then should we go through what is almost involuntary servitude, it seems to me, and require it when we are going to probably get more volunteers, if history is any judge, than we could take carer of anyway?

Secretary FINCH. Well, sometimes what women say to an interviewer is not necessarily what they believe. They might like to have the interviewer believe that they had worked, or that they wanted to work. We think that it is in many cases highly desirable that they work, because of the perception that passes on to the children.

You have got 68 percent of those who are already working who would be eligible, with 57 percent working full time. The latter are working and paying taxes.

So I think we have a very good reason to believe that this is not involuntary servitude. It is something these women want and desire to do.

Senator HARRIS. Well, the question is what sort of jobs are they working at voluntarily. If 68 percent are working, it would be interesting to know what sort of job and what kind of pay.

Mr. PATRICELLI. Senator, as the Secretary stated in his testimony yesterday, the 68 percent refers to mothers who are without husbands

and who have children between the ages of 6 and 17. Some of them may have incomes above the eligibility line.

There was an effort to find out in a population similar to the AFDC population, which we are dealing with.

Senator HARRIS. I understand that, but isn't that statistic meaningless unless we know, also, what sort of jobs that 68 percent are working at and what the jobs pay? Whereas in the program which you are presenting to the committee there is not any kind of standard about pay. For example, there is no requirement for a minimum, or prevailing pay.

Mr. VENEMAN. Yes, there is, Senator.

Senator HARRIS. Is there? What is it?

Mr. Rosow. Well, the bill provides that in referral to work the person will be referred at the Federal minimum wage or the State minimum wage or the prevailing wage, whichever is higher.

Now, insofar as some of the occupations are not covered by either a Federal or State minimum, in that case the prevailing wage would pertain. The employment service would have to establish, in fact, that other people are performing the same work under the same conditions at those wages and that jobs, in fact, are being filled in the community at those wages.

Senator HARRIS. Good. That was added in the House, was it?

Mr. Rosow. Yes.

Senator HARRIS. Well, that's good.

Secretary FINCH. And also in the material given to you, Senator, we have the percent of AFDC mothers who work, broken down into full time, part time, professional, clerical, and so on.

(Material supplied for the record at this point follows:)

PERCENT OF AFDC MOTHERS WHO WORK BY SELECTED CHARACTERISTICS¹

Characteristic	Percent of total who work		
	Total	Full time	Part time
Total	15.5	7.5	8.0
By race			
White	12.5	6.0	6.5
Nonwhite	18.8	9.1	9.7
Presence of children			
Under 6	13.2	7.0	6.2
None under 6	19.5	3.4	11.1
By education			
0 to 8 years	15.0	6.0	9.0
9 to 11 years	15.2	7.9	7.3
12 years	19.8	11.6	8.8
13 plus years	22.2	14.0	9.2
By length of time continuously on AFDC rolls			
0 to 1 year	14.9	7.7	7.2
1 to 2 years	15.8	8.5	7.3
2 to 3 years	15.8	7.9	7.5
3 to 4 years	10.9	5.2	5.7
4 or more	16.1	6.7	9.4
By usual occupation:			
Professional, semiprofessional, proprietors, etc.	30.6	18.0	12.6
Clerical, sales, and kindred workers	22.0	14.1	7.9
Craftsmen, foremen, and kindred workers	25.0	14.0	11.0
Farmers	17.6	3.8	13.8
Operatives and kindred semiskilled and skilled workers	18.1	13.3	4.8
Service workers, except private household	24.9	14.5	10.4
Private household service workers	31.6	8.5	23.1
Unskilled laborers	11.2	5.3	5.9
Never employed or work experience unknown	.8	.3	.5

¹ Excludes mothers in AFDC UF cases.
Source: 1967 AFDC Characteristic Survey (figures were derived from data not completely edited. Final results are not likely to show significant differences.)

USUAL OCCUPATION OF AFDC MOTHERS BY EDUCATION PERCENT DISTRIBUTION

Usual occupation	Total	By years of education			
		0 8	9 11	12	13 plus
Professionni, semiprofessional, proprietors, etc.	1.0	0.2	0.6	2.3	12.4
Clerical, sales, and kindred workers	9.6	1.5	9.7	28.8	33.9
Craftsmen, foremen, and kindred workers	6.6	3	6	1.0	.9
Farming	4.1	8.6	1.8	7	.5
Operations and kindred semiskilled and skilled workers	7.4	5.5	8.5	8.8	7.4
Service workers, except private household	19.2	15.1	24.9	23.5	17.4
Private household service workers	14.1	18.0	13.7	9.0	6.2
Unskilled laborers	12.7	13.6	13.6	8.5	4.7
Never employed or work experience unknown	31.4	37.2	27.2	17.3	16.6
Total	100.0	100.0	100.0	100.0	100.0

Source: 1967 AFDC Characteristics Survey. (Figures were derived from data that has not been completely edited. Differences from final version are likely to be insignificant.)

USUAL OCCUPATION OF WORKING AFDC MOTHERS (PERCENT DISTRIBUTION)

Occupation	Working mothers	
	Full time	Part time
Professional, semiprofessional, proprietors, and so forth	2.4	1.6
Clerical, sales, and kindred workers	18.0	9.5
Craftsmen, foremen, and kindred workers	1.0	.8
Farming	2.0	6.9
Operations and kindred semiskilled and skilled workers	13.1	4.4
Service workers, except private household	37.2	24.9
Private household service workers	16.0	40.6
Unskilled laborers	9.1	9.4
Never employed or work experience unknown	1.2	1.9
Total	100.0	100.0

Source: 1967 AFDC Characteristics Survey. (Figures were derived from data that has not been completely edited. Differences from final version are likely to be insignificant.)

Senator HARRIS. Do you really believe that you will get more volunteers than you can take care of in child care and in jobs and in training?

Secretary FINCH. When you say volunteers—

Senator HARRIS. I mean based upon our own history and based upon the survey of women who have children and who work.

Secretary FINCH. The demand in the past has always exceeded the capability, and I think we have reason to believe that we will—

Senator HARRIS. That is exactly my question. Why, then, do we go through what is a very demeaning kind of thing, and, I suppose, is the only thing like it in our society generally, and require mothers with school-age children to work? Are we so sure about the effects of that in our society? Might we not be producing a side effect that we won't like?

Mr. ROSOW. I would like to address myself to that, because I have taken a lot of criticism about that in the general public during the months that this has been under discussion and review. And we have given a lot of careful thought to it.

As Secretary Finch has said, I think in the first case there is really a question of simple equity. Many mothers in our society have elected to work out of sheer economic necessity, not because they are career women or want to seek fulfillment in employment, but because they have school-age children in the category 6 to 17, and must either contribute to the family support or cannot survive without working.

As Secretary Finch said, 68 percent of these women in the nonwelfare population are working today. And they do not have any aid from the State in terms of child-care facilities; they are entirely self-supporting.

These people are taxpayers and see themselves struggling to exist, and they see other people in the society fully supported or supported to a degree at various levels in different States and not working. They see this as an inequitable relationship.

Apropos of your question, Senator Harris, about whether people want to work, and therefore can make the transition, an in-depth study in Baltimore found that inner city mothers had a stronger desire to work than mothers of the type I mentioned who have husbands working and are not on welfare. They are not working and part of the reason is that they cannot make the transition on their own; they need some assistance, encouragement, facilities, the type of thing we provide in the employability teams under the WIN program where five people sit around the table with this person and solve the various problems that are impediments to work.

Many of these people are really afraid to go out in the world to work because they think that they are going to fail or that they are unwanted or they have no skills or it has been many years since they last held a job, or they have worked at jobs that did not work out.

So insofar as your question about training is concerned, we feel in the Department of Labor that we have, since 1962 with passage of the Manpower Training and Development Act, put into place a very elaborate and extended series of training programs.

We have been in the learning, growing process here, and this entire background of manpower training is available for the volunteer mothers. We are not limited to the 150,000 spaces and the 75,000 upgrading spaces. They are incremental to the in-place program of about 1.2 million training opportunities.

And since most of these people, by definition, would qualify immediately as disadvantaged persons, we would tend to regear our programs to take them in.

In fact, the manpower programs trained about 200,000 public assistance persons in fiscal year 1969 alone and with considerable success.

So that it is quite conceivable, depending on how well the transition from welfare to work actually operates, that we may have a situation where a 30 or 40 percent or even half of all our manpower programs will be applied to these persons.

Senator Harris. I appreciate your answer, and I think the goal is a laudable one, but it isn't responsive to what I meant to ask, which is: Why, then, make it mandatory for this particular class of mothers? Do we know that much about whether society's properly served by this kind of requirement? Motivation and attitude, as you have indicated, are very important if a person is going to move into the work force and to go through a training program.

And do we know, for example, the effect of making it mandatory rather than voluntary?

MOTHERS WHO VOLUNTEER NOT GIVEN HIGHER PRIORITY THAN MOTHERS MANDATED TO REGISTER

May I just say this last thing on the same question: How would you determine which one would get priority for the limited number of

slots, child-care positions and training positions, and so forth—those who volunteer or those who are required to go to work?

Mr. Rosow. Well, the House Ways and Means Committee had indicated that it would prefer the administration to treat volunteers in the same category of priority as those who had been mandated to register. So that would mean—

Senator HARRIS. You mean not to—what was the choice? I mean, as opposed to what?

Mr. Rosow. Well, in fact, we have been silent on the question of the treatment of volunteers, although our implicit intent was to treat them with the same priority as any other mother who was registered. If two women came in, one who volunteered and one who was registered because her children were school age, and the conditions were favorable for both—let's say the one who registered had only one child under age six. She was able bodied and the child was four or five years old and an adequate day care center was available. She would be treated just like the mother who might have a child 10 in school. That is the intent here.

So we would be flexible with regard to both.

Now, in looking at the employment potential of adults, we separated out certain categories.

For example, we have said if a person is over 49 years of age, they would have a more limited employment potential than a person in the younger age groups. If a person is disabled or had any physical impairment, we would consider them limited in employment potential. If they had less than 4 years of schooling, we say they are limited. If they had more, we would say they have a potential. If a mother has two or three preschool children, we would put her in a lower category—even if she volunteered—because there are impediments to her working and there are impediments to the social structure taking care of her children.

If the person is between the age of 16 and 21 and in school full-time, he is exempted by the law.

So these are the sort of criteria that we used in defining the priorities and potential for work.

Senator HARRIS. Then if there were three volunteer mothers and three who were required to report for work or training, making a total of six, three of each category, and you had four positions—that is, you were able to only produce child care and jobs or training for four, you would take two from each category?

Mr. Rosow. No. It might be that all three would be volunteers and one would be of the registered group. It would depend on the mix. There would not be any attempt to balance between the two.

The objective of the law is not to be punitive but, rather, to have the persons covered under the Family Assistance Program accept some responsibility that goes with the rights that are being legislated in this bill.

But the objective will be to work on those who have the greatest opportunity to succeed in training or work.

If we had 10 volunteers and had a hundred registered, and the 10 volunteers had the best chance of making it, we would work on them first and then get to the registrants because we are interested in the total.

Senator HARRIS. Right. I want to turn to Senator Fannin, but let me just finish on that one point, then. You wouldn't distinguish between the two except to the degree that they had a better chance of making it, as I understand it, regardless of what category they were in.

But isn't it a fact that the administrators of WIN would tell you that mandatory referrals don't work out very well?

Mr. Rosow. Senator Harris, I think the problem here has been with the present law, and we have referred to this before, and the Secretary referred to it in his testimony. This phrase of "An appropriate person" which is the present language has allowed the judgment as to who should be referred to the Welfare Department. And there have been widely varying, standards, and moral judgments involved here, from 97-percent referrals in Utah to 3½-percent referrals in New York City, and that has been the basic kind of problem.

This situation in WIN is improving. The employment service, the State welfare people, have become more oriented toward trying to make the program work, and so forth. So I think that is really the crucial thing in our view.

Senator HARRIS. Senator Fannin?

IMPACT OF FOREIGN COMPETITION ON JOB MARKET

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Secretary, I appreciate this opportunity to be with you today, to have you with us, and I certainly agree that we all have the same goals, although I am vitally concerned about some of the information pertaining to this particular bill.

I had one of my staff members brief me on what happened this morning. But my great concern is what we are going to do about jobs. I know that some of your statistical information may indicate that we are going to have those jobs, but I have many of the manufacturers coming to me and talking to me about what is happening to their employees, where they are forced to go over-seas and establish plants.

Just one reference. I had one of the men who has been talking to the Secretary of Commerce, Secretary Stans, and also to Secretary of Labor Shultz regarding his particular problem, he says to compete he is forced to go to Taiwan to open a plant. This is the electronics industry. And in 1971 when that plant comes on-stream, 30 percent of the employees in many of his plants in the United States will be out of work.

Now, if we have very much of that—and I think we are going to have it, unfortunately—what are we going to do to assure these people of jobs?

Secretary FINCH. I think this more appropriately comes under Labor.

Senator FANNIN. All right. Fine.

Secretary FINCH. We will speak to the welfare aspects of it.

Senator FANNIN. I think it all ties together.

Secretary FINCH. It is tied together.

Senator FANNIN. Yes.

Mr. Rosow. As you know, Senator Fannin, this program tends to rely very heavily on the private sector, and the situation that you

have just described is typical of the type of adjustment that occurs where foreign competition or any other factor of competition is raising unemployment, reducing sales or pressing down on that sector, and it has had an uneven effect in different industries and different towns, as you indicate.

Now, recognizing that, we have looked at the general labor market situation in analyzing the program. The Bureau of Labor Statistics points out that there are an average of 2 million job openings that will be created in the economy on an average each year in the fields of clerical, sales, service, and operative occupations, the types of occupations that the WIN people in fact, have been referred to and have successfully made some labor force connection.

Senator FANNIN. Yes, Well, of course, now we realize that there is not a service job available unless there are several manufacturing or production jobs available, or agriculture or whatever it might be.

In other words, I can recall that we utilized a figure for every 100 jobs in manufacturing or agriculture, whatever it might be, that would be jobs in basic industry, we would have perhaps eight to 10 jobs in service industries, and so you are talking about service industry jobs that will not be forthcoming unless we can hold these jobs in manufacturing, agriculture, and all the rest.

I have watched and have been studying it as to what can be done, and I think that you not only in the Welfare Department but in the Labor Department, especially, must take a look at what is happening from the standpoint of what we can do to hold these jobs in America—countervailing duties, anti-dumping laws, a change in the administration of tariffs laws.

I mean, we are not competitive in very many industries today—certainly not in the electronics industry. You could just name them down the line, whether you want to talk about bicycles, motoreycles, automobiles. The aircraft industry is about the only industry in which we are still competitive.

So I think when we talk about this program we better consider what is happening in other areas or we are not going to be able to do what we are discussing.

Now, I had the privilege of visiting one of the work centers, one of the training centers in Phoenix just this week and I was very impressed with what they are doing. But then I started talking about, well, where are they going to have jobs?

Just last week they were laying off in our plants there, people that probably were the last ones on so they are the first ones off. And I know in this example I gave where 30 percent of the jobs would be discarded, unfortunately—and this gentleman—has been in touch with Secretary Shultz, he is associated with Secretary Shultz so he has brought this to his attention, that most of these people are being laid off—in the 30-percent group, about 70 percent of them will be people who have been employed through training programs, and they have

spent millions of dollars, both Government money and their own money, training these people, and years of work, and now they are out of a job.

Now, I just think we have to get our different groups together or we are going to be in trouble.

One problem we have and, of course, we are facing it now with the strikes and with the demand for increased wages when we are not even competitive at the present time—unless we can increase productivity, we cannot increase these wages.

PAYMENT OF BENEFITS TO STRIKERS UNDER THE BILL

Now, H.R. 16311 provides that recipients cannot be required to take a job which is vacant because of a labor dispute. Does this mean that a family—that family assistance payments and State supplemental payments would be paid to workers on strike?

Mr. Rosow. No, it wouldn't pay the workers on strike, because they would not be referred to a job in a plant that is on strike. They would not, in effect, be used as strikebreakers. That is present labor law.

Senator FANNIN. Well, there are several—I realize that, but I don't know exactly what you are going to do. In other words, when you are talking about someone not being guaranteed a job—that is the way we talk about it, guaranteeing a job—I just wonder what is going to happen to those jobs when they are at work and there is a strike. What is the result? What happens? They are taken off, then? What do they do, go back on welfare?

Mr. Rosow. If they go on strike?

Senator FANNIN. Yes.

Mr. Rosow. Well, it is not anticipated that they would go on strike and go on welfare.

Senator FANNIN. I know it is not anticipated, but is it possible? Would they be eligible?

Mr. Rosow. Well, first of all, they might be receiving strike benefits from the union. Secondly, many of these people, as you know, who go on strike tend to get part-time employment or secondary types of employment to finance them while they are on strike.

Thirdly, many of them could not qualify because they could not pass the assets or income tests; in other words their income in the preceding year, and their estimate for the next quarter would rule them out. Because the strike is temporary in duration, they could not say: I have no income anticipated for the whole year because we went out on strike in March and I don't expect to work any more.

So I think that most of them would be disqualified out of hand in terms of the criteria that are in the legislation.

Senator FANNIN. Well, we talk about the term of the strike. You know, we had an eight and a half month strike in Arizona in the copper industry. Well, it was all over the Nation— and so I am vitally

concerned about this, because we have many people that I think can be placed in the mining industry but I would be concerned about what would happen, because this is a serious problem.

PAYMENT OF WELFARE BENEFITS TO PERSONS CONVICTED OF RIOTING

Now, shifting over, would you recommend the loss of welfare eligibility for any person convicted of rioting or similar crimes, after the effective date of this bill?

Mr. Rosow. It would depend, in relation to that specific question, what their status was. If they were under prosecution or incarcerated, of course, they are not available for work, and if they cannot meet the work availability test, they are not eligible for benefits.

Senator FANNIN. Well, now, I think, Mr. Secretary, perhaps you could answer that. It is more in your jurisdiction.

Secretary FISCH. Well, first of all, the obvious impediment that Mr. Rosow referred to would be present.

Secondly, if the person was not incarcerated and otherwise met the criteria, he would not be precluded by virtue of any activity until he had been convicted of a crime, of course.

Senator FANNIN. My pattern of questions is from the standpoint that I am very much in agreement with trying to do something about these very serious problems. We have our cost of production increasing tremendously because of the strike, because of the disturbances that do occur, and I feel that it is just imperative that we solve that problem.

That is the reason for my questioning in that regard, because I am just so concerned about what is happening and I just hope we can work together to overcome some of these other problems, such as the factories moving out of this country, giving them incentives.

I offered an amendment on our tax reform bill, but I was not able to get it through, to try to give a company operating here, operating in the United States, the same tax benefits that we give a company that is operating on foreign soil, and I could not even get that through.

So my whole objective is to try to provide more jobs in this country, but we are going the other way.

Secretary FISCH. I think two thrusts have come through in the last 2 days, today and yesterday, Senator.

We cannot consider this welfare problem without regard to the general problem that you are describing, and of course we have to take into account the other programs—city, county, and State, and we have to put them in the larger context.

Senator FANNIN. Well, Mr. Secretary, I am very pleased to hear you say that, because if we do have it in this narrow context that we are going to perform a certain service and we are going to be able to accomplish these objectives that we all have, I think it would be a false premise and we could mislead many, many people.

Secretary FISCH. I agree.

Senator FANNIN. And I was concerned about that. As I went through the training center I thought about, well, here are these people. They are working now to achieve the ability to perform jobs which they think will be available to them. And then here we are with people being laid off that have been in these training programs before.

So, naturally, under these conditions we would not have work for them.

BENEFITS UNDER BILL BASED ON ESTIMATED RATHER THAN ACTUAL INCOME

Now, on another vein, why does H.R. 16311 provide for benefit amounts to be based on the families' quarterly income as estimated by the Secretary? Wouldn't it make more sense for the family's actual income to be the determining factor as is, for example, the case with the retirement test under social security?

Secretary FINCH. We have a more stable situation in social security. From an administrative standpoint, the Department thought, it was easier to monitor the income on a quarterly basis rather than using another time frame. We are willing to discuss the question, of course.

