

EXECUTIVE SESSION

MONDAY, AUGUST 1, 1977

United States Senate,
Committee on Finance,
Washington, D.C.

The Committee met, pursuant to notice, at 10:20 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (Chairman of the Subcommittee) presiding.

Present: Senators Long, Talmadge, Hathaway, Matsunaga, and Packwood.

Senator Hathaway. The Committee will come to order.

Mike, can you bring us up to date?

Mr. Stern. On Friday we began going through the Supplemental Security Income Section; on page 29 of this pamphlet, there is a provision relating to addicts and alcoholics. Also, on page 19 there is a provision relating to the Hathaway amendment on addicts and alcoholics.

In both cases the Committee passed over those until you could be here. Perhaps you would like to take up the amendment on page 19 first.

These are the special provisions relating to SSI -- I am sorry, relating to social services, which originally were written in on a temporary period, and again extended -- the

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1 House bill extended them for one more year and we suggested
2 that they be made permanent.

3 Senator Hathaway. I think they should be made a permanent
4 part of the law. This SSI provision simply allows a recipient
5 to receive the payments provided they have received certifica-
6 tion. It seems to me a good provision because it may help
7 in the physician's judgment. The individual would be in
8 control of his own money.

9 Mr. Stern. On the Social Service provisions which
10 relate to confidentiality requirements and considering certain
11 other things as part of the treatment program, we would
12 recommend making those permanent, the ones which have been
13 approved.

14 In the case of the House provision under SSI, we would
15 recommend staying with present law.

16 Mr. Humphreys. The House added a provision or changed
17 present law in this respect. Present law requires that where
18 you have an addict or alcoholic receiving SSI disability
19 payments that you make the payments through a representative
20 payee rather than directly to the individual in order that
21 there be some sort of assurance that the payments were being
22 used in the best interests of the individual.

23 The House added a provision that said that this would
24 not have to be done if the individual was undergoing treatment
25 and a physician certified that it would be in his best interests



1 to make the payments directly. The staff recommended deleting
2 that for two reasons: one, the present provisions apparently
3 are not being adhered to in most cases by the agency at any
4 rate. They have not found representative payees so they are
5 making payments directly in over half the cases and where they
6 do find a payee, the payee is perfectly able to turn the money
7 directly over to the individual if the payee thinks it is in
8 the individual's best interests to do so.

9 The staff believes that that probably is a better proce-
10 dure, simply because you have somebody who is interested who
11 can monitor this, whereas if you did it through an insitutional
12 arrangement and the individual became unable to properly use
13 his own funds again, the Social Security Administration is
14 less likely to become aware of that on a current basis than
15 some close relative or other person who is directly interested
16 in his welfare.

17 What we had proposed is that we stick with current law
18 but include in the report some language urging the Social
19 Security Administration to do a somewhat better job of finding
20 payees for those required under the law to have them, rather
21 than making payments directly.

22 Senator Hathaway. Can they not check with the physicians?
23 If the physician certifies that the individual should be able
24 to receive the payments --

25 Mr. Humphreys. The problem we see with that is that

1 probably would not be much different than what the payee can
2 do on his own, turn the money over to the individual right
3 now.

4 As far as the initial certification, the problem is that
5 if the situation changes and the individual becomes unable to
6 use the money in his own best interests, there is no mechanism
7 whereby the Social Security Administration would automatically
8 become aware of that, whereas a close relative or somebody else
9 who was selected as payee would be able, in those circumstances,
10 to simply stop turning the money directly over to him.

11 Senator Hathaway. They would have to check with a doctor,
12 you mean, every time?

13 Mr. Humphreys. Every month, every six months, something
14 like that. I suppose you could put a periodic requirement that
15 they would have to get a recertification from the doctor that
16 this continue to be in the individual's best interest. Since
17 that really does not seem to accomplish anything beyond what
18 is possible under the existing law, we did not see the need for
19 that.

20 Senator Hathaway. How about some provision where the
21 doctor thinks it is in the best interests of the person to
22 get the payment himself, even though the payee may not, and
23 the doctor presumably knows better than the third-party payee,
24 and that he will keep the Social Security Administration
25 informed?

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1 Would that be a better provision? You are leaving it
2 up to somebody who does not have the person's condition who
3 may want that money to keep control over the beneficiary
4 for no particularly good reason. He is not necessarily acting
5 in the addict's best interests -- we hope he is, though we are
6 not sure. Presumably the physician is.