Senator FANNIN. In other words, you are not solid on that?

Secretary FINCH. No.

SECRETARY'S DISCRETION UNDER BILL TO ESTABLISH BENEFIT AMOUNTS FOR RANGES OF INCOME

Senator FANNIN. The bill states that the Secretary may by regulation establish ranges of income within which a single amount of family assistance benefit shall apply. Wouldn't this permit you to pay the same benefit to a family with income of \$1,000 as to a family with no income?

Mr. PATRICELLI. Senator, that provision was put in specifically so that we might, if administratively it appeared to be preferable, use the kind of mechanism that is used in the veterans program. There the steps or ranges of income involved are \$100 steps. The theory was if someone's income was changing only by a hundred dollars a year, rather than having to undergo the administrative expense of recalculating for a few cents, we would be permitted to maintain the same benefit anywhere within that hundred. We were not considering anywhere near so harsh a thing as thousand-dollar steps.

Senator FANNIN. I see.

Mr. VENEMAN. Senator, I think we should also clarify one other thing.

It is my understanding that under Social Security the benefit payment is based on the annual estimated income at the beginning of the year and then adjusted on the basis of actual income. So you do have an adjustment period.

Senator FANNIN. You think it will average out, then?

Mr. VENEMAN. Well, we based it on what the person thinks he is going to earn. You pay the benefit on that basis, and you would adjust it according to actual earnings.

PURCHASE OF COLOR TELEVISION TO AVOID RESOURCES LIMITATION
UNDER BILL

Senator FANNIN. The bill requires you to exclude from consideration as resources assistance an applicant's "Household goods and personal effects". Wouldn't this mean that it would be to the advantage of a family with savings of more than \$1,500 to spend money on such things as color television sets or expensive furniture to reduce their sources—their resources to the \$1,500 limit so they can get on welfare?

Secretary FINCH. That is the present law. This is another reason why we decided to have a quarterly review—to avoid, or at least better monitor, the situation where a family might be inclined to indulge in that sort of practice. As it is, we can get an average over a period of time and pick up any distortions that would result from that kind of activity.

SECRETARY'S WAIVER AUTHORITY UNDER RESEARCH SECTION OF BILL

Senator FANNIN. Well, in the research authority under the bill, you are permitted to waive any requirements, as I understand, or limitations with respect to eligibility for an amount of family assistance as you determine appropriate. Wouldn't this authority perhaps permit you to establish a guaranteed minimum income program within a community with a \$1,000 guarantee for a family of four?

In other words, I am trying to just analyze this so that I fully understand what would take place.

Secretary FINCH. Well, it is not a guaranteed income program. As long as you are including only what we call the family unit—I mean a group with children, or a child, and you have a work requirement, then the term "guaranteed annual income" just does not apply. The program does not include all citizens. It does not include the single. It does not include the childless couple, and it does not include the ones who won't work.

Senator FANNIN. Well, I just want to repeat the great concern I have, more important than anything else, is that we combine your work with the work of other departments. And I am very pleased that some of the other departments are represented here today because I just am very skeptical that we can carry this through and succeed unless we can save some of these jobs that are leaving this country.

And the ones, as I said, that are leaving, are the ones that these people can work at and handle without extensive training.

MINIMUM WAGE FOR EMPLOYMENT

Mr. Chairman, thank you.

Senator HARRIS. Back to a question I asked earlier about the minimum wage. I thought I understood what was said about the minimum

wage, but apparently I did not, according to what a staff member tells me. It is what I originally thought, that if the job to which a person is referred, is not now covered by a minimum wage, then a minimum wage would not have to be paid; is that correct?

Mr. Rosow. That is my understanding, Senator.

Senator HARRIS. Yes.

Mr. Rosow. I thought you might have misunderstood—

Senator HARRIS. I did—

Mr. Rosow (continuing). When you said it covered your objective. It covered it in part. And the other part about prevailing wages, it is conceivable that the prevailing wage is less, particularly in the South.

Senator HARRIS. Do you know whether picking cotton is covered by any minimum wage?

Mr. Rosow. It depends on the State.

Senator HARRIS. Is it covered by a Federal minimum wage?

Mr. GUTTMAN. Yes, Senator. It depends on the number of man days of hired labor used by the farmer, 500 man days a quarter. So it would depend on the size of the farm.

Senator HARRIS. But if it were a small enough farm there wouldn't be any minimum wage for picking cotton?

Mr. GUTTMAN. That is right. It is the size of the farm which determines coverage. Small farms are exempt.

REQUIRING PERSONS UNDER THE BILL TO ACCEPT WORK AT LESS THAN
MINIMUM WAGE

Senator HARRIS. Then is it possible under this bill that a mother with school-age children could be required to take a job picking cotton, for which a minimum wage was not paid?

Mr. GUTTMAN. Yes, Senator, if that were the available work.

Mr. VENEMAN. I think also it would depend upon whether or not there was a State law. In some States where there is an agricultural exemption from the Federal minimum wage requirement the State does, nevertheless, cover women and minors under State minimum wage requirements.

Senator HARRIS. But I mean it is possible that that could happen under this?

Mr. Rosow. Yes.

Senator HARRIS. In my own State one time the county commissioners who administer the free commodities program decided during the cotton-picking season to stop it and refused to give out free commodities, no matter how needy people were, because they said this kind of program keeps us from getting cotton pickers.

That is why I asked you that. I think it is far more than theoretical. I just wonder if you have any response to that?

Secretary FINCH. Well, I think it is covered in this bill under section 448, part (b), which says that:

No family shall be denied benefits under this part . . . if the wages, hours, or other terms or conditions of the work offered are contrary to or less than those prescribed by Federal, State, or local law, or are substantially less favorable to the individual than those prevailing for similar work in the locality.

That is as far as the bill reaches, Senator.

Senator HARRIS. Well, of course, I don't think that is far enough, as you know.

MANDATORY WORK REQUIREMENT

Now, back to the question of requiring work. I call your attention to an evaluation of the work incentive program made by Auerbach Corporation of Philadelphia, Pa., dated January 29, 1970, this year, and submitted to the Committee on Ways and Means.

Without objection, at some point in the record, this entire report will be included, but I will just read to you some very brief excerpts and ask you to comment.

(The complete report appears in this hearing as appendix A, page 383.)

Auerbach Corporation, which I understand is the official evaluator of the department, said this about the present WIN program:

Unless mothers can be employed in positions paying substantial wages, either the cost of AFDC-related services will increase as a result of WIN, or the net useful income of the mother will decrease, or the program will have to be limited to mothers who can find their own child care at little cost.

Another problem is that WIN calls for compulsory participation of mothers. This requirement has provoked such consternation among welfare rights representatives, union leaders, and others, that the program began in an atmosphere of distrust despite the fact that:

Far more volunteers exist than slots.

Essential services, child care in particular, simply do not exist in many areas.

The punitive provisions of the legislation are largely unenforceable.

A third incongruity involves the job situation. Although the WIN concept is built around jobs for welfare recipients, there has been little investigation of the labor market to determine exactly where and how jobs can be obtained, and how many jobs are actually available or likely to become available for WIN enrollees. Now that the program is underway, there is a growing feeling among local WIN staff that many participants, women in particular, will not obtain jobs in the already tightly restricted labor market existing in many communities.

At another place the same report says: "The staffs could not handle the volume of traffic."

I wonder if you have any comment on whether those objections will be met under the FAP program which you are recommending.

Mr. Rosow. Well, the Auerbach Corp. which has a contract with the Department of Labor was invited to testify in executive session before the committee on the comments you read, Senator Harris. And in addition, the chairman invited Employment Service and Welfare State directors from eight States to testify about the WIN program from their close observation.

Almost unanimously they stated that the WIN program, in their view, was the most promising manpower program that has come along since 1962, and urged the committee to look with favor on the possibility of this program working to achieve the objectives of this bill.

It is true that some of the problems you state exist, and there are other problems. In fact, after hearing the testimony in the executive session we prepared an analysis of the six problem areas under WIN that were identified by the State representatives and the Auerbach people and how the Family Assistance Act would in effect offset or put aside those problems.

I will be glad to submit that chart for the record.

(The chart referred to follows:)

FAP WOULD IMPROVE ON WIN IN SIX IMPORTANT AREAS

44-557-70-01, 1-22

Problem Areas in WIN

Provisions of WIN

Provisions of FAP

1. Incentives for training are too low.
2. The Employment Service cannot directly help enrollees meet personal expenses related to training.
3. The requirement for substantial State dollar contributions is a major impediment.
4. The "referral" relationship between welfare and employment agencies is too discretionary and variable, resulting in gaps and lax enforcement.
5. Dual agency responsibility and guidelines create confusion and conflict.
6. The lack of adequate child care is a major barrier to training and employment.

Trainees receive a maximum of \$30 a month in addition to their welfare payment. [SSA Sec. 434]

Expenses attributable to training are taken into account by the State welfare agencies in determining need. [SSA Sec. 402(a)(18)(D)(ii)]

Federal assistance for training is limited to 80%, for child care to 75%. [SSA Secs. 435(a) and 403(a)(3)(A)]

Welfare agencies refer "appropriate" individuals, as interpreted and determined by each State agency.

Procedures for disqualification, for example, provide that both Labor and State Welfare agencies make related, but possibly differing, determinations. [SSA Sec. 402(a)(19)(F)]

State welfare agencies provide for child care services; 25% matching is required. [SSA Sec. 403(a)(3)(A)]

Trainees would receive a minimum of \$30 additional per month, but where the manpower training payment exceeds the FAA payment plus this \$30, the family would receive the difference between the two. [FAA Sec. 432(a)(1)]

The Secretary of Labor would make payments directly to trainees to cover their training costs. [FAA Sec. 432(a)(2)]

The matching formula would be 90-10 for training, and 100% federal for child care. [FAA Secs. 435 and 436]

The statute would require that every adult, able-bodied member of a family receiving assistance *must* register for work or training. The only exceptions are clearly specified in the bill. [FAA Sec. 447]

Responsibilities are clearly delineated with respect to registration, training and work, with no second-guessing; a separate appropriation is provided for the Secretary of Labor. [FAA Secs. 447, 448, and 435]

The burden of State matching would be eliminated; authority is flexible with respect to who provides the service and what form it takes, and includes renovation; child care continues for those who enter employment. [FAA Secs. 436 and 443(b)(3)]

Source: Department of Labor.

Mr. Rosow. They deal with things like incentives for training, the ability of the employment service to assist in training expenses, the question of child care support, which now involves 25 percent State matching, which is a major impediment, as Secretary Finch said yesterday; the fact that the child care funds funnel through the welfare organization, which does not make for flexibility of use; the fact that the WIN program is young and has had a problem digesting so much registration and maximum enrollment in a very brief period of time; the fact that referral has been quite uneven among the States. The critical problem of the dual agency responsibility between HEW and Labor with regard to this term "appropriate person" which is now cleared up in the bill so that registration is clean and clear and not a matter of judgment is critical because in that step itself there will be a clear commitment to deal with the people. It will not be a question of achieving enrollments.

They will be enrolled. It will be a question of providing the work training, the jobs, and the child care. And to a large extent the burden will be placed on the States to perform and on the administration to perform in these areas.

So I think the Family Assistance Act seeks to eliminate some of the existing legislative inadequacies in the 1967 WIN amendments.

QUESTION OF ABILITY TO EXPAND CHILD CARE TO THE EXTENT PROPOSED UNDER THE BILL

Senator HARRIS. If that is so, given the present number of child care positions, how will you gear up now the several million, I suppose, applicants that you are going to have now?

Mr. Rosow. The present 1967 WIN amendments make no distinction, in fact, between mothers with young children and mothers with school-age children. The law merely refers to "appropriate person" and it is left to the discretion of the welfare organization to make that decision and that is why, in fact, some of the so-called volunteers are persons with young children who were referred by the welfare officer.

The Family Assistance Act clearly exempts all mothers with young children at a time when they are needed full time in the home.

Now, with regard to those mothers with children 6 to 17 years of age, it is quite conceivable, again in terms of our priorities, that a large number of those mothers will have children who will not require what we characteristically think of as child care. They are children who are preadolescent, and adolescent, and are really self-sufficient. They may require some recreational facilities or part-time programs, but that mother would have more freedom to enter a training program or take a job than one with a very young child. The problem will exist, of course, in let's say the age group of 6 to 12, somewhere in there, and it will really be a problem, as Secretary Finch said, of getting more program into place during the 1-year leadtime which this bill would provide.

In other words, funds would be provided on the day of enactment of the legislation prior to the registration program, which will take

place in July 1971. But it is very likely—and I think your point is very valid—that child care facilities will not, in fact, be in place all over the country in a smooth and efficient manner to assure that all the persons who have registered who have children are ready and willing and able to go into jobs.

There will be lags and inefficiencies and unevenness in this process, and in itself it will place the burden and a demand on us to perform.

Senator HARRIS. Do you believe that in the first year you will be able to provide work or training and child care for every person who is required to go into a work or training program and for every person who volunteers?

Mr. Rosow. I don't think we could categorically say yes to all of those questions. I think that we will have work referral for some people who will not have young children, where it will be easier. It is possible, under the bill for the mother to purchase child care, and that is being done to a large extent now, and that is treated as an income disregard.

In other words, it is financed rather than subsidized, in effect. And I think we can expect a lot of that to take place in the absence of facilities being available. We have got entry for the private sector to come in. We have authority for the Secretary of HEW to contract directly with school boards to try to overcome the problem of construction and to use facilities that are in place.

So, I think that many of the aspects of the program look optimistic, but it would be difficult to make a universal commitment.

Senator HARRIS. You just don't know, then?

Mr. Rosow. Yes; a large proportion of the answer is yes, but in the totality of the—

Senator HARRIS. Do you know how many mothers of preschool children or how many mothers of school-age children have been referred under the present program?

Mr. Rosow. Yes, sir; I can't give you the breakdown by the age of the children.

Senator HARRIS. The law doesn't discriminate now?

Mr. Rosow. But we have, in fact, enrolled up to, I think February of this year, 138,000 persons under the WIN program. Now, that includes males as well as females. And we have placed in active employment around 22,000 of these people. We have, of course, some problems in any program of this type of dropouts, of people who couldn't compete, who have illness or personal reasons for being—

Senator HARRIS. But how many of those were mothers with children?

Mr. Rosow. Of the 138,000, I think about 60 percent are women.

Senator HARRIS. Do we really know?

Mr. Rosow. Yes, we have a record on the computer; 60 percent are female and 40 percent are male in this program. We have a breakdown by age, race, education, labor force status when they entered, and other critical facts.

Senator HARRIS. You don't know how many of those, of course—

Mr. Rosow. We don't know how many have children in each age bracket.

Senator HARRIS. That is right. Then, we don't know how many would be required to register if the law were as it is recommended.

Mr. ROSOW. No, but we know, as we said earlier, Senator Harris, that 500,000 women would be required to register who are in the category of having children age 6 to 17.

Senator HARRIS. Right.

Secretary FINCH. And that goes to the first question you raised at the opening of this session. We would hope to have this data tomorrow. We think what we will have is not an optimum experience, but what is achievable, trying to work with the best information that the Department has.*

PRESENT AVAILABILITY OF DAY CARE

Senator HARRIS. Do we have any way to know how many qualified day care slots there are now available in each State? Have we been able to determine the extent to which personnel qualified to provide the kind of day care required is available in the States?

Mr. PATRICELLI. Senator, we do not have the day care capacity of the country, by State. We could give you a nationwide figure of 11,700 licensed or approved day care centers or family day care homes which have a capacity of some 438,000 children—

Senator HARRIS. How do you know that?

Mr. GRANATO. That is the latest official survey, made in 1968. We estimate—

Senator HARRIS. Who made the survey?

Mr. GRANATO. The Children's Bureau in HEW made the survey.

Senator HARRIS. How many of those are vacant and would be available for this program?

Mr. GRANATO. There is no actual fiscal estimate, but our experience in the past has been that the majority of these slots are full.

Senator HARRIS. So, I mean what makes us think, then, that all this child care we are talking about is deliverable? How do we know how many child care positions could be delivered in my home State of Oklahoma, for example?

Mr. GRANATO. I think there is no question but that there is going to have to be a program for resource expansion, or program expansion. Utilizing family day care homes, we could expand rapidly to provide care for children. I think that we can develop the resources. Whether we can meet the total need as rapidly as the referrals are made, I think we still need to answer.

Senator HARRIS. What about the trained people?

Mr. GRANATO. The bill calls for funds for training. We would prepare a plan for training professionals and AFDC recipients.

Senator HARRIS. Are such plans in being now?

Mr. GRANATO. Yes, there are.

Senator HARRIS. Are there?

Mr. GRANATO. The planning and outlining in terms of what we would do immediately is in the planning stage at this time. We are

*The material referred to appears on page 215.

estimating that we could begin with approximately 12 percent of the positions including welfare recipients and eventually hope to go to maybe 65—

Senator HARRIS. Don't you have authority under the existing law to do that with very few children actually being served with child care?

Mr. GRANATO. Yes.

CHILD CARE FOR WORKING MOTHERS ON WELFARE BUT NOT IN A TRAINING PROGRAM

Senator HARRIS. Under what provisions would AFDC mothers who work, but are not under a training program, be able to secure day care under this bill? Is there provision for that?

Mr. PATRICELLI. Senator, two things are relevant here.

First, as a woman moves into employment, or is employed full time for that matter, she can participate in these programs under a fee schedule approach. It is specified in the bill that the Secretary would pass on the amount of payment or the fee schedule that the woman would have to pay.

Moreover, the bill says that wherever day care would be necessary for an individual to continue or to enter full-time employment, it can be provided.

One of the problems here, of course, is do you want to undertake to provide fully governmentally subsidized day care for a large number of families who are already providing their own, or, in using scarce resources, are you trying to target in on those families which need the day care to get work in the first place. We have tried to strike a balance here.

ADEQUACY OF \$1,600 FLOOR FOR FAMILY OF FOUR

Senator HARRIS. Talking about scarce resources gets me to the next question which you, Mr. Secretary, talked about earlier, and that was the adequacy of the \$1,600 minimum income floor for a family of four. Congress could decide to do something differently and for example not approve ABM or SST, and with this savings raise the level of these payments. That is obviously true.

What about this? What is budgeted in President Nixon's budget for revenue sharing to the States for the year in question here, and couldn't that be foregone and added on to the level of income provided in this bill?

Secretary FINCH. The administration's commitment is very clear. It is a billion for the first full year, moving to 5 billion over a 5-year period. There has been no action by Ways and Means on that provision. I think they feel that it is a very important concept, and I see no disposition anywhere in the administration to alter that decision.

COST OF FOOD STAMP PROPOSALS

Senator HARRIS. What about the food stamps. We were looking earlier at the problems of patches, of services in lieu of money. Some

economists looking at the way we operate—whereby we provide services, health services and housing services, and so forth—said I wish money had been invented. Suppose, for example, the Congress decided instead of the expanded food stamp program to provide cash in the way of raising the minimum provided for in this bill. Have you figured out how much that would allow the floor to be raised?

As I understand it, for each hundred dollars it is \$400 million.

Secretary FINCH. That is approximately correct.

Senator HARRIS. What would be the cost of the food stamp program which is down here?

Mr. PATRICELLI. The President's proposal, and in fact the present food stamp schedule, I believe, is priced in fiscal year 1971 at about \$1.2 billion. If you substituted cash for the food stamps you could buy perhaps a \$300 increase in the basic payment.

Senator HARRIS. If that were done, it would eliminate one of the notch problems that we saw on the charts you presented this morning in response to what Senator Williams was asking. Would that be so?

Mr. PATRICELLI. If you were to repeal the food stamp law at the same time, yes.

Senator HARRIS. That is what I mean. And in place of that add the cash that would otherwise go for food stamps to the level provided in this bill. You would not then have that notch problem in regard at least to that item, is that so?

Secretary FINCH. That is correct.

DISCREPANCIES BETWEEN STATES

Senator HARRIS. Now, Mr. Secretary, you said in your statement that the present law is defective in that it is characterized by unjustifiable discrepancies between the states. Under the FAP program which you are recommending there would still be discrepancies between States, is that not so? There would not be any uniformity as to what a child is entitled to State by State, except for the minimum floor that the Federal Government guaranteed.