7 Mr. Humphreys. The Social Security Administration is
8 supposed to find somebody and to monitor the situation, who
9 is interested in the individual. In point of fact, the
10 experience has been that they have had trouble finding enough
11 interested individuals to do the job anyway.

12 They really, in more than half the cases, are without
13 any sort of authority bypassing the payee requirements
14 entirely.

15 I do not know if this conflict situation between the
16 payee and the physician is the reason for this amendment. I
17 had not heard that that is a problem particularly.

18 The Chairman. Is there anybody from the Administration
19 here who can give us their opinion?

20 Mr. Dickens. As Mr. Humphreys said, we have been unable
21 in many cases to find representative payees for drug addicts
22 and alcoholics. While we believe that this provision 7200
23 would be some help in the situation, initially what we would
24 really like is to see the mandatory payee requirement be
25 deleted from the law entirely. This would leave drug addicts

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1 and alcoholics subject to the same provisions that other
2 SSI recipients are if they are unable to manage their funds
3 they would be subject to representative payment.

4 Senator Hathaway. You do not agree with the House
5 position about doctor's certifying? You do agree with that?

6 Mr. Dickens. Yes. We would like to go a little further
7 with it.

8 Senator Hathaway. How about that. Do you have any
9 opinion on it?

10 I think the Administration recommendation sounds pretty
11 good.

12 Mr. Stern. I should say that a majority of the Committee,
13 back when the SSI program was set up, felt fairly strongly that
14 you should make a presumption that benefit payments paid
15 directly to an alcoholic or a drug addict are not likely to
16 be used in his best interests by himself. That is why this
17 special provision was written in at the time. I do not believe
18 anybody thought it would be that difficult to get protective
19 payees, and so it has not worked out very well, because the
20 benefits are paid directly anyway because of a lack of protec-
21 tive payees.

22 The thought was that perhaps the treatment program would
23 be a better way for handling the money. In fact, the Finance
24 Committee wanted to set up a separate benefit category completely
25 for drug addicts and alcoholics, separate from the SSI program

1 so that they would only get their benefits from their treat-
2 ment program.

3 Senator Hathaway. Do you think this would be accepted
4 if the other members were here?

5 Mr. Stern. I think on the Administration proposal, I
6 think there would be some members who would feel very strongly
7 about that.

8 Senator Hathaway. Why not pass it over. On the other
9 part; I do not think there is any controversy
10 except the confidentiality provision expressed by Senator
11 Hansen.

12 I think his apprehensions in that regard could be
13 allayed if he realized that the law does provide that if
14 certain records can be released on appropriate court order --
15 and we have had no complaints whatsoever from any of the
16 states with respect to any of the confidentiality provisions,
17 the purpose of it being to encourage addicts and alcoholics
18 to go into treatment and if they feel that their records are
19 going to be disclosed and they are going to be inhibited from
20 taking treatment.

21 I would doubt very much -- I would be glad to bring it
22 up again if Senator Hansen wants to. I think we should pass
23 that subject to any reservations that he may have later.

24 Do you have any problem?

25 Senator Packwood. No.



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Senator Hathaway. On the other parts under Title XX I think that they should be made a permanent part of the law. I do not think anybody is going to object to that, simply allowing Title XX payments for detoxification, if it is a part of the overall treatment program, that we have confidentiality provisions.

Mr. Stern. I do not think any objections were raised at any time when it was brought up in the past. It has been extended. We do not see any reason why you should only extend it for one year. You might as well make it permanent.

Senator Hathaway. Without objection, it will be made a permanent part of the law.

Mr. Stern. That brings us up to the very bottom of 31, mandatory state supplementation on SSI.

Mr. Humphreys. On page 31, at the conclusion of what we were working on Friday, there was a set of recommendations that had been brought up. There is a problem -- or has been a continuing problem in the SSI program since it first started -- of getting checks replaced promptly when an individual's check gets lost in the mail or, for one reason or another, before he gets it something happens to it.

The Administration has come up with a number of proposals, a number of administrative changes from time to time to address this problem. They now believe they have the capability of making an on-the-spot replacement in the district office



1 with some kind of pre-done check. We suggest that the
2 Committee authorize a statement in the report urging them to
3 go ahead with this with appropriate safeguards.