Secretary FINCH. Well; no. You would also have the additional factor of national eligibility standards, which would be a wholly new concept.

Senator HARRIS. I understand that is intellectually—

Secretary FINCH. Then, of course, it is up to the State legislatures, and also, where you have city and county programs, to the city and county, to decide how much they want to add to this base.

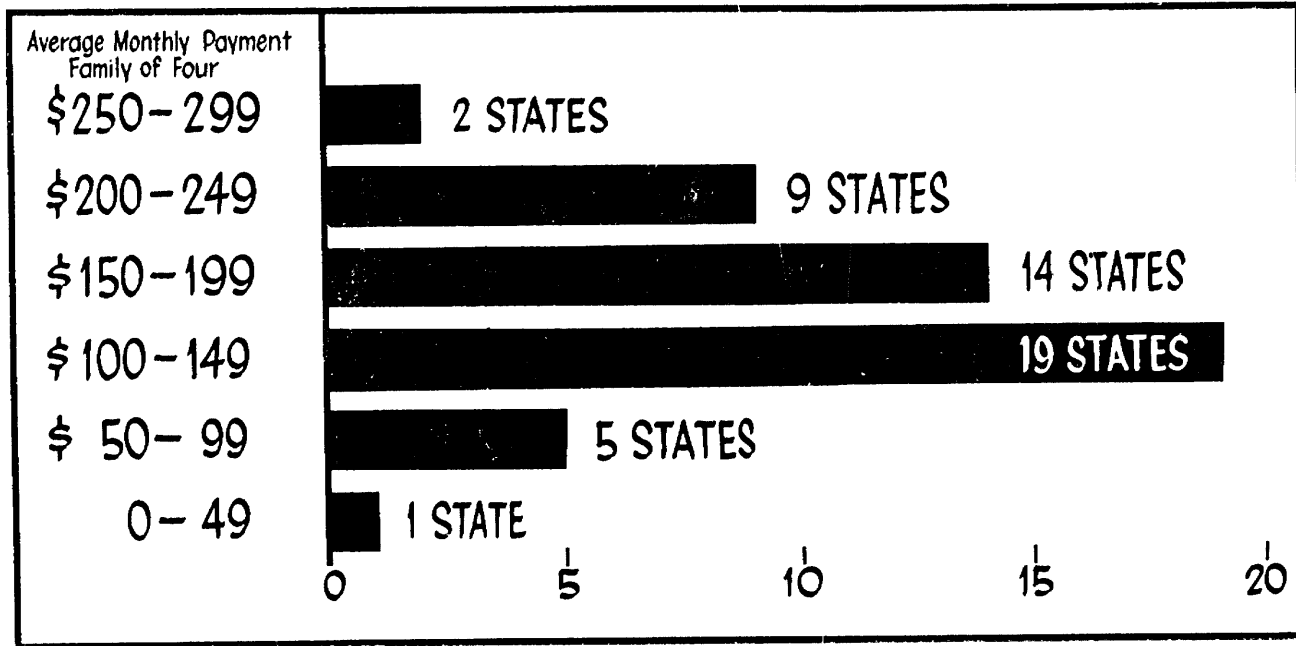
Senator HARRIS. I call your attention to the chart which you presented to the committee entitled "State Inequities," which shows that the States have average monthly payments of a family of four between \$250 and \$299. That one State is \$49 and that 19 States are between \$100 and \$149. In other words, that chart showed allowance payments vary greatly with each State.

Without objection, we will place that chart in the record again at this point.

(The chart referred to follows:)

STATE INEQUITIES

ALLOWANCE PAYMENTS VARY WITH EACH STATE



Senator HARRIS. Now, you would still have greatly varying payments by States under this present system, is not that so?

Secretary FINCH. Yes.

Senator HARRIS. President Nixon said at one point a child should not be worth more in one State than he is in another State and that was a major failing of the present system. That criticism of the present system would still lie once we had enacted the family assistance program, is not that so?

Secretary FINCH. We would have closed the gap enormously. Under family assistance the average would be \$133.

Senator HARRIS. Right.

Secretary FINCH. And then if you were to throw in the food stamp increment, the average would get up to somewhere around \$205.

LIMITING THE FEDERAL WELFARE OBLIGATION WHILE STATE BURDEN INCREASE

Senator HARRIS. You used as an argument for this program that it would for the first time limit the Federal obligation.

Secretary FINCH. That is correct.

Senator HARRIS. Is not that therefore quite likely to raise the obligation either of the State or the burden of the poor person?

Secretary FINCH. No. The inducement before was for States which had sufficient resources to increase their expenditures, and thereby take advantage of open ended Federal matching. California did this.

Senator HARRIS. I call your attention to chart No. 12 in the booklet entitled "Material Related to H.R. 16311," prepared by the Senate Finance Committee staff, a chart entitled "Federal and State Sharing in Cost of Benefits to Families," which indicates—and I do believe that there is question about this—that Federal costs would stay relatively constant rising only from \$4.7 billion in 1972 to \$4.9 billion in 1976, but that State costs, on the other hand, would increase from \$2.1 billion in 1972 to \$3.4 billion in 1978.*

Do you agree that this is so?

Secretary FINCH. Well, we cannot anticipate how the State legislators will react to savings we are picking up here, so that I can't stipulate that you would necessarily get this result. The States may decide to put some of their savings, assuming they got revenue-sharing involved as well—

Senator HARRIS. The staff tells me that that chart is based upon your own cost projections given to the House Ways and Means Committee.

Secretary FINCH. That is correct.

Senator HARRIS. That being so, since the Federal Government is going as you say for the first time to limit its contribution in the future, those costs you project yourself, isn't it obvious that they will either be borne by the State or the burden of the poor person will not be as greatly relieved as it is otherwise projected.

Mr. VENNEMAN. Senator, there are two things that we should take into consideration here. One of them is that the State costs under existing programs would rise as much or perhaps more than they would under Family Assistance. The other is that this chart relates

*The chart referred to appears at p. 131 of this hearing.

only to grant payments. The bill provides that the State could turn over the administrative costs to the Federal Government, and those administrative costs would be in addition to the Federal costs shown in the charts.

Another factor is that the Federal Government would pick up 100 percent of child-care costs, whereas now we pick up those costs on a 75-25 matching basis.

Senator HARRIS. Of course that is not being done.

Mr. VENEMAN. And the Government would pick up 90 percent—

Senator HARRIS. That does not really relieve the States much because, as you said, States would not be doing it very much anyway.

Mr. VENEMAN. It would relieve them if you had a massive program going.

Senator HARRIS. Well, I mean it still is the same thing, though. How can—

Mr. VENEMAN. The point I am making is that this is not the total program cost. This is only the grant-payment portion.

Senator HARRIS. Right. But isn't it rather inconsistent to say that we are going to limit our Federal contribution and keep it relatively constant knowing that population is going to go up and costs are going to go up, and so forth, and the projected costs of your own figures going up, and therefore the State will either have to take on more of that or the person will be less relieved of the burden of poverty, and at the same time recommend a revenue sharing program whereby we will give back some costs to the States?

Wouldn't it be just better to take this welfare burden off the back of the States and at the same time do a more uniform and humane job for the people involved? That it is an obvious choice anyway.

Secretary FICCH. As a matter of philosophy, I have to disagree. I just do not think the Federal Government or HEW ought to become totally involved there.

Senator HARRIS. Both of you have been of course in State government. I served 8 years in the State senate. Can you understand how a Governor or a State legislator could feel very strongly, as some have said to me, that under this program you are saying we are going to limit what we pay, and here is the problem, you fellas have got to take on more of it yourselves?

Mr. VENEMAN. But they would not be taking on as much as they are now.

Senator HARRIS. Well, I call your attention to your own projection of figures. You say costs are going to rise.

Mr. VENEMAN. That is correct.

Senator HARRIS. But you say the Federal share is not. So a State legislator or Governor looking at this program would think that the Federal Government estimated the cost is going up and it is protected by a limit, but we will just have to do the best we can.

Mr. PATRICELLI. We are sharing, Senator, in enlarged caseload costs with the States. And we are not limiting our contribution on an absolute basis. We would be paying 30 percent of whatever size supplemental program the State has, up to the poverty line. There is a sharing.

Senator HARRIS. Why do you estimate then that the costs in the next 4 years will only go up from 4.7 to 4.9 billion?

Mr. PATRICELLI. That segment at the bottom of the chart is composed of two factors. One is the cost of the working poor program, which as we said yesterday was estimated at 100 percent participation. With economic prosperity, we hope that by 1976, those costs would go down.

Senator HARRIS. What did you say, with economic prosperity?

Mr. VENEMAN. Yes, assuming that.

Mr. PATRICELLI. Assuming a continuing inflation in wages which in the working poor level is about 8 percent a year, there will be smaller and smaller family assistance payments. So that segment of the white area goes down. However, the portion of Federal costs relating to the 30 percent matching of the State supplemental was projected to go up at the same rate as the State costs themselves were projected to go up.

Mr. VENEMAN. See, that Federal portion has built into it, what is it, two billion that is built into that portion?

Mr. PATRICELLI. Yes.

Mr. VENEMAN. If you would take that out then you would see a little different growth pattern in there.

Senator HARRIS. Well, you can't have it both ways. You can't argue to a fellow who is more conservative than I am that this is a good deal because we are going to limit the Federal contribution for the first time and keep our Federal costs from going up in the future, as you state twice in your affirmative statement, and then convince me that it is a good deal for the States and the poor people at the same time.

Mr. VENEMAN. I think what we would have to do in order to make this chart actually reflect what will be happening would be to separate out the working poor portion of it for that 4-year period. Then I think you would see more of a corresponding increase of both Federal and State dollars.

Senator HARRIS. It is true, however, as the statement says that the Federal share is limited but the States' share—

Mr. VENEMAN. No, the Federal share in the existing categories is not limited. It is limited under family assistance only to the extent that we will pay 30 percent up to the poverty line.

Secretary FINCH. In other words, we would put a ceiling on Federal grants on a per case basis. That is the significance.

Senator HARRIS. Mr. Secretary, you say on page 5 of your statement:

Under the current system we have no control over the allocation of Federal resources. Each State establishes its own benefit levels and the Federal Government has an open-ended obligation to provide matching for these benefits. The result is not only a potentially unmanageable drain on Federal resources, but the creation of a system in which the Federal Government discriminates sharply in its treatment of equally needy families in different States. This is neither logical nor equitable.

I agree with that. I think that it is a good statement generally in so far as we are going to have to pay for it one way or another. I think it is very important that we understand that it is not a question of not making a payment or making some payment. It is going to cost us either way.

But at another point in the statement you say that this means that for the first time the Federal share will be limited—on page 16 you state:

It is important to note that this poverty line limit for Federal matching puts, for the first time, a limit on the Federal welfare commitment.

That is correct, I take it.

Mr. PATRICELLI. It is correct as to benefits per family. We think it is desirable to put a ceiling on the Federal contribution toward hitherto unlimited benefit levels. But, as the Secretary says, we are proposing to match 30 percent on a case by case basis regardless of the number of cases. We think you can make a distinction between the number of cases and the amount per case.

Senator HARRIS. Right, I understand. So if that level is to be superseded then the State will pay for it or the person will not get that extra funding.

Mr. VENEMAN. Over the poverty line, it would be 100-percent State funds.

REDUCTION IN INCOME OF SOME WORKING PERSONS UNDER THE BILL

Senator HARRIS. All right. I call your attention to charts 5, 6, and 7^a of the committee material.

It has been said by Senator Ribicoff and others that we are embarking upon a very new and, some have said, exciting new concept with a minimum Federal income floor. What worries me is the fact that what is intellectually stimulating to some of us may not be as good as more money for those who need it. And I notice, if the chart for State A is correct, that a family of four headed by a mother with earnings of \$2,000 and work expenses of \$30 per month under the present law will realize a total income of \$4,267 but under the law which you propose would actually make less, \$4,147, and that an unemployed father with earnings of \$2,000 and work expenses of \$30 per month would make \$4,267 presently, or would realize that presently, but under the bill which you propose would realize less, \$4,147.

In State B a mother with earnings of \$2,000, work expenses of \$30 per month, would realize a net income of \$3,467 under present law, and would realize less than that, \$3,347, under the law which you propose. In many categories as those charts indicate, the amount realized would be about the same or not substantially different, and that in New York City a mother with earnings of \$3,320, work expense allowance of \$60 per month, would realize presently \$6,027, but under the law which you propose would realize less, \$5,547, and in other categories no increase at all. Are those facts substantially correct, and if so do you agree that that is a good result that people would be penalized by the passage of this law?

Secretary FICHER. Well, first of all, I would like to ask whether or not this includes the food stamp increment?

Senator HARRIS. Well, I do not know, since it is not included in your bill. As I have indicated by the legislation which I proposed, all these matters ought to be considered together. I do not think they ought to be considered separately.

Mr. PATRICELLI. Senator, the reason that this was done was something we touched on only briefly yesterday. The present law permits disregard of the first \$30 of earnings, plus one-third of the rest,

^a See pp. 117, 119, and 121 of this hearing.

plus, on top of that, whatever the State defines as work-related expenses. In some States you may have \$40, or even \$100, of work-related expenses, which, when added to the first \$30, is taken as an initial disregard. Family Assistance tries to standardize that. Based upon Department of Labor surveys taken in a number of cities, we pegged the work-related expenses at roughly \$60 a month plus day care.

The present law in some States permits a larger initial deduction, and that in turn results in a larger payment as earnings go up and a higher so-called break-even point.

Now, as we said, in New York City, under present law this particular mother would be receiving welfare until her earnings have passed over \$7,000. Somewhere in the range from \$7,000 to \$7,300 she becomes ineligible, whereas under Family Assistance and the treatment we make for work-related expenses, the break-even point becomes roughly \$5,950. We did not feel that a small loss of welfare benefits to people who have relatively high earnings was in error. This is one of the choices that has to be made between having a very high ceiling on welfare benefits and adjusting work expenses, and the proper level of the basic payment, and all of the rest.

But unless you wish to maintain a ceiling of over \$7,000 in New York City, we think that you would want to accept this kind of change.

FISCAL IMPACT OF THE BILL ON THE STATES

Senator HARRIS. How many States will be disadvantaged and how many advantaged by the program? In other words how many will realize less Federal funds and how many will realize more?

Mr. VENEMAN. All States would benefit from the program. There is a saving clause in the provisions.

Senator HARRIS. Is it true—

Mr. VENEMAN. Some of them will come out even. There is a guarantee that it would not cost them any more for the next 2 years, as I recall, by the saving clause.

Secretary FINCH. Six States come out even and the others—

Mr. VENEMAN. Under the committee bill, Arkansas, Georgia, Iowa, Kentucky, Mississippi, Missouri, North Carolina, North Dakota, and South Carolina would have no-loss provisions applicable to them. Those States would not obtain any fiscal relief, but would be protected from incurring any additional costs. All the rest of the States would obtain some fiscal relief. And Senator, I think there is a factor that we must keep in consideration when we start talking about the basic payment. Unless we make some kind of adjustment on the percentage of Federal participation in the State supplemental payment, we are really not helping a good share of the present caseload. They are not going to get any more money out of this. The States are just going to need more fiscal relief as you go to \$1,600, \$1,800, or \$2,000. Out of about 1,900,000 AFDC families in January of this year, nearly a million lived in States that pay above a \$2,000 level, for example.

Senator HARRIS. I believe the figure is 82 percent of those presently covered under the law would not receive any more under the bill which you propose. Do you understand that to be the case?

Mr. VENEMAN. I think it would be close to that. A good share of those are in States that would be making supplemental payments. But the point is that as you increase the present caseload, the percentage would decrease from 82 percent to a lesser figure, but you would still have about a million or more in seven States. California, New York, Illinois, Pennsylvania, Massachusetts, Michigan, and New Jersey have about a million of the caseload. The plan is not going to help those people. It is going to help the other States.

NATIONAL WELFARE SYSTEM

Senator HARRIS. I think that is why I feel that you have to take over the welfare system and make it a Federal program. And then you avoid all those other problems we were talking about this morning.

Second, it seems to me it is a rather important thing to relieve the States of those increasing burdens of education and welfare. Additionally, since there are no residence requirements anymore, and I agree with that, it is even more imperative that we really make this into a national system altogether.

Mr. VENEMAN. You have a resource problem there. And, of course, if you make it a national system there are a lot of questions you have to answer: How do you regionalize it? Do you bring Mississippi up to New York's level if you nationalize it?

FEDERAL ADMINISTRATION OF WELFARE

Senator HARRIS. Let me ask you about that. When do you plan to take over the Federal administration of the program? When would you be able to do that and how are you going to do that?

Mr. VENEMAN. Federal administration of the family assistance program could go into effect at the time the bill becomes effective.

Senator HARRIS. That is my question. New York, as I understand it, is ready to make application.

Mr. VENEMAN. They want us to take over the whole program, including the grant payments. We are saying we will administer the program under this bill—we will handle their supplemental payments for them.

Senator HARRIS. How many States do you believe would decide upon Federal administration of the supplementary program and of the adult program? Do you have any idea?

Mr. VENEMAN. We do not have any idea. We put a pretty good incentive in there. We said if we administer federally we will pay 100 percent of the administrative costs; otherwise, it is 50-50 sharing.

Senator HARRIS. Do you have any idea how many might so decide?

Mr. VENEMAN. We have no idea on that, Senator.

Secretary FINCH. My guess would be a majority of the industrial States.

ADMINISTRATION OF MEDICAID PROGRAM

Senator HARRIS. How would the States that decided upon Federal administration administer the medicaid program? How will they administer that?

Mr. VENEMAN. The States will administer that. We are not proposing in this act to take over the administration of title XIX.

Senator HARRIS. How do you avoid, it seems to me, the argument that you wind up with both still in it and all the duplication of two kinds of programs and two administrations? Doesn't that seem terribly inefficient?

Secretary FINCH. We are prepared to make a presentation to the committee of how we use eligibility for title XIX as a back-up mechanism for the administration of this program, although there would be a separate mechanism within HEW to administer this program.

HEW PLANS FOR ADMINISTRATION

Senator HARRIS. What agency under HEW is going to administer this part of the program?

Secretary FINCH. The House committee report suggests a totally new agency, but one that would have access to the information that we have in Social Security.

Senator HARRIS. What would be your plan? I mean are you bound by that House report?

Secretary FINCH. As I indicated in my opening statement, we will have this before your committee very shortly.

Mr. VENEMAN. We want the benefit of the wisdom of this committee, Senator, before we make a final decision on that.

Senator HARRIS. I would, too. I would like to have somebody's wisdom. It seems to me that instead of the present hodge podge system you are just going to double it.

Mr. VENEMAN. No, I do not think so. What we are suggesting is not a complete take-over of all welfare.

Senator HARRIS. That is exactly my point. You are still going to have some down here and some down here.

Mr. VENEMAN. There has been a lot of discussion before this committee and within the administrations over the past years of separating the services aspect of public assistance from the money payments. We feel that the Federal Government can pay out money more efficiently than 50 different systems can—or even more than that where they have as in some States, county administration. And we are willing to pay 100 percent of the expense of disbursing the money. That is what we are talking about when we talk about administration.

States would still be responsible for providing the social services aspects.

Senator HARRIS. There is a rumor, Mr. Secretary, that you have said or feel that it might take 5 or 6 years before you would be willing to accede to the first request that HEW takes over the administration of the program—

Secretary FINCH. I have got to find your rumor source, Senator. That is the first time I have heard that.

Senator HARRIS. Really?

That came to me yesterday. They said would you ask the Secretary how long he thinks that it would take before HEW would be in a position to accede to a request made under this bill for Federal administration. How long do you really think it might be?

Do you have any idea?

Secretary FINCH. As I say, we are prepared to give the committee a full demonstration of how this might be done, on the basis of our experience with title XIX and social security. We think they could move rather rapidly, within conceivably a year's time.

Senator HARRIS. Within a year?

Secretary FINCH. Yes.

Senator HARRIS. How many new Federal and State employees would be needed to administer the program; any idea?

Mr. VENEMAN. Well, you would have a reduction in State employees, of course, Senator, and an increase in Federal employees. And I think a lot of them would be transferred.

HEW TASK FORCE ON ADMINISTRATION OF BILL

Senator HARRIS. How many people do you have working on the HEW task force on the administration of the program?

Mr. VENEMAN. We expect to have about 30 working by the first of July.

Senator HARRIS. I have some additional questions. We are going to try to quit here at 4:30 as we did yesterday.

Senator Hansen might have some questions.

Secretary FINCH. Senator, we want to correct the record. The number on the task force should have been 90, instead of 30.

Mr. VENEMAN. We have 30 on board and we expect to have 90 by the first of July.

Senator HARRIS. Right.

Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

I think I will take notice of the fact that the Secretary and staff have had some long days already, this is the second one in a row, and forgo any questions. I did have the opportunity earlier to ask some questions.

Thank you, sir.

DIFFERENCE IN PAYMENT LEVELS IN ADULT AND FAMILY PROGRAMS

Senator HARRIS. Right. What is the justification for the lack of uniformity in payments? Under the family assistance program the level would be \$500 per year for the first two people, and \$300 per year per person thereafter, but the level of payments under the adult categories is, as I understand it, \$1,320 per person. Is it just a matter of doing the best you feel we can do by allocation of resources or is there some reason for the discrepancy between the two?

Secretary FINCH. We would have preferred a cutback. But if you begin with the critical case, obviously it is with the first two persons—assuming a parent and a child—that you are going to get the greatest clout with the dollar, and then beyond that you just have to go to what seems to be a rational figure.

Mr. VENEMAN. That is where your heaviest fixed costs come in—housing, and certain other fixed costs for a family. You have to have housing whether you have two or three, and as you add to the family the cost per individual is reduced.

As far as the adult categories are concerned, our recommendation to the Ways and Means Committee was \$90 a month in our original bill. They raised it to \$110.

Senator HARRIS. And, of course, you have already spoken to the fact that the bill does discriminate against childless couples and single persons, which I believe you said was a matter of deciding what was more important to do with limited resources.

Secretary FINCH. And a matter of making a judgment on its social impact.

Senator HARRIS. That is what I mean, what you considered to be more important.

RIGHT TO HEARING IF PROTECTIVE PAYMENTS ARE MADE

What about a provision in the bill which, as I understand, allows that payments may be made to a person other than a family member if the Secretary deems that appropriate without a requirement for notice and opportunity to be heard.

Is that correct?

Secretary FINCH. I think there is always provision for a hearing. You are talking about where the father is gone and maybe you have got a clear-cut case after a hearing of an incapability of the mother adequately handling—

Senator HARRIS. That is the question. Can it be done without notice and without hearing?

Mr. PATRICELL. The individual has the right to ask for a hearing, Senator. This is similar, according to Mr. Hawkins, to provisions of the Social Security Act now.

Mr. HAWKINS. There is a right to a hearing, at the present time under the existing programs, on practically any decision that an individual considers adverse.

Senator HARRIS. There is no intent to deny that right in this situation? I mean if that is not provided in the bill, than it ought to be corrected?

Secretary FINCH. I think that is essentially present law, Senator.

Senator HARRIS. What I mean is if that right of notice or hearing is not now provided to a parent, if payment is going to be made for that child to someone other than the parent, shouldn't that be corrected and notice of hearing and hearing be provided?

Secretary FINCH. We would not object to its being spelled out more specifically.

Senator HARRIS. Good.

Mr. PATRICELL. The major situation in which that kind of protective payment would be used would be pursuant to the termination of benefits for an individual who has refused, without good cause, a training or job opportunity; and the finding of "without good cause" in itself involves the hearing procedure.

ADMINISTRATION'S SOCIAL SERVICES BILL

Senator HARRIS. I understand that, Mr. Secretary. You testified before the House Ways and Means Committee that:

We are mindful of the need for social and rehabilitation services as an essential corollary to an effective income maintenance program. We will be sending you draft recommendations in the near future.

When do you expect that that bill will be coming to us, and do you believe that we can properly act upon this bill without having that before us to consider at the same time?

Secretary FINCH. I think the Under Secretary had better speak to that one.

Mr. VENEMAN. Senator, I think the two issues are separable. I think that we can act upon this bill without having the services legislation before us. We would hope that we would have the services proposal within the very near future.

Mr. PATRICELLI. We hope, Senator, that when the services bill is transmitted, which we hope will be very shortly, the committee would try to act on that measure along with this, but that is not essential, as the Under Secretary has said.

Senator HARRIS. What will be left in title IV after this bill is implemented? Don't we need to be acting on a social service program at the same time therefore?

Mr. PATRICELLI. This bill contains amendments to title IV which would leave essentially intact the present services program. There is no doubt that passage of some measure on the cash side, such as this, offers an opportunity also to reform the services structure. But this bill does not repeal title IV of the Social Security Act.

Mr. VENEMAN. If we did nothing with services, the existing services legislation would remain in the Social Security Act.

AUTOMATIC COST-OF-LIVING INCREASES IN FAMILY ASSISTANCE BENEFITS

Senator HARRIS. Has there been any discussion within HEW proposing automatic cost-of-living increases in the family assistance program levels along the line of the President's recommendation in regard to such an adjustment with social security?

Mr. VENEMAN. There have not, Senator, except to the extent that we are willing to participate up to the poverty line, and that would be a variable ceiling as far as the State supplemental payments are concerned and would reflect the cost of living.

DISTINCTION BETWEEN EMPLOYED AND UNEMPLOYED FATHER UNDER THE BILL

Senator HARRIS. Let me just ask you this one last question.

What about the distinction between an employed and an unemployed father under this bill? That has given some cause for concern to members of the committee. Why do we need the distinction between the two? As I understand it, those were Mr. Patricelli said words of art, "working poor," and "unemployed father." Why do we need the distinction?

Secretary FINCH. Otherwise we have no way to break out of the present structure.

Senator HARRIS. Why can't it be purely based upon income without making a distinction between an individual working part-time and one working full-time. I do not see what the distinction is.

Mr. VENEMAN. It could be done, I suppose, Senator. But I think the distinction was made by the Congress.

Senator HARRIS. Yes, but is there any reason why you have to stick with those rigid categories?

Mr. PATRICELLI. The reason that you cannot completely obliterate them at this point is largely financial. Treating working men and unemployed or part-time employed men identically requires either a raising of the basic payments so high that the unemployed father program is subsumed, or a requirement that the States match the payment to the working poor so as to bring that payment up in all cases to the equivalent payment for the unemployed father or part-time employed father. In either case the additional cost is in the range of several billions of dollars.

Mr. VENEMAN. Another thing, Senator: One of the basic principles that we tried to adhere to when we were developing this program was that no one now receiving aid would have a reduction in his assistance. You have expressed concern just looking at the New York example and a couple of the others that were prepared here by the staff, where you see a slight reduction. If we were to treat the unemployed family the same as we are proposing to treat the working poor category, they would be subjected in many cases to quite a reduction of the aid that they are entitled to under the existing law.

CHILD CARE STANDARDS

Senator HARRIS. Just this last one. Is it possible under this bill to require a mother to put her school-age children in child care facilities against her will when those facilities do not meet the standards that she believes are adequate?

Mr. VENEMAN. Well, they would have to be standards that were established through regulation by the Secretary.

Senator HARRIS. By the Secretary of HEW?

Mr. VENEMAN. Yes.

Secretary FINCH. Yes.

Senator HARRIS. Have you prepared any kind of standards?

Mr. VENEMAN. We do have day care standards now in existence.

Senator HARRIS. And those would continue?

Mr. VENEMAN. They are essentially, as I believe was indicated earlier this afternoon, the Head Start standards.

Senator HARRIS. Senator Hansen, anything further?

Senator HANSEN. Do I understand that the Secretary and his staff will be back tomorrow morning?

Senator HARRIS. That is my understanding.

Senator HANSEN. I will have some questions, but I know you have had a long day and I would forgo asking them now.

Thank you very much.

Senator HARRIS. You really have had a long day and I for one appreciate it very much and I appreciate your coming here and patiently answering these questions this afternoon. I am advised to announce that the committee will stand in recess then until 10:00 a.m. tomorrow.

Secretary FINCH. Thank you.

(Whereupon, at 4:25 p.m., the committee recessed.)

THE FAMILY ASSISTANCE ACT OF 1970

FRIDAY, MAY 1, 1970

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

The committee met, pursuant to recess, at 10:00 a.m., in Room 2221, New Senate Office Building, the Honorable Clinton P. Anderson, presiding.

Present: Senators Long, Chairman, Anderson, Talmadge, Byrd, Jr. of Virginia, Williams of Delaware, Bennett, Curtis, Miller, Jordan of Idaho, and Hansen.

Senator ANDERSON. Come to order.

Senator Bennett, do you have some questions?

Senator BENNETT. Thank you, Mr. Chairman. I have a number of questions here.

Mr. Secretary, if some of them seem to be a little harsh, I am trying to develop the record, because I am as anxious as you are to solve this problem and to solve it within the financial limits that have been set by the House bill.

IMPACT OF BILL ON MEDICAID PROGRAM

I would like to open my questioning by referring to an area that has not been previously discussed, particularly, and that is the impact of medicaid on this overall problem. Can you tell the committee, either now or with information filed for the record, how many people in the area where we are discussing are eligible for medicaid?

STATEMENT OF HON. ROBERT H. FINCH, SECRETARY OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT PATRICELLI, DEPUTY UNDER SECRETARY FOR POLICY; CHARLES E. HAWKINS, SPECIAL ASSISTANT TO THE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS, SOCIAL AND REHABILITATION SERVICE; MICHAEL MAHONEY, DIRECTOR, PROGRAM EVALUATION, FAMILY ASSISTANCE PLAN; JEROME M. ROSOW, ASSISTANT SECRETARY FOR POLICY, EVALUATION, AND RESEARCH, DEPARTMENT OF LABOR; AND ROBERT M. GUTTMANN, DEPUTY ASSOCIATE SOLICITOR, DEPARTMENT OF LABOR

Mr. VENEMAN. Actually, those who might be eligible, Senator, would be persons in those States that do not now have the unemployed-

parent program plus those others not working who would become eligible for public assistance. The bill itself does not propose to extend medicaid benefits to the working poor.

As Mr. Patricelli testified a couple of days ago, it is estimated that the additional costs of medicaid extended to the unemployed-parent category in those States that do not have it now would be about \$100 million.

Senator BENNETT. Can you give us any idea of the number of people involved?

Secretary FINCH. We will have to work that out and provide it for the record.

Senator BENNETT. Would you provide it for the record? Also, we would like to find out approximately what proportion of this number each year actually receive medicaid payments.

Mr. VENEMAN. We can do that. I think we have that.

Secretary FINCH. We had better be precise about that, too, Senator.*

Senator BENNETT. All right. How much does medicaid now cost the Federal and State Governments, including the cost of intermediate care under title II? Can you get that information for us?

Secretary FINCH. Yes, we will have to get it for you.*

Senator BENNETT. Of the new people who would become eligible for cash assistance under this bill, can you tell us how many are now eligible for medicaid and how many are not now eligible? Can you get that information for us?

Mr. PATRICELLI. The new persons who would come on the rolls under the bill, Senator—that is, the working poor—are not now eligible, and they would not become eligible as a result of the family assistance program.

Senator BENNETT. Are there not some States in which they might be eligible as medically indigent?

Mr. PATRICELLI. The adults are not eligible for any payment in which there is Federal participation. Many States pay adult working poor people under wholly State-supported programs.

Senator BENNETT. But is there not Federal matching?

Mr. PATRICELLI. Not for the adults. Some States do pay medicaid for children in the families of working poor, and if they do there may be Federal matching.

Senator BENNETT. Now, I am running into a contradiction here. The staff says that if they are categorically related, they are eligible or the Federal Government does provide matched funds for the medically indigent.

Mr. PATRICELLI. For the people in the already established categories. I was referring to the working poor in this case, the new group.

Senator BENNETT. Do you have any idea how many of the working poor are categorically related?

Mr. PATRICELLI. Well, the way I am using the terms, the two are mutually exclusive: That is, the working poor are not now in one of the categories. The adult categories are the needy aged, the needy blind, the disabled, and the unemployed fathers.

Senator BENNETT. OK. I think maybe that question deserves another look.

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

Secretary FINCH. We will try to give you the precise figures.*

90 PERCENT FEDERAL MATCHING FOR CERTAIN MEDICAL SERVICES

Senator BENNETT. The bill provides Federal matching of 90 percent toward the costs of health care needed for employment in contrast to the Federal share in our large States of 50 percent under medicaid. Do you not have a problem here? If the 90 percent is available only for health care needed for unemployment, are you not opening a loophole to permit some States to decide that is the basis for medicare service and would it not be worthwhile considering reducing that 90 percent to 50 percent so that there would be no question as to the reason for the medicare?

Secretary FINCH. I think the concept, Senator, was that where medicare facilities were not plentiful, this provision would induce the States to provide those resources, and thereby to expand the group of people who could be brought into the employment market.

Senator BENNETT. I recognize that that is a desirable thing, but administratively, is it not going to be very difficult to decide whether an applicant's need for medical care is related to his need for employment or whether it is just an excuse to get a 90-percent Federal matching?

Mr. PATRICELLI. Senator, we now have in the WIN program, and in other manpower training programs, this same kind of blanket authority for the Labor Department to cover incidental medical expenses that may be necessary for a person to go into job training and employment. Typically, as the Secretary has said, this is used as a last resort where medicaid may not be available to match, for example, the cost of a physical examination that might be given before an employer will take someone on, or to help meet the cost of eyeglasses or prosthetic devices. In these categories now, there is matching that ranges from 75 to 90 percent for such supportive health examinations. But again, this is only a last-resort kind of authority if funds can't be found for medicaid and other programs to cover the health costs.

Senator BENNETT. Well, it seems to me that this offers an opportunity for the State to shift part of its medicare burden to the 90-percent basis by saying, "Well, this is being done in order to make it possible for them to get employment."

Senator ANDERSON. That is right.

Senator BENNETT. Is the 90 percent available for the family of the worker?

Mr. PATRICELLI. No, Senator, it is not.

Secretary FINCH. Only for persons who would thereby be employed, or for whom employment would be made possible.

SECRETARY'S DISCRETION UNDER RESEARCH AUTHORITY IN THE BILL

Senator BENNETT. In the research authority under the bill, you are permitted to waive any requirements or limitations with respect to eligibility for an amount of family assistance as you determine ap-

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

propriate. Would this not permit you to establish a guaranteed minimum income program much higher than the poverty level?

Secretary FINCH. That, of course, is not the intent of the legislation.

Senator BENNETT. Should the bill be amended to put the poverty level as an absolute maximum?

Secretary FINCH. It is possible that we can strengthen the language, but that is the Federal matching ceiling we mean to impose.

Mr. VENEMAN. The question is how much Federal control do we want to impose on a State if it wants to go above the poverty line with 100 percent State financing. Should you say to a State, "You cannot go above the poverty line?" We are not participating. It is all their money.

Secretary FINCH. We would not want to foreclose a State from exceeding the poverty limit, as long as it is not draining Federal funds in doing so.

Senator BENNETT. My question refers to the research authority under the bill, which has not anything to do with State matching.

Mr. VENEMAN. I am sorry.

Mr. PATRICELLI. Senator, the reason for permitting a waiver of certain of the family assistance requirements, including even the payment levels, in a research project is to permit the testing of different kinds of incentives and payment levels for their incentive effect. That is what the Office of Economic Opportunity did in the so-called New Jersey experiment. They are paying to a group of working poor families a benefit that is in excess of the present AFDC payment in order to test the effect of the higher payment on these people's work habits. But this research authority would in no way permit any major increase in benefits to substantial numbers of persons. It is a very limited authority, limited by a closed-end appropriation.

Senator BENNETT. You say it is limited by a closed appropriation?

Mr. PATRICELLI. Yes, sir.

Senator BENNETT. What is the amount of the request for authorization for that appropriation?

Mr. PATRICELLI. I believe the House bill has a ceiling of not more than \$20 million, Senator.

We have the same kind of authority now under sections 1115 and 1110 of the Social Security Act.

Senator BENNETT. Will you provide for the record, if you can, the estimated number of families headed by males and the number of families headed by females on the AFDC programs, for the fiscal year 1972 through 1976?

Secretary FINCH. Yes, we will, Senator. We have them for the 1971 projection. But you want 1972 through 1976?

Senator BENNETT. I recognize that these are requests you must obtain after study. We also would like the regional distribution of these families, and by State, the percentage of families that would be covered for fiscal year 1972 and your estimate of the average income of these families in fiscal 1972.

Secretary FINCH. Yes.*

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

HEW CHILD CARE REGULATION ENABLING STATES TO EVADE
CONGRESSIONAL INTENT

Senator BENNETT. Turning to the question of child care, on page 15 of your statement, you say, "States and local communities have all too often been unable to establish day care projects because of their inability to provide the 25 percent under Federal sharing under present law." The legislative history of the 1967 Social Security amendments show clearly that Congress intended to require States to refer appropriate mothers for work training and that the necessary day care had to be provided. Unfortunately, HEW regulations have given the States an easy out by not requiring welfare agencies to refer any women for work training on the grounds that they did not have the day care projects available.

Would you consider changing your regulation so that these States will be required to make these referrals?

Secretary FINCH. Yes. The new bill does that. We would, of course, be willing to alter our regulations if that were necessary to accomplish what we want to accomplish. I think our report that Senator Harris put in the record yesterday does demonstrate the desirability of full Federal funding for these facilities.

Mr. PATRICELLI. The legislation in 1967, Senator, allowed the States not to refer whenever they found someone inappropriate for referral. This was not something that HEW did in contravention of the law. Moreover, that legislation did not permit the Federal Government to go beyond 75 percent of the day care costs. So those barriers to day care under the WIN program were built into the 1967 act.

Senator BENNETT. And you propose now to operate so that the spirit of the law requiring referral will be carried out and that they will not be able to use this device to avoid referral?

Secretary FINCH. That is correct.

ADMINISTRATION OF DAY CARE PROVISIONS OF BILL

Senator BENNETT. Could you describe for us now or in later information submitted for the record how you plan to administer the day care or the child care provisions of the act? The House report refers to prime grantees which will administer and coordinate the child care programs in particular areas. Who will these be? And how many of them do you think you will need throughout the country?

Secretary FINCH. Well, they can have varying characteristics, Senator. We could use a school district in one area, a private charitable organization in another, a foundation, the State welfare department, or a lesser unit of government. The program will operate through the Office of Child Development. It would investigate, in the field, which prime grantee could provide the best facilities, purchasing orders, personnel, and so forth, on a competitive basis.

Mr. VENEMAN. Senator, I think we can submit for the record a proposed definition of a prime grantee and what its responsibilities would be. Project grants will be made to the prime grantee agencies, which will be established at the State level and at the local level in urban centers with a population of 100,000 persons or more which are designated by the appropriate public official. The prime grantee would

be responsible for working in conjunction with the employment service and the agency administering the family assistance program to determine in advance the need for child care services. It would be responsible for developing the plan for use of existing resources in the community, and for stimulating the development of new resources when necessary. It would solicit, evaluate, and select proposals which are submitted by public or private nonprofit agencies or groups in the community that wish to develop child care programs. It would be responsible for assisting parents in making child-care arrangements and resolving the problems which may occur in relation to child care, for collecting fees from those parents that would have an obligation to pay a portion of the fees for child-care services, and for monitoring and evaluating the services provided by the various child caring groups.

Senator BENNETT. Apparently, you are reading from a prepared text.

Mr. VENEMAN. Right.

Senator BENNETT. Would you like to submit that text for the record?

Mr. VENEMAN. I could.

The prime grantees would not be responsible for direct service programs, but they would be responsible for monitoring.

Senator BENNETT. Mr. Chairman, I ask that the prepared text be made a part of the record.

Senator ANDERSON. It is so ordered.