4 Senator Hathaway. Fine. Any objections?

5 Senator Packwood. No.

6 Mr. Humphreys. The next issue concerns mandatory state
7 supplementation. When the SSI program went into operation
8 in 1974, it turned out that there were a number of individuals
9 who would actually have had a reduction in their benefits
10 when the new program went into effect, and Congress required
11 a grandfather clause for essentially everyone who was on the
12 rolls in December, 1973 that they would not thereafter suffer
13 a reduction in total income as a result of the SSI program.

14 At present, this affects directly only about 120,000
15 individuals, but the Social Security Administration is required
16 to keep records on a million and a half individuals against
17 the possibility that some day there might be some change that
18 would cause them some reduction in income. We think that is
19 rather unlikely.

20 The House bill has a provision that would, in these
21 kinds of cases, drop the mandatory supplementation requirement
22 so that only those that are now actually getting more money
23 as a result of that would continue to be protected. We would
24 suggest that the Committee go along with the House provision
25 in that respect with the necessary technical change to make it



1 work.

2 There is a technical problem in the House bill. Other
3 than that, we agree with that, but we would also suggest that
4 some additional changes be made in the statute governing the
5 mandatory supplementation provisions to clarify and simplify
6 it to some extent, where the Federal government is administer-
7 ing the program.

8 A question has arisen as to what kind-- when we say it
9 is a guarantee of income, as to how you determine income, and
10 we would suggest where it is Federally administered you use
11 the Federal rules; where it is state administered, where the
12 state is administering these programs, you allow the states
13 to use the Federal rules. They could alternatively use their
14 state rules, and in circumstances where an individual has some
15 kind of change in his circumstance that would have caused a
16 reduction in his payment, if he were still under the old state
17 program, we would suggest that you add to the statute clarify-
18 ing language that the state has the ability to monitor this
19 if they want, to come in and certify a lower amount, that they
20 would be responsible for any administrative problems including
21 any appeals that might be required.

22 It would simply be a matter of the states certifying
23 to the Federal government as to what the new level would be.

24 The Chairman. Without objection -- what page are we on
25 now?

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1 Mr. Humphreys. 32, in the middle of the page. The
2 Supplemental Security Program as it now constitutes has a
3 quarterly accounting period. An individual's entitlement is
4 figured on a three-month period. The income for a quarter is
5 counted and subtracted from the income standard and so forth
6 to determine his eligibility.

7 The House bill would move this to a monthly accounting
8 period on the basis that the present provision creates some
9 overpayment problems.

10 The staff has examined this and does not find any reason
11 to believe that the overpayment problems would be substantially
12 lessened. The change to a monthly accounting period would
13 have some cost. The Administration has been unable to estimate
14 the exact amount. They say it would be not excessive; they
15 have not been able to give a figure on this.

16 The staff is also aware that in the welfare reform planning,
17 there apparently has been consideration -- there is considera-
18 tion being given to a longer rather than shorter accounting
19 period. The staff has two recommendations here.

20 In place of the House bill, to authorize and direct the
21 Social Security Administration to conduct a number of experi-
22 ments with alternative accounting periods so we can get some
23 cost data as to what the change may be, including some retro-
24 spective accounting periods in which, instead of estimating
25 what your income will be for the next month and basing it on



1 that you look at the prior month or a prior quarter.

2 The second recommendation the staff would make here deals
3 with a windfall situation where somebody applies for an SSI
4 check and a Social Security check. This is one of the main
5 problems that caused the House to want to go to a monthly
6 determination.

7 If you are applying for disability under both programs,
8 the regular Social Security program and the SSI program and
9 your check under the Social Security program, for processing
10 reasons or whatever, is delayed several months, you can get
11 a windfall because of the fact that you got the SSI payment
12 at a higher rate covering the period, then you get the retro-
13 active Social Security payment and you get to keep both of
14 them.

15 We suggest essentially an accounting change in the law
16 that would say in those cases you would treat the SSI payment
17 during the pendency of your Social Security claim as an
18 advance on the Social Security claim and you would eventually
19 sort out the trust fund or general fund liabilities,
20 depending which period your entitlement would cover, but
21 people would not get double checks for that period.