(The statement follows:)

PROPOSED CHILD CARE PROGRAM UNDER THE FAMILY ASSISTANCE ACT

The Department proposes to provide child care services for eligible children in the Family Assistance Program by making Project Grants to Prime Grantee agencies established at the State level, and at the local level (in urban centers of about 100,000 population or greater) which are designated by the appropriate public official. The Prime Grantee would be responsible for (1) working in conjunction with the Employment Service and agency administering the Family Assistance Program to determine in advance the need for child care services, (2) to develop a plan for utilization of existing resources in the community and to stimulate the development of new resources when needed, (3) to solicit, evaluate, and select among proposals submitted by public, private non-profit and private for-profit groups in the community wishing to develop child care programs, (4) to assist parents in making child care arrangements and in resolving problems which may occur in relation to child care, (5) to collect fees from those parents who are able to share the cost of care, (6) to operate a vendor payments system program whereby care is purchased for children in the existing programs in the community, and (7) to monitor and evaluate the services provided by the various child caring groups. The Prime Grantee would not operate a direct service program except in unusual situations.

Any public or private non-profit agency could be designated as a Prime Grantee provided that the agency (or its proposed Family Assistance Program child care activities) was subject to a policy setting body composed of representatives of the public and private agencies and organizations in the community with an interest in day care and child development, and with at least one-third of the membership composed of parents of children eligible for day care services under the Family Assistance Program.

Direct grants (or contract with profit making agencies) would be made when no Prime Grantee agency has been designated, or when it is considered advisable to do so in order to accomplish the goals of the family assistance program.

Grants contracts will be awarded to train persons as (1) Community Planners, able to organize existing resources and develop new resources in a community in

an orderly manner to meet the needs for child care under the program, and to utilize existing resources when possible to reduce cost under the Family Assistance Program, and (2) Day Care Program staff, both professional and non-professional.

Contracts would be arranged with State agencies presently responsible for licensing day care programs to study, evaluate and certify all day care programs in the State which meet Federal program quality standards.

Senator BENNETT. What agency in your Department will have the specific responsibility for day care?

Secretary FINCH. We have, as I say, the Office of Child Development, which includes within it now the Children's Bureau and responsibility for the day care centers and for Head Start. That Office would have the ultimate responsibility. It is directly in the Office of the Secretary, Senator.

Senator BENNETT. Who heads that agency?

Secretary FINCH. Dr. Edward Zigler has been appointed by the President. He has not yet—

Senator BENNETT. Does he report directly to the Secretary?

Secretary FINCH. Yes, sir.

SUFFICIENCY OF PROPOSED AMOUNT OF DAY CARE

Senator BENNETT. Experience under the WIN program has indicated that there have been some great successes in the work and training programs for mothers of young children. Although mothers of children under six will not be required to register for employment, I understand from reading the House Report that they will be allowed to volunteer and have the same right as other categories of registrants. If your program is going to be effective and helpful, do you not anticipate that you will have to handle more than the 150,000 openings you plan on?

Secretary FINCH. Well, we tried to gauge very carefully what was possible, what was obtained. This is three times our present WIN day care component. That is quite a jump. I think Mr. Rosow, from the Department of Labor, who has had to deal with this problem, can probably give some helpful testimony on this point.

Mr. Rosow. Senator Bennett, the Manpower Administration, by 1971 will have in place about 1,200,000 training places, and this program would add on another 225,000. It is visualized, as your question proposes, that a number of these people in addition to the 150,000 would have training provided by our base program. So the 150,000 is an add-on to the base program. It is hard to say exactly what proportion that would be, but we are training about 200,000 public assistance recipients each year already in addition to the WIN program. It is conceivable that a considerable proportion will move into our basic manpower program.

Senator BENNETT. 250,000 is over what period?

Mr. Rosow. The 200,000 was for fiscal year 1969.

Senator BENNETT. So you have greatly to increase your facilities if you are going to take care of the people who are eligible to apply for that service?

Mr. Rosow. Not so much our training facilities, Senator, but our day-care facilities; yes, sir.

NEED FOR PLAIN DAY CARE AS WELL AS CHILDHOOD
DEVELOPMENT PROGRAMS

Senator BENNETT. In connection with the plans for work training and placement, is there not a need for just plain day care, plain baby sitting?

Secretary FINCH. Yes; that is true.

Senator BENNETT. Are you prepared for that, or are you going to have a program that will involve a much more comprehensive operation, whether it is needed or not?

Mr. Rosow. There is an opening in the law for the mother to buy her own services, which could consist of baby sitting or care for the child at home in a less formal manner without any institutional need. This would be paid for by a set-aside provision whereby her welfare payment would not be reduced to the extent that she is paying for this type of service. This is done to a large extent with many of the WIN mothers under the 1967 amendments at this time. They are buying the services. It probably is not of the quality in many cases that is visualized. But where there is the motivation to do this and they go ahead and arrange it unilaterally, they have been permitted to go ahead.

Senator BENNETT. Under this, can a mother refuse day-care services and avoid training and still be eligible for assistance?

Secretary FINCH. No.

Mr. Rosow. The bill provides that adequate day care shall be furnished as a condition of work or training. But if the Secretary of HEW has certified a day-care facility in an area and the mother is referred for training, she cannot exercise an independent judgment if it is adequate for all persons being referred to that facility.

STATE WELFARE PROGRAMS FOR WORKING POOR AND ADULTS UNDER 65
WITHOUT CHILDREN

Senator BENNETT. Can you tell us what States provide assistance for adults under 65 with no children and what States make supplementary payments to the working poor? If this is a long list, it can be submitted for the record.

Secretary FINCH. I think probably we had better submit that for the record.

(The Department subsequently supplied the following information:)

All States provide assistance to adults who are *blind*, with no maximum age, through the Federal-State program of Aid to the Blind.

All States except Nevada provide assistance to adults who are disabled (as defined by the State for the "permanent and total disability" criterion) and between the ages of 18 and 65 through the Federal-State program of Aid to the Permanently and Totally Disabled.

All States provide assistance to adults who are parents or "the needy caretaker relative" of children eligible under the Federal-State program of Aid to Families with Dependent Children; such persons are generally under the age of 65.

Through the General Assistance program, some aid is available in all States and counties for adults under the age of 65 who are not eligible for AB, APTD, or AFDC; however the amount and duration of the assistance is frequently limited to short-term or emergency assistance or is subject to the limitations of county funds in the 22 States in which General Assistance is administered entirely by county or town governments.

COMPILATIONS BASED ON CHARACTERISTICS OF GENERAL ASSISTANCE IN THE UNITED STATES IN EFFECT DECEMBER 31, 1969

EMPLOYMENT AND EMPLOYABILITY AS AN ELIGIBILITY FACTOR¹

1. Assistance given primarily to unemployable persons or to families without an employable member, 21 States.

Arizona ²	Maryland ³	Oklahoma
District of Columbia	Mississippi	Puerto Rico
Florida	Missouri	South Carolina
Georgia	Nevada ³	Tennessee ²
Guam	New Mexico ³	Texas
Iowa ²	North Carolina	Virginia ²
Louisiana	North Dakota	West Virginia

2. Assistance given to persons or to families without regard to employability, 32 States.

Alabama ⁴	Kansas ²	Ohio ⁷
Alaska ⁷	Kentucky	Oregon ^{6,7}
Arkansas ⁴	Maine ⁷	Pennsylvania ⁷
California ⁴	Massachusetts ^{4,7}	Rhode Island ⁷
Colorado [*]	Michigan ⁷	South Dakota ^{4,*}
Connecticut ⁷	Minnesota	Utah
Delaware ³	Montana ⁵	Vermont ⁴
Hawaii ⁸	Nebraska ^{4,*}	Washington ^{4,7}
Idaho	New Hampshire	Wisconsin
Illinois ^{5,7}	New Jersey	Wyoming ³
Indiana ⁴	New York ⁷	

*Question: How many States make supplementary payments to "the working poor"?*²

If "working poor" is defined as an intact family in which the breadwinner is fully employed but does not make enough in wages to meet maintenance and/or medical care needs, the question may be answered in terms of the State, Local, or State-Local General Assistance programs.

In the General Assistance reports received recently (Program Characteristics as of December 31, 1969), 32 States reported that assistance would be given to an "employable" person or a family with an employable adult; but only 12 States replied in the affirmative that assistance would be given to the currently fully-employed person (or his family) who needed help with maintenance costs and medical costs.

The remaining 20 States did not reply to the question on this detail. However, in 11 of these States the general assistance programs are locally administered, mainly from county funds, and are not likely to be available for more than short-term supplementation to meet emergency needs. In addition, 4 of the 9 States which have State-administered or State-supervised programs of General Assistance reported that the aid was generally limited to short-term or emergency needs. In the remaining 5 (of the 9) States, it is possible that continuing assistance may be given to "the working poor" from General Assistance funds on a Statewide basis. If they, in fact, give such assistance, the total of States which aid "the working poor" from General Assistance funds would be raised to 17 States.

Senator BENNETT. If these States continue to do so, should the Federal Government accept the responsibility for administering these programs, even though they come entirely from State funds?

¹ One jurisdiction (Virgin Islands) unreported.

² In emergency cases, assistance may be given to employable persons. For such persons some of these States use registration with SES as a test of employability or willingness to accept employment.

³ Has special program (GPA-E) for employable persons in the counties which have elected to participate; program is not Statewide. Current registration with SES is required for GPA-E, but for General Public Assistance such registration is used as a "test of employability."

⁴ Limited to short-term and emergency assistance.

⁵ Limited to short-term assistance, except in the few units that are State-supervised.

⁶ Limited to families and to women over 50.

⁷ Specifically reported that assistance is given to fully-employed persons who are in need.

⁸ Did you report aid to currently fully-employed needy, but other data implies State may be able to do so.

* Regulations vary locally.

Mr. HAWKINS. A substantial variety of general assistance programs exists, Senator Bennett. Practically all States do something in emergency situations or for handicapped people who do not fit into the Federal categories. Within the context of this fact, there are seven States which are doing a significant amount in terms of supplementing the income of working poor people. However, there are no common rules on these programs. They can vary from extremely little to quite full-fledged programs in which the treatment is exactly the same as it is under federally aided programs.

Senator BENNETT. Are you saying that we should leave those programs in their present conditions, that the Federal Government should have no concern with them or no attempt to administer or supervise them.

Secretary FINCH. We would continue to hope, Mr. Chairman, that this program, if enacted, would preempt them.

Senator BENNETT. Then the Federal Government would administer it?

Secretary FINCH. Yes, sir.

LIEN AND RECOVERY PROVISIONS

Senator BENNETT. If it did and the State law has a lien and recovery requirement, should the Federal Government attempt to administer that part of it, too?

Secretary FINCH. We have our own lien and recovery provisions, but they are tied to the State law in the adult categories.

Senator BENNETT. So your answer is that the Federal Government should attempt to administer that if it preempts the State?

Mr. PATRICELLI. Senator, the lien question is relevant only in the case of the aged, blind, and disabled, the adult categories. We do not have such a provision in the family portion of the program. The question that you raise comes up in the case in which a State chooses, under the bill, to ask the Secretary to administer the adult categories of payments. Then who would administer the lien and recovery portion would be decided in negotiation between the Secretary and each State. It would be quite feasible, even though the Federal Government were making the payments and disbursing the money, to expect the State—

Senator BENNETT. This would be subject to negotiation?

Mr. PATRICELLI. Yes, it would.

ADMINISTRATIVE DETERMINATION OF MEDICAID ELIGIBILITY

Senator BENNETT. What would be the responsibility of the Federal Government in regard to determining eligibility for the States' medicaid program?

Mr. PATRICELLI. We would hope that eventually, since the Federal Government is administering the family assistance benefit and thereby applying the same eligibility criteria that are applied in the State supplemental programs, it might at the same time make the essential determinations for the State medicaid program. This would be subject again to negotiation with the State, but we would hope that we could

eliminate some extra steps by having a single eligibility determination process and investigation process applied to as many of these programs as possible, pursuant, of course, to the States' willingness to do that.

PROSECUTION OF FRAUD

Senator BENNETT. Referring back to the comment about lien and recovery, would your answer be the same with respect to the prosecution of fraud?

Mr. PATRICELLI. Under the family assistance program, we have a responsibility for bringing such prosecutions at the Federal level when the fraud involves the Federal payment. If the fraud involved, in some way, the State payment without involving the Federal payment, responsibility for prosecution again would be a question of negotiation with the State.

Senator BENNETT. Mr. Chairman, I have consumed 30 minutes. I think that is probably my share of time on this round. I want to thank the Secretary for his answers he has given. My questions have been essentially aimed at trying to make the record clear and I appreciate the response.

The CHAIRMAN (presiding). Thank you, Senator. I believe that Senator Miller has not had an opportunity to interrogate the Senator yet. Is that correct?

Senator MILLER. That is correct.

The CHAIRMAN. The Senator from Iowa is recognized.

CONCEPT OF SUITABLE EMPLOYMENT

Senator MILLER. Thank you, Mr. Chairman.

Mr. Secretary, I would like to ask a few questions about this concept of suitable employment to which you alluded in your opening statement.

For example, let us take a machinist who is out of work and there are no machinists' jobs open in the locality. How long would we wait for suitable employment for him?

Secretary FINCH. Since that is a decision that has to be made by the Secretary of Labor, I think Mr. Rosow from the Department should speak to that, Senator.

Mr. Rosow. I think it would be difficult to specify precise time, Senator Miller, but the way that the program has been administered under the unemployment insurance program is to progressively, with the passage of time, lower the definition of suitability in relationship to what is available in the labor market. So if a person is a machinist and comes in the first week, it is likely that the agency would try to locate something appropriate or suitable. Not necessarily that exact job at the same wages, but maybe something in a related area. Then if a few weeks elapsed, they would tend to lower the definition of what is suitable. Probably after a month elapsed, they would start looking for other jobs to refer this person to. They would not hold to it.

Senator MILLER. Then a ball park figure would be about 30 days, is that correct?

Mr. Rosow. I think that is a reasonable figure.

Senator MILLER. Suppose this thing gets into 60 days and there are no machinist's jobs available and there do not seem to be any comparable jobs available and there is not much prospect of anything being available and the only thing that is available is something in the common labor line such as cutting grass in a city park and doing common-labor type jobs. What would we do in that situation?

Mr. Rosow. I think you set up a very difficult question for me to answer by taking a person with such high skills and earning record in the labor market. But if we addressed ourselves to—

Senator MILLER. I would like to do that, because there are some localities, as you know, where there is possibly going to be a real problem.

Mr. Rosow. Well, as you know, the word "suitable" was in fact deleted during the floor discussion of H.R. 16311 and some new language was inserted by the House in an amendment which does not use that word any more. And, of course, the intent of the House and of the House Ways and Means Committee in redrafting that section of the bill, Senator, was to tighten the proviso that you are questioning me with respect to, namely, tightening the intent of the law to refer people to work and not to use language which would suggest that they have options not to participate. So I think the intent there in our review of it is along the same lines that you are proposing.

The Secretary of Labor will have to issue guidelines to the Employment Service on how to interpret this, but in the main, it is fair to say that we have no prejudices or attitudes toward any kind of jobs or work as being inappropriate for people. We feel that the jobs that are being held by other people in the society at this time at the same wages are appropriate for people that will be referred for work under this program.

We would, of course, have to take into account as you suggest the skill and earnings and relative background of people, their training and education and what they can do in the labor market.

In that sense, the House inserted words which say that no family shall be denied benefits if the individual has demonstrated the capacity through other available training or employment opportunities of securing work that would better enable him to achieve self-sufficiency. We are still trying to interpret exactly what the House meaning there is, but I think the intent is to say that if a man says, "you want to refer me to a job with manual labor, an unskilled job, but if you give me a week, I can demonstrate to you that I can go out and do better on my own." I think the idea is to give the Employment Service an opportunity to accommodate the man in this regard. If he did not find a job, if his tactic was just a stall, the Employment Service would refer him to this other job.

I think this was inserted to say that the individual can do better on his own and I think it is a fact that most people do find jobs on their own or through friends' referral and so on, so that option is in there.

Senator MILLER. I thoroughly subscribe to that option and I appreciate your describing what this, is although I must say that if you are a little confused as to just what it means, we are going to be confused, too, and I think we ought to have some kind of outline from you as to what your guidelines under this would probably be so that

OBLIGATION OF DESERTING PARENTS

Senator MILLER. Now, I was very interested in this provision of the bill starting at page 32 with respect to the obligation of deserting parents. Perhaps this should be directed to one of your Department people, Mr. Secretary.

Do I interpret this provision to be limited in its application to those who are drawing Federal paychecks? I note that it says on page 33—

Secretary FINCH. Any benefit, sir.

Senator MILLER. Any Federal check.

Secretary FINCH. Tax refunds, or any other amount due from the Federal Government; that is right.

Senator MILLER. Well, that would be fine as far as a Federal employee is concerned. I am concerned about somebody who is simply working for a private organization or possibly running his own business. What do we do with him? Can we garnish the wages, or why should there not be some kind of a Federal law which provides for a garnishment within reasonable limitations of wages or salaries, or levy upon privately held property? I can see where there could be a great many of these deserting parents who would be difficult to catch under this limitation of a Federal check.

Mr. HAWKINS. This establishes a Federal obligation, Senator Miller, for any Federal payments. The provision permits this obligation to be satisfied in any way that the Department may move, but requires that, to the extent that it is not otherwise satisfied, it must come out of any future payments payable from the Federal Government, which would include social security benefits payable in the future.—

Senator MILLER. Well, maybe I can give you an example. Take a father and, notwithstanding the incentive features in the family assistance plan, he decides that he is going to desert his wife and children and run out, let us say to a State out in the West, and the Federal Government, the taxpayers, pay for a family assistance plan, and they cannot locate him. As you well know, it is pretty difficult for the States to do this. About a year later, however, we find that he is working for some private corporation at a very good salary and living high on the hog. Now, under this, do I understand that you are going to be able to obtain a judgment of some kind against him so that even though he is not getting any Federal paychecks or any Federal income checks or tax refunds or anything like that, that you could garnish his wages?

Mr. HAWKINS. With respect to the Federal payment, yes.

Secretary FINCH. Senator, on page 29 of the House report, it says that to the extent that these amounts cannot be collected directly from the individual involved the amounts due to the Federal Government could be collected from any amounts otherwise due him at any time from any officer or agency of the United States or under any Federal program.

Senator MILLER. I want to get away from that. I like that as far as the person who is receiving money from the Federal Government. Let us take the example I gave. He is working for a private corporation and the only checks he gets that he puts in his bank account are from his employer. The Government is not tied in with that at all.

There are no contracts with the private corporation, there are no Federal checks coming in there at all. These are just checks written on a local bank by his employer to his local bank account. Are we going to be able to get some of that money?

Secretary FINCH. I do not see any prescription against our going against any income or assets that he has. I think this gives us sufficient authority.

Senator MILLER. I wanted to make sure on that, because he kept coming back to the payments of the Federal employment checks or any checks drawn on any department or agency of the Federal Government.

Secretary FINCH. That is just the easiest way to do it.

Senator MILLER. That is the easiest way if the situation permits it, but if the situation does not, you are still not stopped from going in and getting a judgment, getting this money out of his paycheck or out of his property?

Secretary FINCH. That is my opinion. That is the way this language was drawn.

Senator MILLER. May I ask, is this the first time we have had a proposed Federal statute that would enable us to get this done?

Mr. HAWKINS. There have been numerous bills in many Congresses on this score. This has historically been a State court matter, and the States all subscribe to some type of uniform enforcement of the obligation of a father to his child. But it has been a very difficult matter for States—

Senator MILLER. If this is enacted, it will be the first time that we have had a Federal statute to cover this?

Mr. HAWKINS. If this language is enacted, it will be the first Federal statute.

Senator MILLER. May I say I applaud your recommendation on that. I think we have needed something like this for a long, long time.

PROJECTED COST OF FAMILY BENEFITS UNDER THE BILL

Now one last question. I am referring now to this committee print of the Senate Finance Committee dated April 29, which has various and sundry charts in it, entitled "Material Related to H.R. 16311,"*

On page 9, there is the chart which I have already used responding to some correspondence I have had on it. And I think I have had, and I think many of us have had, letters from people who are concerned about the cost of this program. I think I can pacify some of them by saying: "Well, it is true that the cost is considerably more than the present cost of AFDC, but if we are ever going to break out of the mess we are in, we have to have something that is going to provide incentives to break out."