22 The Chairman. Without objection.

23 Mr. Humphreys. On the top of page 33, the next provision
24 in the House bill, the basic SSI payment is reduced after
25 an individual goes into an institution where his care is

1 covered by Medicaid, not reduced when he first goes in, but
2 for the first month that he is in there for a full month, the
3 SSI payment goes down from whatever it would otherwise be
4 to \$25, and the reason for this is because the Medicaid
5 program at that point is picking up his basic living costs
6 for the month.

7 This \$25 payment is just intended to meet personal needs
8 not covered by Medicaid -- soap, tobacco, certain items,
9 clothing.

10 The House bill would provide that that reduction from a
11 full rate to a \$25 rate would not take place as of the
12 first full month that an individual is in, but as of the
13 fourth full month that he is in the institution.

14 A sample study on this problem was done by the General
15 Accounting Office, and they found that by and large, most
16 people either come out before the reduction takes place under
17 present law or would be in beyond the fourth full month. So
18 that the intent behind the House bill seems to be to give
19 the individual money with which to maintain his apartment while
20 he is in the Medicaid institution, but this is a fairly
21 expensive way of doing it, since apparently that target
22 group only represents about 14 percent of the people who
23 actually go into these institutions.

24 The staff thinks that this kind of, sort of an extraor-
25 dinary situation, that it be dealt with on a case by case

1 basis by an agency that is equipped for dealing with
2 emergency type needs. We will have a recommendation on
3 emergency needs later on in connection with the Title XX
4 program.

5 We would suggest that this provision in the House bill
6 be deleted.

7 The Chairman. Without objection.

8 What is the next one?

9 Mr. Humphreys. The next provision relates to this same
10 \$25 provision. The House bill provides that the \$25 monthly
11 payment to people in institutions would be increased whenever
12 there is a cost of living increase in the basic benefit.
13 The Administration has opposed this on the basis of there is
14 very little good information available as to just what the
15 exact amounts should be that this \$25 payment apparently in
16 some cases is just kept in an account. The patient gets what
17 he gets out.

18 In other cases, it goes to some needs. It may vary from
19 one institution to another.

20 If you gave the cost of living increase, you would have
21 a very small increase per individual. This year's increase
22 was 5.9 percent. That would generate \$1.50 increase in
23 benefits. For the individual, it seems to be a fairly small
24 amount that might be of no real significance, where the total
25 for 2,000 individuals adds up to \$4 million.



1 The staff recommendation will be, if the Committee wants
2 to make an adjustment on this, rather than tying it to the
3 cost of living, which reduces the small increases that you
4 make, a one-time \$5 a month increase effective as of the
5 next time, there is a general cost of living increase in
6 benefits.

7 The Chairman. Without objection, agreed.

8 Mr. Humphreys. On page 34, at the top of the page,
9 the House bill makes an exception to the general rule that
10 SSI recipients have their benefits reduced by the amount of
11 any other income that is available to them.

12 The House bill provides that where a nonprofit organiza-
13 tion provides an individual with some income based on need,
14 that would not be counted, and he would still continue to get
15 his full benefit.

16 This is estimated to have a fairly small cost. The staff
17 believes there is no particular reason to treat one kind of
18 income different from another. The House report makes an
19 analogy between this and a provision that was adopted a
20 couple of years ago to not count care in certain resident
21 houses for income for SSI purposes.

22 Staff this was related to a particular program substan-
23 tially affecting a number of SSI beneficiaries, where there
24 seems to be no evidence that there is comparable rationale for
25 just generally excluding any kind of assistance provided by



1 any nonprofit organization.

2 Staff believes this could lead -- even if it did not have
3 a substantial cost -- it could lead to some situations which
4 would tend to discredit the program, where somebody might
5 have \$400 or \$500 a month given to them by a nonprofit organ-
6 ization, yet they would get their full SSI plus Medicaid on
7 top of that.

8 The staff would recommend that this provision be simply
9 deleted from the bill.

10 The Chairman. Without objection, it will be deleted.

11 Mr. Humphreys. Another division in the House bill relates
12 to a provision in the Housing Authorization Act of 1976 which
13 provided that certain housing subsidies would not be counted
14 as income for SSI purposes. Prior to the effective date of
15 that, a number of people apparently received the subsidies
16 and they were considered to be overpayments.

17 The House bill would waive these overpayments. This
18 probably does not make too much difference in terms of
19 collection, since the Administration does not collect very
20 much in the way of overpayments anyhow. The staff agrees
21 with the Administration that there is no particular rationale
22 to weighing this kind of overpayment over any other kind of
23 overpayment.