And it is true, it will cost more when we start out; but as time goes on, it may well cost less and should not cost any more.

I think on another page, on page 21, you have shown a projected cost running from \$4.7 billion in 1972 to \$4.9 billion in 1976. I do not think any of our constituents are going to scream too much about that increase, especially with inflation. But they refer to the medicare program and other Federal programs, about how they have ballooned up.

*This document is reproduced as a part of the printed record of this hearing at p. 107 ff.

I am just wondering if their fears are well founded, that by 1976, instead of seeing that up to \$4.9 billion, we see that clear up to \$6 billion, or \$7 billion, or \$8 billion. What do you say about that, Mr. Secretary?

Secretary FINCH. I will ask Mr. Mahoney, who prepared the material and hypotheses on which we based these recommendations, to respond to your question, sir.

Mr. MAHONEY. Senator, I would like to refer to the chart on page 19, chart 9. The figures that I would use if I were presenting that chart would not have shown quite the precipitous decline in families receiving family assistance that this one does. I worked up the figures this morning which said that the number of families receiving family assistance in 1975 would be about 3.5 million. We are not saying that the decline is as sharp as this chart shows.

With respect to your second question about the way the costs seem to move over time, you really ask two questions:

One is whether the cost estimate itself is correct, and the other one is whether its trend over time is correct.

Our assumption in presenting these cost estimates is that the benefit level would remain the same and that all families who are eligible to participate would be included in the cost estimates. Given those assumptions, then the cost changes over time only as a result of population growth and income changes. Our best evidence suggests that in the first few years, income growth would offset population growth in terms of the cost estimates.

Senator MILLER. That is a very responsive answer. Now let me ask you about the assumptions. Your first assumption is out of your control: it is in the hands of the Congress. So you cannot be responsible for that.

NUMBER OF FAMILIES ON WELFARE UNDER THE BILL

With respect to that second assumption, how hard are your statistics to cover your assumptions that all eligible families are covered here to the varying degrees that family assistance will be permitted?

Mr. MAHONEY. Senator, as the basic data underlying our estimates, we are using Bureau of Census data on numbers of families by family size and income.

In other words, I simply take what the Census tells me is the number of families by income.

Senator MILLER. And how recent are their figures?

Mr. MAHONEY. The data that were used to present the figures that are in the House Ways and Means Committee Report were based on a survey conducted especially for the Office of Economic Opportunity by the Census Bureau.

There was a survey taken in March of 1967; it reflected 1966 income. In developing our estimates, we did project the data forward from 1966 to 1971, incorporating known growth rates in income and population.

Senator MILLER. What you are telling us is that you have done the best you could in trying to get adequate projected data.

Mr. MAHONEY. Yes, sir.

Senator MILLER. But the earliest base for the data on which the projection was made in 1966?

Mr. MAHONEY. Yes.

Secretary FINCH. I think the statement might be made, Senator, as with the program of Medicaid, that the State action really had more effect than Federal action, because if a State wanted to increase its payments, we would simply match what its legislature was willing to do. We really did not have control over that situation.

Also, these figures assume 100 percent participation, and I think it is very unlikely that we are going to have 100 percent participation.

Senator MILLER. Thank you. I would like to ask one more question.

WELFARE BENEFITS FOR STRIKERS

On page 22, line 3, of the bill, that provides that family assistance can continue to be granted even though the individual concerned is not employed if the position offered is vacant due directly to a strike.

I can see two situations. I can see one situation in which the individual concerned may have actually participated in a strike. They had a vote to strike, he joined in voting for the strike, so he is out on strike. It may be rather prolonged. That is one situation.

I can see another situation in which he and his fellow employees want to work but there has been a strike in a city many miles away which produces the parts needed for this particular plant and they are just the victims of a strike over which they have had no control.

Now, are we covering both situations?

Secretary FINCH. I think again we had better refer to the Department of Labor on that, Senator.

Mr. Rosow. Senator Miller, with regard to your first question, which has to do with the person who went out on strike. Many of these people could not qualify for benefits because of their assets being higher than the \$1,500 assets test, and also—

Senator MILLER. Let us take one who can.

Mr. Rosow. Then it would be a question of what the State law said there, because many States do have laws prohibiting payments to strikers. We do know in fact that in the trucking strike now in Ohio, in some communities, some of the strikers are on welfare and there is a question of fact being established here as to how they attained eligibility. This is a local jurisdiction matter and it is unfortunate that that has happened.

I think it would be only fair to say that it is conceivable under this law that a striker who met the income and assets test could in fact qualify for a payment, although that is not the—

Senator MILLER. But that would be dependent on the local law?

Mr. Rosow. Subject to restrictions on the local law. With regard to the Federal payment, the first piece of it, they could not contravene that. They would be eligible for the Federal payment. Local law would disqualify them from supplementation or other types of payment. So there would be a two-part response to your question.

Senator MILLER. What you are saying is that you are drawing no distinction between the situation where a striker who otherwise qualifies has participated in the local strike directly, and the situation where he is merely a victim of a strike many miles away which closed down the plant in which he works?

Mr. Rosow. Yes, if he is subject to a secondary effect, as you outlined, he would be eligible to participate in this payment, again assuming that he satisfied the requirements.

Senator MILLER. The language of that line says vacant due directly to a strike drew my attention. What do you mean by directly to a strike?

Mr. GUTTMAN. If I may, this language is taken directly out of the Federal Unemployment Tax Act directly related to insurance. Its intent is to insure that nobody will be disqualified because he refuses a position which is vacant because of a strike.

In other words, the language does not deal with the striker himself, it deals with the position of the person who is referred to a job that is vacant because of a strike.

Let us assume that there is a strike in factory A and the person who is not an employee of that factory is referred to that factory. He is entitled to refuse that position without having his benefit entitlement affected.

Senator MILLER. In other words, if you did not provide this, then you would be laying a foundation for Federal encouragement of strikebreaking?

Mr. GUTTMAN. That is exactly the intention of this provision, to prohibit that. That is all that this provision deals with.

Senator MILLER. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Talmadge.

ABOUT 50,000 MEMBERS OF ARMED SERVICES ELIGIBLE FOR WELFARE UNDER THE BILL

Senator TALMADGE. Mr. Secretary, do you know how many members of the armed services would be benefited by this legislation?

Secretary FINCH. Our estimate, Senator, is about 50,000. Originally, as we presented it to the House, we excluded members of the Armed Forces. The House brought them back in.

Senator TALMADGE. They would have to be married and have a child to benefit at all, would they not?

Secretary FINCH. Yes, sir.

Senator TALMADGE. A child could benefit a person by about \$1,300 more a year than a person who had no child?

Secretary FINCH. That would be the effect, yes, sir.

Senator TALMADGE. Mr. Mahoney testified a moment ago—

Secretary FINCH. I should point out, to keep the matter in context, that that proposal was made before the Administration proposal for a military pay increase. I can't tell you how it would work out in view of that proposal. Presumably, the proposal, if adopted, would lower the number of potential recipients.

ESTIMATED NUMBER OF WELFARE FAMILIES INCREASED WITH NO INCREASE IN COST

Senator TALMADGE. Mr. Mahoney stated that the number of families would be 3.5 million in 1975 instead of the 3.1 million that was the previous estimate. This is considerably higher than the figure

shown on the chart on page 19 of the staff book. Does this mean that the cost figures on page 21* of the staff book should be increased substantially and if so, how much?

Mr. MAHONEY, Senator, no. The family estimate that I gave a few minutes ago is consistent with the estimate of \$1.9 billion shown in chart 10 on page 21.

Senator TALMADGE. How do you increase the family estimate from 3.1 to 3.3 and achieve the same result that you have on the card?

Mr. MAHONEY, Senator, I can only apologize for the fact that I was out of town when your committee staff was trying to get some numbers. As a consequence your staff was not able to get the information from me.

Senator TALMADGE. How long has that been?

Mr. MAHONEY. I just came back from out of town about 4 or 5 days ago, Senator.

Senator TALMADGE. You stand on the fact, then, that your revised estimate of 3.5 million families would not increase the cost over your previous estimate of 3,100,000?

Mr. MAHONEY. I am sorry, Senator, I did not understand your question.

Senator TALMADGE. You estimate here in this book that the staff prepared the number of families drawing benefits under the family assistance program in 1976 as 3,100,000. You have just stated that that figure was low, that you thought it would be 3,500,000 by 1975.

Mr. MAHONEY. Yes, sir.

Senator TALMADGE. That is 1 year in advance of this 1976 target date.

Senator MILLER. Would the Senator yield at that point, because he is following on one of my questions?

Senator TALMADGE. Certainly.

Senator MILLER. I think he inadvertently misstated the number. The number that was projected was 2.7 million by the end of 1976, following that line of families receiving the family assistance plan, going from 3.7 down to 2.7.

Senator TALMADGE. You are correct.

Senator MILLER. I believe the response to my question was that they estimated a drop of only to 3.5 million at the end of 1975.

Was that not the response? I am asking the witness this.

I believe you responded by telling me that you thought this should be changed to 3.5 million at the end of 1975, so you still have a year to go! But I am sure that is what Senator Talmadge is referring to. You did project down to 2.7 only a year later?

Mr. PATRICELLI. I think the problem, Senator, is that the 2.7 was not our estimate. Apparently the staff pamphlet indicates that the estimate came from the Department of Health, Education, and Welfare. Apparently it came from the Urban Institute. These are not our numbers.

Senator TALMADGE. What figures did you give the House?

Mr. PATRICELLI. Mr. Mahoney said he was not available to provide that number, but the number is actually 3.5 million.

Senator TALMADGE. The staff is not given to errors. They took the figures provided by Federal agencies. I appreciate Senator Miller making that correction. I was looking at the projected AFDC

* See p. 127.

families, so it is even higher, the figure that the staff has, and yours from your source is 2.7 million. You tell us now it will be 3.5 million a year ahead of the date in 1976 and tell us still that that would not increase the projected cost. That seems inconceivable to me.

Mr. MAHONEY. Senator, I am not questioning the estimate of 3.1 million AFDC families in 1976. Nor am I questioning the estimate of the \$4.9 billion cost of FAP in 1976. My only question is in reference to the estimate of families receiving family assistance—2.7 million in 1976. My own estimate is that it would be much closer to 3.5 or 3.4 million families.

Senator TALMADGE. That is what I was asking and then asking you if that would not increase the cost.

Mr. MAHONEY. I have never provided an estimate of 2.7 million families as eligible for family assistance in 1976.

Senator TALMADGE. Obviously, an estimate of 3.5 million families would cost more than 2.7 million, would it not?

Mr. MAHONEY. Senator, if I had given the estimate of families eligible for family assistance, consistent with the cost estimate, it would have been 3.5 million families.

Senator TALMADGE. And would that increase the cost figure here on the chart on page 21 of \$4.9 billion?

Mr. PATRICELLI. Senator, the figure of \$4.9 billion does refer to a family caseload of 3.5 million. The Department never provided, to the House or anybody else, an estimate of 2.7 million. That apparently came from the Urban Institute and would have resulted in a different cost estimate. But our figures are consistent. A figure of 3.5 million families results in costs of \$4.9 billion.

Senator TALMADGE. You stand on that?

Mr. PATRICELLI. Yes, sir.

SECRETARY'S INTENTIONS IN AREAS FOR WHICH THE BILL GIVES HIM POLICY DISCRETION

Senator TALMADGE. Mr. Secretary, last October, in hearings before the Ways and Means Committee, Mrs. Griffith asked you to list all the places in the bill where the Secretary is given authority to decide the policy and issue regulations and to indicate what your regulation might be in each case. The printed House hearings simply state that the information referred to was not available at the time of the printing. That is a half year later, and I am sure that you have prepared this document. I would appreciate your inserting it at this point in the record before the time of printing. Can you do that?

Secretary FINCH. That is a monumental task, Senator.

Senator TALMADGE. I am aware of that, but this is a monumental piece of legislation, too. We must make monumental decisions.

Secretary FINCH. We will provide what we have. For example, we have been working on the regulations for day care. We will provide it as we get it piecemeal, and hopefully, well before you get too far into public hearings, with public witnesses.

Senator TALMADGE. Thank you, Mr. Secretary.*

* At presstime, June 11, 1970, the material requested had not been received from the Department of Health, Education, and Welfare.

ASSURING JOBS FOR WELFARE RECIPIENTS

Senator TALMADGE. Mr. Secretary, on Wednesday, I asked you how do you expect these work incentive features of your proposal would remove people from the welfare rolls, if ever. You answered, "We do not." I appreciate your frankness, Mr. Secretary, and I would agree with you that the bill before us now will not do much more than make a lot of people register their names with the Employment Service in order to get welfare. I propose that employers be given a tax incentive to provide training and employment opportunities. Is this not the only way that we can assure that there will be jobs for welfare recipients? As Senator Harris said Wednesday, pious words are not enough.

Secretary FINCH. My reference went to the welfare side of this proposal. The purpose is to lay down the national floor that we have talked about—to get uniform eligibility. We have had considerable success at a State level with those kinds of incentives that you are suggesting for employers in providing jobs. But we cannot solve all of these problems in a bill that is within the framework of the Social Security Act.

I am fully in sympathy with what you are talking about, but we have the same jurisdictional problems you have with committees. You might want to consider the possibility of a select committee to deal with all aspects of this problem and we might come forward with a broader proposal, involving other administrative sources, and work with you to have an omnibus bill to work out this whole problem.

FAILURE OF WIN PROGRAM IN PRIVATE SECTOR

Senator TALMADGE. I think it was brought out pretty clearly on Wednesday that the WIN program, despite the fact that it requires the Secretary of Labor to provide the training and work placement, has been a dismal failure. The committee in 1967 laid great stress on the use of on-the-job training, but of \$22 million appropriated, only \$800,000 was used.

Senator Harris asked Wednesday where the jobs would come from, Mr. Secretary. You responded, "I do not think this bill really attempts to meet that problem." Are not most jobs today in the private sector? I do not see how the bill opens up any job opportunities there.

Secretary FINCH. I will let Mr. Rosow respond to that question. We have gone as far as we can go within the context of the Department of HEW's jurisdiction. We have tried to improve the mechanism whereby those on welfare could be referred to the Department of Labor, which in turn has its relationship with the private sector.

Mr. Rosow. I think, Senator Talmadge, that it is a little unfair to call the WIN program a dismal failure. It is a young program and it has been doing exceedingly well considering its youth. In the House Ways and Means Committee Executive Sessions, as I reported yesterday, six State directors were invited in by the Chairman and they testified that this was one of the most promising manpower programs that had ever been legislated.

Senator TALMADGE. My recollection is that this program is 3 years old and you have certified less than 1,000 people in the whole State of New York. Would that not characterize it as a dismal failure?

Mr. Rosow. The program was legislated in the 1967 amendments but did not take effect legally until October 1968, I believe. And there were 14 States at that time that needed enabling legislation. So the rate of involvement of States was progressive and in some cases, quite slow.

In fact, the WIN program has been operating under severe legislative obstacles. And we have pointed out to the committee in the House, and here in the Senate, how the family assistance bill addresses itself to these problems. In New York, as you say, Senator, there has been a very low rate of participation because of their interpretation as to who is eligible to participate. They have only been referring around 31½ percent of the recipients. Under the new law, there would be no such referral process; the registration would be automatic.

Senator TALMADGE. Registration, but does not mention referral.

Mr. Rosow. There is no referral necessary. Registration supersedes the referral. Once the person is registered, the employment office must go to work on that person in terms of a job or training program.

Now, in fact, the WIN program, despite its limitations, has enrolled 138,000 people as of February 28 of this year, and has placed in employment about 22,000 people. The average wage rate of those people is a little over \$2 an hour, and in a great variety of occupations. Some States, of course, have done remarkably well and other States have done poorly, partly because of judgments being made by welfare organizations and State welfare people.

Senator TALMADGE. Is the figure that you have, is that about 10 million people on welfare?

Secretary FITCH. No, sir: the AFDC population includes about six and a half million people, but that includes all the children. Of course, the WIN program does not purport to deal with all of the recipients. It deals with the employable adults. In our estimates for the family assistance program, we estimate that we would enroll by registration, as required in the law, around 2.9 million persons, adults. And we think that a large number of these people—about 43 percent—have reasonably good potential for employment.

With regard to your question as to where the jobs are, we feel that the jobs exist in the private sector. As Secretary Shultz will testify at length on Tuesday before this committee, we have developed some answers to the questions that concern the Senate about how many people will be placed in work. We are very much aware of this problem and very anxious to respond to it. But we are doing it within the context of using existing jobs and using training, better placement, better use of technology and computers in the employment service, reorganizing the employment service. A number of things are being done right now in our planning for this program to meet the criticisms and evaluate where the WIN program was weak and how we could improve on it.

SECRETARY OF LABOR'S TOTAL DISCRETION UNDER THE BILL

Senator TALMADGE. As I read this bill, the Secretary is not required to do anything really. "The Secretary of Labor's share for each person registered pursuant to part D in accordance with priorities prescribed by him."

He can make the decision to do anything he wants to.

Mr. Rosow. That prescription of priorities was language inserted to secure exactly what you are interested in, Senator Talmadge, namely, a better effectiveness.

In other words, we would not want to have the lack of priorities which would mean that we had to register and be responsive to all persons in the same degree. The priorities are designed to try to work with those who have the best potential for getting an attachment, for getting good wages and getting off of welfare entirely. So we merely say that the Secretary shall issue guidelines to the Employment Service saying, for example, if a person is 55 years old and another person demanding limited facilities is 35 years old, you would give a first priority to the 35-year-old person in terms of the training program, because the pay-out would be better. It just makes good economic sense to do that.

Senator TALMADGE. I cannot disagree with what you are saying, but we are talking about legislation, the previous act, in 1967, as I recall the language, said "shall be referred."

Mr. Rosow. An appropriate person, yes, sir.

Senator TALMADGE. This says in accordance with priorities prescribed by him, meaning the Secretary. It seems to me the legislation is far weaker than what we passed 3 years ago.

Mr. Rosow. May I make a distinction here, Senator Talmadge, between the two paragraphs referred to?

Senator TALMADGE. Yes.

Mr. Rosow. The present law, the 1967 amendments, says in effect that welfare organizations shall determine who is an appropriate person over age 16 for referral to the Employment Service. That is where we are getting this great variation in State interpretations because the phrase "appropriate person" relates to the process of referral. That language has been deleted so that we have clear categories that are exempt.

There are five conditions under which a person is not registered, and if those conditions are not met, then the registration is automatic. There is no referral around the Employment Service. If a person is a female head of a family with a child under six, the wife of a family head who is referred as a member, is old, sick or disabled, or is needed full time to care for a family member, or is a full-time student—those persons are exempt. Everyone else is registered and the old referral process is superseded by registration.

The language you are referring to has to do with their status rather than the old situation. A great distinction here might be illustrated. If we took New York as an example, in New York today we have registered or referred 31½ percent or so of the registered recipients. After this bill is enacted we would have all of those who should be registered on the books and referred within the period before they get their first payment, their first check. The Congress would then be in a position and the administration would be responsible in accordance with the annual employment requirement in this law, to indicate what we have done with those registrants. We would not have a situation of saying we do not know why the people on welfare are not working. We would have records as to who these people are, how old they are, what their family composition is, their address, their employment. We would have to respond to this responsibility. Really, you are putting the monkey right on the back of the Secretary of Labor and we are painfully aware of that fact.

WORK DISINCENTIVES UNDER THE BILL

Senator TALMADGE. Let me ask you a question. Were you here yesterday when those figures were submitted and put on the screen for Albuquerque, N.M.? Or was it Phoenix, Ariz.—also Chicago, Ill., New York State, Wilmington, Del.? In New York State, a family that did not work would get along just as well economically as one who did and earn \$8,000. Is that correct?

Mr. Rosow. Yes, sir.

Senator TALMADGE. Now, what is the penalty if you certify a man in New York and he does not work? The family loses \$300. Is that not right?

Mr. Rosow. Well, in fact——

Senator TALMADGE. They would still get the benefits or the equivalent of about \$7,700. Why would a man want to work when his only benefit is going to be \$300 a year if the Government will still give him the equivalent of \$7,700?

Mr. Rosow. I think the administration is deeply interested, along with the Senate, in restoring and inserting in the legislation the strongest possible economic incentives for work.

Senator TALMADGE. I agree with that. That is what I am trying to get at, because I think we are going to have to have your assistance and the assistance of Secretary Finch and the assistance of our staff and everyone else to drastically rewrite this bill, because what you purport to accomplish and achieve just is not done in this legislation.

Mr. VENEMAN. Senator, those charts which were presented yesterday apply only to a single adult-headed family, be it male or female. Those figures would not apply to the working poor.

Senator TALMADGE. I am aware of that. It does not apply in all cases. The fellow who is a professional malingerer will find some way to malingering and I think we are going to have to consider that in the act.

Mr. Rosow. And in recognizing your point and the point made so strongly by Senator Williams and the chairman, we are aware and concerned about those people who are in the situation shown on the charts, and want to correct that situation to the maximum degree possible. But we still feel that in New York, for example, with 92 percent of the people not represented on that chart, we still have the incentive situation as shown in the first four columns of the chart, namely, what is in the Family Assistance Act itself. I do not believe, even with our most sanguine hopes, that we can get everybody on welfare in to work. If we can work with those 92 percent, I think we are taking a big step. We would like to work with 100 percent, of course, but I think we should be aware of the fact that even within the limitations, a great majority of the people are not receiving all these subsidies. The working poor are definitely not going to be eligible for these subsidies and we will be in a position to remediate a considerable proportion of the total.

Senator CURRIS. Would you yield right there?

The working poor are not eligible for the rent subsidies and home purchase subsidies?

Mr. Rosow. Not as a result of this program, Senator.

Senator CURRIS. I mean regardless of what it is a result of.

Mr. Rosow. There may be cases in some States where they are. But the bill would provide that the working poor will not receive State supplementation of income.

Senator CURTIS. No, no, I asked about a rent supplement. This bill would not take this away from the working poor, would it?

Mr. VENEMAN. The point we are making is that the working poor would lose any payment from public funds when income reached \$3,920.

Senator CURTIS. Now, what happens to a working man who has purchased a house under section 235 and the Federal Government is subsidizing his payment, say, by \$65 a month. He can go on getting that under the bill?

Mr. VENEMAN. That is correct. But he would have it under present law, too.

Senator CURTIS. Yes. So the statement that the working poor, if this bill is passed, will not share in any additional—

Mr. VENEMAN. As a result of the bill, Senator.

Senator CURTIS (continuing). Monetary benefits is not true.

Mr. Rosow. I meant to apply it to those newly eligible as a result of this legislation, not those receiving assistance or—

Mr. VENEMAN. Of rent subsidies.

Senator CURTIS. That still does not stand.

Senator BENNETT. The bill does not change.

Senator CURTIS. If somebody is working now and they are fully employed, but their wages are so low that they are eligible for benefit here, and if that person is having his house purchase payments subsidized, say, to the extent of \$65 a month, that will still go on?

Mr. VENEMAN. Subsidized through a rent subsidy, you mean?

Senator CURTIS. No, it is a purchase subsidy.

Mr. VENEMAN. An interest subsidy?

Senator WILLIAMS. Another column that we forgot.

Mr. VENEMAN. We could add other columns, Senator.

REVISED CHARTS ON WELFARE BENEFITS IN SELECTED CITIES

Senator WILLIAMS. Mr. Chairman, the Department has just given me another set of the charts which they have revised for the third time. I believe we should print them right here so people can see how their assumptions on this important question keep shifting.

(The information referred to follows.)

COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS, FAMILIES OF FOUR AND SEVEN

Note: State supplementary grant levels shown are generally at or near the maximum amount of basic maintenance plus rent available to hypothetical families. Specific families might receive somewhat higher or lower payments depending on composition of family in terms of age and sex of members, rent paid, special needs included in the basic payment such as coal liver oil, and the like.

Similarly, public housing bonuses may vary within cities depending on the particular project in which participants live.

It should be noted that medical benefits are average only. Individual families may receive considerably higher or lower amounts, depending on their medical needs in a given time period.

The tables assume that families participate in other programs to which they may be entitled by reason of income. Many eligible families do not participate in food programs or public housing programs, however. Moreover, the shortage of public housing units in most cities further limits the number of eligible families who actually receive benefits.

TABLE 1.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$1,600	\$404	\$2,004.....				\$441	(⁷)	\$1,176	\$3,621.....	
\$720.....	1,600	404	2,724.....			\$37	441		1,176	4,304	5
\$1,000.....	1,460	357	2,817.....			52	441		1,176	4,382	72
\$2,000.....	960	190	3,150.....			104	441		1,104	4,591	79
\$3,000.....	460	23	3,483.....			156	441		1,032	4,800	79
\$3,140 (State breakeven).....	390		3,530.....			163	441		1,032	4,840	71
\$3,920 (FAP breakeven).....			3,920	\$17		204			948	4,647	125
\$4,000.....			4,000	28		208			936	4,700	34
\$5,250.....			5,250	212	\$18	273				4,747	96

¹ A woman with 3 minor children where State pays \$2,004 to a family with no other income.

² Calculated according to the family assistance State supplementary formula, but assuming exercise of secretarial discretion to hold reduction rate to 67 percent, as authorized in sec. 452(b)(2).

³ Federal income tax calculated on the basis of the tax provisions in effect in 1972, assuming no surcharge.

⁴ Current State tax schedule.

⁵ Social security tax of 5.2 percent will be in effect Jan. 1, 1971.

⁶ Arizona has no food stamp program, but has a surplus commodity program with an income eligibility ceiling of \$3,072 for a family of 4 with no earnings and \$3,552 for a similar family with earnings. Not all eligible families participate in the commodities program. Such families' benefits and cumulative reduction rates would be lower.

⁷ Arizona has no title XIX program.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,680 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$4,200 of countable income; for continued occupancy \$5,250. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Precise figures unavailable for Phoenix, Ariz. of number of AFDC recipients living in public housing.

TABLE 2.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN WILMINGTON, DEL. ¹

Earnings	FA ² benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ³	Food stamp bonus or surplus commodity value ⁵	Average medical vendor payment per AFDC family ¹	Public housing bonus ⁶	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$1,600	\$188	\$1,788				\$661	\$437	\$480	\$3,366	
\$720.....	1,600	188	2,508			\$37	661	437	540	4,109	(-)
\$1,000.....	1,460	141	2,601			52	661	437	540	4,187	72
\$1,850 (State breakeven).....	1,030		2,885			96		437	540	3,766	150
\$2,000.....	960		2,960			104		437	528	3,821	63
\$3,000.....	460		3,460			156			432	3,736	108
\$3,920 (FAP breakeven).....			3,920	\$17	\$12	204			348	4,035	68
\$4,000.....			4,000	28	13	208			342	4,093	18
\$5,450.....			6,450	417	60	335				5,638	37

¹ A woman with 3 minor children where State pays \$1,788 for a family with no other income.

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ Delaware has no food stamp program but has a surplus commodity program with an income ceiling of \$2,530 net income (earnings less mandatory payroll deductions). Not all eligible families participate in the commodities program. Such families' benefits and cumulative marginal rates would be lower.

⁷ Based on estimates of medical vendor payments, May 1969. In view of the seasonal variation in medical care costs, it was assumed that May 1969 represents 1/11 of the annual 1969 payments. Income eligibility is AFDC cutoff for AFDC recipients or \$3,000 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$1,560 yearly in city-leased housing) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$4,800 of countable income; for continued occupancy \$6,000. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. For example, only 29 percent of AFDC recipients in Wilmington, Del. live in public housing.

⁹ The increase in the public housing benefit increases money income by 103 percent of earnings.

TABLE 3.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN CHICAGO, ILL. 1

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0.....	\$1,600	\$1,496	\$3,096				\$408	\$789	\$1,116	\$5,409	
\$120.....	1,600	1,496	3,816			\$37	312	789	1,116	5,396	18
\$1,000.....	1,460	1,449	3,909			52	312	789	1,116	6,074	72
\$2,000.....	960	1,282	4,242			104	312	789	1,116	6,355	72
\$3,000.....	460	1,115	4,575			156	288	789	1,116	6,612	74
\$3,920 (FAP breakeven).....		972	4,892	\$17		204	288	789	1,116	6,864	73
\$4,000.....		908	4,908	28		208	288	789	1,116	6,865	99
\$5,000.....		241	5,241	172	\$11	260	288	789	1,116	6,991	87
\$5,362 (State breakeven).....			5,362	230	14	279			1,116	5,955	387

¹ A woman with 3 minor children where State pays \$3,096 for a family of 4 with no other income.

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ Food stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit is AFDC breakeven for AFDC recipients or \$3,600 net for nonrecipients. Not all eligible families participate in the stamp program. Such families would have lower benefits and cumulative reduction rates.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC breakeven for AFDC recipients or \$3,600 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$2,076 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$6,000 of countable income; for continued occupancy above \$8,400. Since continued occupancy at higher incomes for increased rent is permitted, no cutoff point for eligibility for public housing is shown in this table. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 18 percent of all AFDC recipients in Chicago, Ill. live in public housing.

TABLE 4.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 4-PERSON, FEMALE-HEADED FAMILY IN NEW YORK CITY¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$1,600	\$2,108	\$3,708				\$522	\$1,153	\$2,052	\$7,435	
\$720	1,600	2,108	4,428			\$37	522	1,153	2,052	8,118	5
\$1,000	1,460	2,061	4,521			52	522	1,153	2,052	8,196	72
\$2,000	960	1,894	4,854			104	522	1,153	2,052	8,477	72
\$3,000	460	1,727	5,187		\$6	156	522	1,153	2,052	8,752	72
\$3,920 (FAP breakeven)		1,574	5,494	\$17	21	204	522	1,153	2,052	8,979	75
\$4,000		1,520	5,520	28	26	208	522	1,153	2,052	8,985	92
\$5,000		853	5,853	172	53	260	522	1,153	2,052	9,095	89
\$6,000		186	6,186	336	80	312	522	1,153	2,052	9,185	91
\$6,279 (State breakeven)			6,279	356	90	326			2,052	7,529	694

¹ A woman with 3 minor children were State pays \$3,708 to a family with no other income. The standard in New York State was adjusted to include the rent as paid to a public housing authority (\$101 a month) for a typical unit. Does not reflect increased standards as of May 1, 1970.

² Same as table 1.

³ Same as table 1.

⁴ Same as table 1.

⁵ Same as table 1.

⁶ New York City has a surplus commodity food program with an eligibility ceiling of AFDC breakeven levels for AFDC recipients or \$4,200 for other low-income families of 4.

⁷ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC

breakeven for AFDC recipients or \$5,300 for medically indigent nonrecipient family of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$3,264 yearly in city-aided apartments) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day care costs, health-related expenses, earnings of minors, or any other deductions allowed. Maximum admission limit is \$6,900 of countable income for continued occupancy \$8,800. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

TABLE 5.—COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN PHOENIX, ARIZ.¹

Earnings	FAP benefit	State supplement ²	Total money income	Federal income tax ³	State income tax ⁴	Social security tax ⁵	Food stamp bonus or surplus commodity value ⁶	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$2,500	\$332	\$2,832				\$756		\$1,176	\$4,764	
\$720	2,500	332	3,552			\$37	756		1,080	5,351	18
\$1,000	2,360	285	3,645			52	756		1,068	5,417	76
\$2,000	1,860	118	3,978			104	756		1,032	5,662	75
\$2,706 (State breakeven)	1,507		4,213			141	756		948	5,776	84
\$3,000	1,360		4,360			156	756		936	5,896	59
\$4,000	860		4,860			208			828	5,480	142
\$5,000	360		5,360			260			720	5,820	66
\$5,720 (FAP breakeven)			5,720			297			648	6,071	65
\$6,000			6,000	\$14	\$4	312			600	6,270	29
\$6,375			6,375	67	10	332				5,966	181

¹ A woman with 6 minor children where State pays \$2,832 to a family with no other income

² Same as table 1, footnotes 2-5.

⁶ Arizona has no food stamp program, but has a surplus commodity program with an income eligibility ceiling of \$4,344 for a family of 7 with no earnings and \$4,824 for a similar family with earnings. Not all eligible families participate in the commodities program. Such families would have lower benefits and cumulative reduction rates.

⁷ Arizona has no title XIX program.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental

(\$1,680 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day care costs, health-related expenses, earnings of minors or any other deductions allowed. Maximum admission limit is \$5,100 of countable income; for continued occupancy \$6,375. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Precise figures not available for number of AFDC recipients living in public housing in Phoenix, Ariz.

TABLE 7. - COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN CHICAGO, ILL.¹

Earnings	FAP benefit	State supplement	Total money income	Federal income tax ²	State income tax ³	Social security tax ³	Food stamp bonus or surplus commodity value ⁴	Average medical vendor payment per AFDC family ⁵	Public housing bonus ⁶	Total income, money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$2,500	\$2,144	\$4,644				\$696	\$1,380	\$1,116	\$7,836	
\$20	2,500	2,144	5,364			\$37	600	1,380	1,116	8,423	18
\$1,000	2,360	2,097	5,457			52	552	1,380	1,116	8,453	89
\$2,000	1,860	1,930	5,790			104	552	1,380	1,116	8,734	72
\$3,000	1,360	1,763	6,123			156	504	1,380	1,116	8,967	77
\$4,000	860	1,596	6,456			208	456	1,380	1,116	9,200	77
\$5,000	360	1,423	6,789			260	408	1,380	1,116	9,433	77
\$5,720 (FAP breakeven)		1,309	7,029			297	408	1,380	1,116	9,636	72
\$6,000		1,122	7,122	\$14		312	408	1,380	1,116	9,700	77
\$7,000		455	7,455	156		364	360	1,380	1,116	9,791	91
\$7,683 (State breakeven)			7,683	253	\$7	400	360		1,116	8,499	289
\$8,000			8,000	297	11	406			1,116	8,402	131

¹ A woman with 6 minor children where State pays \$4,644 to a family with no other income.

² Same as table 1, footnotes 2-5.

³ Food-stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food-stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit is AFDC breakeven for AFDC recipients or \$5,400 net income for nonrecipients. Not all eligible families participate in the food-stamp program. Such families would have lower benefits and cumulative marginal rates.

⁴ Based on estimates of medical vendor payments, May 1969. Income eligibility ceiling is AFDC breakeven for AFDC recipients or \$5,400 for medically indigent nonrecipient families of 4.

⁵ Public housing bonus is the public housing agency estimate of comparable private market rental (\$2,076 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day-care costs, health-related expenses, earnings of minors or any other deductions allowed. Maximum admission limit is \$7,800 of countable income, for continued occupancy above \$10,470. Since continued occupancy at higher incomes for increased rent is permitted, no cutoff point for eligibility is shown in this table. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 18 percent of all AFDC recipients in Chicago, Ill., live in public housing.

TABLE 8 COMBINED BENEFITS AND REDUCTION RATES UNDER SELECTED INCOME-TESTED PROGRAMS FOR A 7-PERSON, FEMALE-HEADED FAMILY IN NEW YORK CITY¹

Earnings	FAP benefit	State supplement	Total money income	Federal income tax ²	State income tax ⁴	Social security tax ³	Food stamp bonus or surplus commodity value ⁵	Average medical vendor payment per AFDC family ⁷	Public housing bonus ⁸	Total income: money and in-kind from all sources	Cumulative marginal reduction rate (percent)
0	\$2,500	\$2,792	\$5,292				\$846	\$2,017	\$2,052	\$10,207	
\$720	2,500	2,792	6,012			\$37	846	2,017	2,052	10,899	18
\$1,000	2,360	2,745	6,105			52	816	2,017	2,052	10,968	77
\$2,000	1,860	2,578	6,458			104	846	2,017	2,052	11,249	77
\$3,000	1,360	2,411	6,771			156	846	2,017	2,052	11,533	77
\$4,000	860	2,244	7,104			208	846	2,017	2,052	11,811	77
\$5,000	360	2,077	7,437		\$6	260	846	2,017	2,052	12,086	72
\$5,720 (FAP breakeven)		1,957	7,677		19	297	846	2,017	2,052	12,275	74
\$6,000		1,770	7,770	\$14	26	312	846	2,017	2,052	12,336	80
\$7,000		1,103	8,103	156	53	364	846	2,017	2,052	12,445	89
\$8,000		436	8,436	297	80	406	846	2,017	2,052	12,568	88
\$8,658 (State breakeven)			8,658	398	104	406			2,052	9,802	520

¹ A woman with 6 minor children where State pays \$5,292 to a family with no other income

²⁻³ Same as table 1, footnotes 2-5.

⁴ Food stamp bonus is the difference between the value of the coupon allotment and the purchase price of the coupons. Based on current food stamp schedules, with mandatory payroll deductions subtracted from gross income in determining purchase price and eligibility. Income eligibility limit is AFDC breakeven for AFDC recipients or \$6,060 net income for nonrecipients. Not all eligible families participate in the food stamp program. Such families would have lower benefits and cumulative reduction rates.

⁵ New York City has a surplus commodity food program with an eligibility ceiling of AFDC breakeven levels for AFDC recipients or \$6,050 for other low income families of 7.

⁷ Based on estimates of medical vendor payments. May 1969 income eligibility ceiling is AFDC breakeven for AFDC recipients or \$7,200 for medically indigent nonrecipient families of 4.

⁸ Public housing bonus is the public housing agency estimate of comparable private market rental (\$3,264 yearly) minus amount of public housing rent paid. Calculated for 3-bedroom unit from data supplied by local housing authority, including any allowable deductions for employment costs and payroll deductions, but not including deductions for day care costs, health-related expenses, earnings of minors or any other deductions allowed. Maximum admission limit is \$8,084 of countable income; for continued occupancy \$8,800 for federally aided projects. These figures should be used with caution since the great share of AFDC recipients do not live in public housing, and hence would neither receive subsidized housing or face the high cumulative reduction rate. Approximately 8 percent of all AFDC recipients in New York City live in public housing.

Senator CURTIS. Would you yield for just one more question?

Senator TALMADGE. Yes.

DEPENDENCY RATE IN CALIFORNIA UNDER THE BILL.

Senator CURTIS. Is it true that at the present time, one Californian out of 12 is on welfare?

Secretary FINCH. I think that is approximately correct.

Senator CURTIS. I have a very good estimate.

Mr. VENEMAN. That is the number who receive public assistance in one form or another.

Senator CURTIS (continuing). That if this bill passes in its present form, it will be one out of seven.

Mr. VENEMAN. I have not seen those figures, Senator.

Senator CURTIS. They will be presented.

SOURCE OF FUNDS TO PAY COST OF BILL.

Senator TALMADGE. Mr. Secretary, one final question.

You remember last year, there was a great deal of talk about a taxpayers' revolt. People were up in arms all over the country, and they still are, voting down bond issues for schools, hospitals, health programs, everything else.

Secretary FINCH. Yes, sir.

Senator TALMADGE. I think before the year is over, we will have another bill before us to raise the debt ceiling. We have had that every year, I think, since I have been in the Senate, on one occasion twice. Your own estimates are that this is going to cost the Government an additional \$4.1 billion by the end of 1976. Where are we going to get the money?

Secretary FINCH. Well, the Bureau of the Budget has considered these costs. We have regarded the social implications of this as important enough to trade off these expenditures against others within our present projections.

Senator TALMADGE. Your view is we will eliminate other programs to enact this one?

Secretary FINCH. Given the normal growth in Federal revenues, we are not anticipating seeking any new tax authorities to meet this obligation.

Senator TALMADGE. I think the deficit this year is likely to be about \$8 billion more than anticipated in the budget. So we will be confronted with either raising taxes very substantially or else raising the debt ceiling very substantially, one or the other, or maybe both.

Secretary FINCH. That may be. It would not be as a result of this bill. What the climate would be the following year, when this would become operative, I would not want to guess.