24 We would recommend deleting this provision from the House
25 bill.

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The Chairman. Without objection.

Mr. Humphreys. The next provision, at the bottom of page 34, has to do with the treatment of couples and individuals. When the SSI program was set up by Congress, there was concern over the fact that if you provided a smaller total payment for a couple than for two single individuals you established an incentive by doing that for the couple to separate in order to get the higher benefits.

On the other hand, to provide the same benefit for two of them is inequitable, because there are some economies when two people are living together, and that would increase the cost of the program.

What Congress put into law at that time was a provision saying, if a couple separates you will treat them as two single individuals, but not immediately, only after their separation has taken place, has been in effect for six months.

The House bill would change that policy and would provide as soon as the separation had been in effect for a month, each individual would go back to receiving a full single individual's SSI entitlement.

In fact, this would not benefit everybody. There are cases where doing that would take some people off the rolls because there is a more favorable assets test for couples than an individual, and there are also some problems that this would create in connection with individuals and institutions.



1 The basic question is whether you want to stay with the
2 provision of requiring the six months separation in order to
3 avoid having a strong incentive for individuals to separate.

4 The staff recommendation is to delete the provision in
5 the House bill.

6 The Chairman. Without objection, agreed.

7 Mr. Humphreys. The next item has to do with coordina-
8 tion of programs. The present law authorized the Social
9 Security Administration to enter into agreements with the
10 state for determining Medicaid eligibility on behalf of the
11 state and there is no formal legislative base for other types
12 of coordination.

13 But the staff, in the study of the SSI program found the
14 Social Security district offices had entered into a variety
15 of agreements where a state social worker may come and visit
16 the state Social Security office or be stationed there, or
17 they may make arrangements to set up their offices next to
18 each other, a whole lot of different arrangements, some of
19 which seem to work, some do not work so well.

20 In the particular case of the one thing that the statute
21 mandated, which was that there be Medicaid coordination, the
22 history has been fairly unfortunate of a lot of disputes
23 between Social Security and the states as to how much the
24 law required Social Security to do for the states and what
25 was the impact of Social Security errors, and so forth.



1 The House bill would sort of expand this and require
2 coordination with Medicaid and Food Stamp programs and would
3 authorize the Secretary to pick up some unspecified state
4 administrative costs in connection with these kinds of arrange-
5 ments.

6 The staff believes that this type of mandated coordina-
7 tion is apt to lead again to disputes between the state and
8 the Federal agency over who is responsible for what. It could
9 significantly increase administrative costs to the extent that
10 the states are successful in negotiating with the Federal
11 agency to pick up their administrative costs in connection
12 with this.

13 The staff would recommend deleting the House provision.
14 Perhaps the Committee would want to consider an alternative as
15 sort of a pilot program here, or a low-level program that
16 might be expanded later in which the Secretary of HEW would
17 be authorized to fund a program in which the state could
18 employ SSI recipients and train them and use them for this
19 information and referral and coordination effort.

20 What we would suggest is that you might start out author-
21 izing the Secretary to fund 1,000 such positions at \$5,000
22 a year. This would be a \$5 million annual cost for fiscal
23 '78. We imagine lead time would cut it down to something
24 like \$200 million for the first year, and then you could look
25 at that later on and see if that has significantly alleviated



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1 this coordination problem.

2 The Chairman. Is there any objection? Without objec-
3 tion, so ordered.

4 Mr. Humphreys. The next item, at the top of 33, this
5 Committee has already dealt with in connection with the
6 position of legal aliens. I think we are going to get back
7 into that.

8 Senator Laxalt wanted to bring up something in connection
9 with that, so we will pass over that at this point.

10 The next item, at the top of page 37, is the major cost
11 item in the House SSI provision and the House at present,
12 there is no program of SSI in the three territories, Guam,
13 Puerto Rico and the Virgin Islands. Instead, these jurisdic-
14 tions have programs such as Aid for the Aged, blind, disabled
15 similar to what was in effect in the states, and under these
16 programs the state was able to tailor a state plan to the
17 circumstances, the particular economic and social circum-
18 stances.