Senator TALMADGE. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

RECESS TO MEET IN EXECUTIVE SESSION.

The CHAIRMAN. Mr. Secretary, I have had some discussion with members of the committee while the hearing has been going on. We think it might be desirable to recess these hearings at this time and

for the committee to meet in executive session with you and the gentlemen you have at that table with you. We will discuss the bill before us, and then we will announce at the conclusion of that meeting, if that is agreeable with you, whether we are going to hold hearings this afternoon.

Secretary FINEH. That is entirely satisfactory with me, Mr. Chairman.

The CHAIRMAN. Thank you very much. I invite you to meet with us.

(At 11:35 the committee proceeded to executive session; then met again in open session at 12:15.)

RECESS OF HEARINGS

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

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

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

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

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

The CHAIRMAN. I would just like to make it clear that as far as this Senator is concerned, and I think that this is the consensus of the committee, we do want to pass a bill. We would like to pass the best bill that we can pass. We would like to pass a bill which takes into consideration everything that private employers can be expected to do:

everything that State governments can be expected to do; and everything that other Federal agencies can be expected to do as a part of this overall effort.

Mr. Secretary, we want to thank you for your fine cooperation and also, Mr. Veneman, for your very able assistance.

If you care to make a statement, you may.

Secretary FINCH. I have no statement at this time, Mr. Chairman.

(Whereupon, at 12:15 p.m., the committee adjourned subject to the call of the Chair.)

Appendix A

Evaluation of Work Incentive Program (WIN)

DISCUSSION OF FINDINGS AND RECOMMENDATIONS AS A RESULT OF WORK PERFORMED UNDER CON- TRACT 53-40-69-01 DATED OCTOBER 14, 1968 FOR THE DEPARTMENTS OF LABOR AND HEALTH, EDUCATION AND WELFARE

SUBMITTED TO

COMMITTEE ON WAYS AND MEANS, BY THE AUERBACH CORP.,
PHILADELPHIA, PA.

January 29, 1970

THE WORK INCENTIVE PROGRAM

THE NEED, THE CONCEPT, AND THE GOAL

Over one and one-half million families receive support under the Aid to Families with Dependent Children (AFDC) program. Many of these persons—contrary to myths about persons on welfare—are trapped in a system they resent because they lack the opportunity to become productive members of the labor force. They may need only a good economical child care plan; or they may need specialized care and training because of severe physical restrictions, emotional aberrations, or insufficient education and skills to obtain stable employment. The Work Incentive Program (WIN), as a concept, recognizes the needs of recipients and calls for a coherent network of services that will enable many of those trapped in welfare to obtain a sense of dignity and self-worth. Features of the WIN concept include:

Remedial medical attention.

An income supplement during participation in WIN (in addition to the AFDC grant).

Free child care.

A team staffing arrangement, including sympathetic "coaching" by aides (including AFDC recipients) recruited from poverty areas.

Orientation to the "world of work."

Basic education and high school equivalency (and, in some cases, college).

Diversified job training.

Job counseling and placement, including intensive follow-up contact.

Individualized employability plans for each enrollee rather than rigidly structured, standard plans for all.

Unified packages of services and components, rather than a haphazard effort to find services through other programs.

WIN also contains some incongruities, for example, the disparity between AFDC allocations for children and the child care costs to make mothers receiving such aid employable: AFDC, in the great majority of states, pays the mother less to take care of her own children's needs—including food, clothing, and shelter—than it will cost to provide "quality" day care for those same children when the mother is employed.

Unless mothers can be employed in positions paying substantial wages, either the cost of AFDC-related services will increase as a result of WIN, or the net useful income of the mother will decrease, or the program will have to be limited to mothers who can find their own child care at little cost.

Another problem is that WIN calls for compulsory participation of mothers. This requirement has provoked such consternation among welfare rights representatives, union leaders, and others, that the program began in an atmosphere of distrust despite the fact that:

Far more volunteers exist than slots.

Essential services, child care in particular, simply do not exist in many areas.

The punitive provisions of the legislation are largely unenforceable.

A third incongruity involves the job situation. Although the WIN concept is built around jobs for welfare recipients, there has been little investigation of the labor market to determine exactly where and how jobs can be obtained, and how many jobs are actually available or likely to become available for WIN enrollees. Now that the program is underway, there is a growing feeling among local WIN staff that many participants, women in particular, will not obtain jobs in the already tightly restricted labor market existing in many communities.

The program began under pressure. Rapid results were encouraged and enrollment was "forced" up to authorized program levels even though:

(1) The staffs could not handle the volume of traffic.

(2) Components did not yet exist (not a barrier to enrollment according to the legislation).

(3) Provisions or legislation for developing components had not been obtained.

(4) Liaison between Welfare and the Employment Service had not been effected.

(5) Timely payments could not be made.

(6) Supportive services were largely unavailable.

Thus, instead of a quick reduction in welfare rolls, the result was long holding periods and a high enrollee drop-out rate.

THE PROGRAM

The WIN program has some unique and promising features. Because it deals with a client group that already has an income source, it does not have to make the quickest possible placement, regardless of quality—it has time to develop *employability* through education and training. By using the "team" staffing arrangement to make avail-

able an assortment of specialists, including training experts and job developers, the program offers enrollees a better-rounded service than more typical arrangements in which only a counselor sees the enrollee.

WIN provides for frequent, continual contact between the program and the enrollee, with encouragement and support provided by coaches who are often from the same ethnic and community background as the enrollee. The incentive payment, while not lavish, provides another measure of encouragement, as does the provision of supportive services, in particular, free child care. (In some project areas, the provision of child care alone is enough to commend the program to prospective participants and bring about voluntary enrollment.)

That WIN addresses a recognized need is evidenced both by the high degree of voluntary participation and by enrollee's enthusiasm for the program concept. Enrollees often view WIN as a route of escape from the welfare system (which many view as degrading and dehumanizing) and a way into a labor market.

Despite the program's timeliness and general conceptual soundness, it has not lived up to expectations.

The basic problem is that although persons are eager for the program, the process of assembling the necessary resources, personnel, and components into an operating program has proved painfully difficult. Converting authorized program levels into enrollments and converting enrollments into successful results requires a coherent network of services from both the Departments of Welfare and Employment Security.

WIN is a bi-agency program, not simply the referral of recipients from Welfare offices to a WIN program in local Departments of Employment Security. Child care, medical examinations, and remedial medical care, as well as continuing welfare payments and services for applicants are as important to the program as any of the vocational services.

Though the success of WIN depends on a coordinated activity, it has been largely carried out as two separate programs. Separate guidelines—not always in agreement—have been issued by Departments of Labor and Health, Education and Welfare, and few joint procedures or training packages have been promulgated. The result has been a misunderstanding between local welfare and manpower agencies since there has been little interagency liaison and little information in either agency about the other's responsibility or activities. In particular, caseworkers—who are responsible for many of the WIN services—often know little about the WIN responsibilities of the welfare agency, much less about those for the Employment Service.

The enabling legislation makes provision for child care for mothers enrolled in WIN, but does not grant funds for construction of day care facilities. Lack of child care is perhaps the most serious barrier for any employment program involving mothers. Institutionalized child care for WIN participants is rare, and neither the private nor public sector is moving to develop adequate child care facilities. Most mothers in the program have made their own babysitting provisions: these arrangements are fragile, and subject to frequent changes, interruptions, and breakdowns. Many programs are admittedly unable to provide child care, and so must limit participation to those mothers

who can make their own arrangements. In addition to lack of funds, restrictive local building codes and fire and welfare ordinances make development of day care centers very difficult. Although many WIN enrollees are being prepared for jobs that require shift work, child care arrangements to make such work feasible for mothers are extremely rare. Also, too little consideration has been given to the use of child care for educational and emotional development of the child, although this practice could result in an additional benefit from the program.

Though the program calls for medical examinations prior to referral, they are waived in many areas because of difficulties in obtaining them. In many programs, even where examinations are adequate, there are no provisions for the correction of medical problems that are barriers to employment. Use of Vocational Rehabilitation services is scarce, and few applicants are given such clearly needed articles such as dentures and hearing aids. One problem is that the legislation urged states to make use of Title XIX funds but did not provide for a direct medical program as a part of WIN.

Lack of adequate transportation is a serious problem for many WIN projects; it affects the enrollees' ability both to participate in the program and to secure employment. In rural areas where WIN operates, many enrollees live miles from program facilities, and have neither cars nor access to public transportation. Even in large cities transportation poses problems, since sources of employment are increasingly locating on the suburban fringes of metropolitan areas, far from the neighborhoods where WIN participants live. It is now common to find situations, particularly in the East, where suburban jobs go begging while unemployment soars in the inner city.

Suitable training and educational components could not be provided as readily as thought, so many programs had long periods of holding. Through procedures for the development of institutional training are now adequate in most areas, not all courses are well conceived for the special requirements of welfare clients. Programs for both Basic Education and High School Equivalency have been largely "standard" packages, which often fail to meet the needs of welfare recipients. On-the-job training has been virtually unavailable because of competition with other programs and lack of effective procedures for contracting with employers. Fewer than one percent of WIN enrollees have received this form of training.

The extent to which jobs are available to prospective WIN "graduates" cannot be precisely determined. Few areas have carried out labor market studies for the restricted class of applicants served by WIN programs. Staff members are, however, apprehensive about placement, and feel that they may not be able to come up with sufficient suitable jobs for participants. In areas where persons are on welfare because of widespread unemployment, staff members openly admit that they have no plans for placement, but are using the program to help enrollees become more mobile through education and training.

The development of large numbers of jobs in the private sector is more difficult than generally acknowledged; in most projects, WIN is competing with other manpower programs for a limited number of openings.

RECOMMENDATIONS FOR IMPROVEMENT

During the WIN evaluation studies, we have made numerous recommendations for improvements in the program; these suggestions have appeared both in individual site reports and in interim and final reports. Although many of these ideas pertain only to features of the WIN program, some apply as well to other manpower programs that seek to serve the "disadvantaged," and thus may be relevant to the Committee's concerns:

Improvement of Interagency Liaison.—Improved coordination and cooperation between welfare and manpower agencies on all levels are crucial to the success of WIN. An interagency task force on WIN is already functioning on the Federal level, and a similar effort would be even more essential in local projects, where training sessions could involve line staff from both the welfare agency (caseworkers) and the manpower agency (WIN team members). The aim of such training would be to ensure that each agency fully understands the other's role in WIN and the problems hindering program success.

Improved liaison is also important for the timing and coordination of the referral-enrollment process so that services will be available when enrollees need them. Improved local communication could lead to a better-coordinated program, in which referrals were timed to coincide with actual program openings, thus avoiding lengthy "holding" periods. Another by-product of such timing would be more viable child care arrangements, since they could be put together just prior to a mother's actual program participation, and not weeks or months in advance on the expectation of future enrollment.

Although difficult, it is important for welfare caseworkers to remain involved in the employability of planning process after referral and enrollment of clients. As a part of improving interagency liaison, caseworkers should be available to the teams on an informal basis as a resource.

Strengthening of Supportive Services.—Supportive services for prospective enrollees must be greatly strengthened. Remedial medical help, including corrective surgery and psychiatric care as well as more mundane items such as dentures and eyeglasses, must be available. A more structured involvement of Vocational Rehabilitation agencies in WIN will help to facilitate this goal; however, new programs and funds may be required if medical assistance is to be accessible to AFDC recipients prior to their enrollment in WIN.

Even more important and more difficult is the problem of child care. Funds will be required not only for staffing and supplies, but also for construction of new facilities and rehabilitation of existing structures. The simple provision of more money for child care will result only in more haphazard baby-sitting arrangements; only a well-conceived comprehensive plan for the provision of institutionalized child care services (i.e., centers), operating at flexible hours to meet the shift requirements of workers, will suffice to meet the real needs of WIN participants.

The problem of transportation is not likely to be solved within the framework of WIN alone. It is worth noting, however, that revamp-

ing of metropolitan transit systems to provide inexpensive and convenient commuting from core city areas to suburban employment centers is an essential part of resolving the problems to which WIN and similar manpower programs are addressed. This approach must be coupled with the provision for more employment opportunities in the cities, and the development of low-income housing in suburban areas.

In rural areas where transportation problems are acute, the provision of "WIN-Mobiles" to take components into remote areas is a promising approach, but there is still the question of the availability of jobs in such areas.

Intensive Labor Market Analysis and Job Development.—Much more needs to be known about the actual availability of jobs for WIN "graduates" in areas where the program functions. Analysis should be made, on a site-by-site basis, and should include both job opportunities which are extant and those which are expected to be developed. A particular area of inquiry is the relative potential of the public and private sectors of the economy to supply jobs. WIN operates in many areas on the assumption that large numbers of jobs can be readily secured in the private sector; this assumption may not be borne out by investigation.

Once the potential job market for WIN enrollees is defined, the program should be planned around that market, in terms of both slot allocation and provision of components. The size of WIN projects is presently determined by the size of the local AFDC population; it would make more sense to let project size be governed by actual job availability. Labor market analysis would also ensure that training programs were suitable for existing jobs.

Many projects need to broaden training possibilities substantially, and to achieve much more flexibility in start-up times for courses. The large number of enrollees in "holding" pending assignments to components reflects a need for more components at more frequent intervals. More scope is needed in training programs for women: most programs are still limited largely to clerical and medical fields.

Much more attention needs to be devoted to the development of jobs for WIN "graduates." To reduce unproductive competition among manpower programs, and redundant calls to personnel managers, job development should be carefully coordinated in each local area, and should be vested on a higher, more coordinated level than any single program. On this higher level, major employers could be approached, to restructure jobs, re-examine hiring requirements, and generally consider how the special needs of WIN enrollees can be met in employment situations.

Equalization of Income Discounts.—Present regulations permit women on AFDC to accept employment without having their entire earnings deducted from their welfare checks. Under the so-called "thirty-and-a-third" provision, the first thirty dollars earned by AFDC mothers in any month, and one third of the remainder earned, are discounted before earnings are deducted from the welfare payment. This provides an incentive for mothers on AFDC to accept work even when their wages are less than their welfare income. No such incentive exists for men, however; they are forbidden to receive

such income discounts if they are employed for thirty-five hours or more hours per week (or even less, at the discretion of the States). The discount provisions should be equalized for men and women, providing the same incentive for men to accept work. Failure to do this could result either in reducing the income of persons as a result of WIN, or encouraging the breakup of welfare-support families headed by men.

EXPERIENCE BACKGROUND

The findings and recommendations presented herein are based primarily on our evaluation of the WIN program during its first year of operation. Visits to twenty-three projects were conducted between September 1968 and November 1969. A subsample of ten projects was selected for return visits to check on program progress. Special studies were conducted in these cities on interagency liaison, child care, and the labor market. Reports on each project site, and a final report on the overall evaluation, were prepared.

The sites visited for the WIN evaluation study are:

Los Angeles, Calif.	Chicago, Ill.	New Orleans, La.
Peoria, Ill.	Cumberland County, Me.	Boston, Mass.
Trenton, N.J.	Eastern Ky.	Scioto County, Ohio
Sacramento, Calif.	Knoxville, Tenn.	Seattle, Wash.
Grand Rapids, Mich.	Richmond, Va.	Buffalo, N.Y.
Detroit, Mich.	North Dakota	Washington, D.C.
Kansas City, Mo.	Milwaukee, Wisc.	Norfolk, Va.
St. Louis, Mo.	West Virginia	

During this evaluation two cities (Los Angeles and Trenton) were given special attention. A participant observer was resident in each city for three months and a separate report on these experiences is in process.

We are currently conducting a three-year longitudinal study of the impact of WIN on a national sample of 3,500 enrollees. This study, which began in July 1969, involves site visits to fifty-one WIN projects, both urban and rural. As a separate task in this study, we are developing for the Government a WIN project rating system. We have just completed an analysis of the 1967 and 1969 AFDC populations and the potential Family Assistance Plan Population, including a study of trends and differences.

Previously, we performed a nationwide evaluation of the Human Resources Development (HRD) program for the Department of Labor; this was another example of a program designed to bring disadvantaged persons into the labor market. In addition to the WIN evaluation work, AUERBACH's Socio Economic Division is currently evaluating programs dealing with issues of low-income housing, youth problems, and emergency financial assistance to low-income families. We are also developing job matching systems, a rehabilitative school program for wayward boys and an analysis of data requirements for educators.

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Appendix B

Correspondence in Regard to Material To Be Supplied for the Record

May 4, 1970

The Honorable
John G. Veneman
Under Secretary
Department of Health, Education
and Welfare
Washington, D.C.

Dear Mr. Veneman:

I am advised that the Department of Health, Education and Welfare is to supply information for the record of the hearings on H.R. 16311 on the following pages of the transcript:

Volume 1 (April 29):

86	118	137
87	126	158
100	131	166
104	133	167
107	135	
115	136	

Volume 2 (April 30):

187	196	260 (twice)
189 (twice)	202	302
190 (twice)	205	
193 (twice)	258	

Volume 3 (May 1):

343	349	356
344	350	358
345	352	383

I would appreciate your expediting the preparation of this material so that this portion of the hearing can be printed. In the event we find that there are additional inserts to be prepared, I will let you know.

Sincerely,

Tom Vail

tv/mms

May 18, 1970

The Honorable
John G. Veneman
Under Secretary
Department of Health, Education
and Welfare
Washington, D.C.

Dear Mr. Veneman:

During Finance Committee hearings on the Family Assistance Act of 1970 (H.R. 16311), a number of questions were posed by Committee members. In many instances the Department witnesses indicated that information, or additional data, would have to be furnished for the record since the information was not readily available. To date, none of this information or additional data has been received by the Committee.

It is the Committee's desire that the transcript of those hearings, held on April 29, 30 and May 1, be published before hearings are resumed on the Family Assistance Plan as modified pursuant to the discussion the Committee had with the Secretary in its executive session on May 1.

I wish you would look into the matter and cause those responsible for compiling the required inserts for the record to complete their work promptly so that this first volume of the hearing can be printed, and the second phase of work on the Family Assistance Plan will not be delayed. You will recall my letter of May 4, identifying the many instances where inserts were to be provided.

Sincerely,
Tom Vail

tv/mms

(392)

U.S. Senate,
Washington, D.C., May 18, 1970.

Hon. Robert H. Finch,
Department of Health, Education,
and Welfare,
Washington, D.C.

Dear Mr. Secretary:

When you testified before the Senate Finance Committee, I asked you where you are going to get the money to finance the Administration's Family Assistance Plan. You have estimated that it is going to cost the government an additional \$4.4 billion to finance the first year of operation of this welfare expansion plan. I do not accept this estimate as realistic. You based this estimate on an unemployment rate of 3.5 percent. As you know, unemployment has gone up to 4.8 percent, thus adding 1.1 million Americans to the unemployment rolls.

In addition, your cost estimate is based on 1968 figures. You failed to take into consideration the dramatic increase in the welfare rolls which will have occurred by 1972, the first year that your welfare expansion plan could be operated. Because of this increase in the welfare rolls, there has been a billion dollar increase in the cost of public assistance from 1968 to 1969.

Although I do not believe that your cost estimate of \$4.4 billion is realistic, I asked you during the Finance Committee's hearings where we are going to get an additional \$4.4 billion. You responded, and I quote, "Well, the Bureau of the Budget has built in these costs and all of their projections obviously were trading off with other programs. We have regarded the social implications of this as important enough to make those trade-offs within our present projections." You also responded that you are not anticipating any new tax authority to meet this new obligation.

Mr. Secretary, you have not yet responded with any of the information requested by the members of the Senate Finance Committee. However, I would like to add one more question to the long list of unanswered questions. I am requesting a detailed list of programs you intend to eliminate or reduce in order to pay for welfare expansion. I would like to know exactly which programs are to be cut back, which programs are to be eliminated and the amount of money that will be saved on each item. Only when this information is made available to the American public will we have any basis for considering H.R. 16311.

With every good wish, I am,

Sincerely,
Herman E. Talmadge.

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Appendix C

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 1, 1970

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

FAMILY ASSISTANCE PLAN FINANCE COMMITTEE HEARINGS POSTPONED

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

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

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

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

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

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

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

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

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

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

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

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