19 The House bill would extend the Federal SSI program,
20 effective April 1st, to these territories. It would have a
21 somewhat reduced benefit level in Puerto Rico and Guam, but
22 nevertheless, it would vastly expand the size of the welfare
23 rolls in these jurisdictions. In Puerto Rico -- particularly
24 in Puerto Rico -- it would increase the caseload from about
25 35,000 to 185,000, or 485 percent increase in eligibles, and



1 the cost of the program when fully effective would be \$185
2 million a year to make this expansion.

3 The Committee and Senate have twice passed legislation
4 which would have a somewhat different effect. The SSI program,
5 by negotiations, was extended to the Marianna Islands and
6 we would suggest, in place of the House provision extending
7 SSI to the territories, that you would again adopt the provi-
8 sion that deletes the SSI program from the Mariannas and
9 put all the territories under the same set of welfare
10 programs.

11 The Chairman. That appeals to me, but it occurs to me
12 that maybe in the spirit of compromise we might put some
13 additional money there for Puerto Rico.

14 Senator Packwood. Mr. Chairman?

15 The Chairman. Yes.

16 Senator Packwood. Senator Dole has either an amendment or
17 an interest in this. Could we hold off until he gets here?
18 He is on his way here now.

19 The Chairman. All right.

20 If we are going to put some additional money in there,
21 putting more money in for New York and other states, Puerto
22 Rico would get their share of that?

23 Mr. Humphreys. Yes, it would.

24 Senator Matsunaga. Mr. Chairman, what is the rationale
25 for excluding Puerto Rico? Is Guam excluded right now?



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The Chairman. Mr. Stern, suppose you explain that.

Mr. Stern. When this was considered in committee in 1972, there were two basic considerations. One was the territories were not like the other states with respect to income tax. The income tax collections remained in the territories rather than coming to Washington.

The same consideration was, particularly in Puerto Rico, the income levels are so much lower that a very substantial majority of the population would wind up getting on the program, which was not the intention to wind up with a program where 90 or 99 percent of the population would be on a Federal program.

Those were the two major considerations. The Senate has backed that position.

The Chairman. In Puerto Rico, as I understand it, the cost of living is much less and by virtue of that fact, practically everybody would be eligible to go on there. So if you want Puerto Rico to have the same percentage on SSI as others, you had better do it in a somewhat different way.

The way we are supporting this program is with an income tax. Puerto Rico is not paying an income tax to us. They are keeping it for themselves.

Senator Matsunaga. What about Guam and Virgin Islands? Are they on the same basis?

1 Mr. Stern. As far as the income tax is concerned, that
2 is true of them, too.

3 The Chairman. They have the Food Stamps available to them
4 also. Keep in mind down there you do not require any heating
5 in the winter time. I can speak for the Virgin Islands better
6 than I can for Puerto Rico because I have spent more time in
7 the Virgin Islands, you may have some difficulty if you want
8 to hire someone to do some work because of the benefits that
9 have been provided.

10 The British Virgin Islanders, because they are not
11 eligible for welfare, will take a job and do some work for
12 you. But you may have some difficulty getting a Virgin
13 Islander taking any job other than a government job. Now these
14 government jobs, of course, oftentimes are better jobs, jobs
15 in comfortable surroundings. They do not involve the kind of
16 drudgery that a lot of jobs tend to have.

17 If we do not watch out, making very generous benefits
18 available is going to be a substitute for people going to
19 work.
20

21 Senator Matsunaga. I have difficulty in agreeing with
22 the Chairman for the reason that the Bureau of Labor Statis-
23 tics has come up with statistics which show that the cost of
24 living in the Virgin Islands and Guam, at least these two
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areas, the cost of living is higher, therefore the Federal workers are entitled to a certain percentage cost of living allowance over and above, because the cost of living is high over and above that in Washington, D.C.

I would think that perhaps some formula could be derived which would adjust whatever the Chairman is referring to to the degree that Americans, we are talking about in Puerto Rico and Guam and the Virgin Islands, would receive some form of SSI just as any other American would be entitled to.

Senator Packwood. These things are not available to anybody who might happen to be on welfare who might be unemployed; even in the Virgin Islands and Puerto Rico they still have to qualify for SSI before they get the money. They have to be able to qualify for SSI.

Mr. Humphreys. That is right. They do have to be aged, blind or disabled. There is a concern with the SSI program in general as to the disability part of it as to whether or not the way it is being administered is not putting on the disability rolls people whose disability may be related more to their being unemployed than to being disabled.

Senator Packwood. That is a generic fear, even in the United States.

The Chairman. What is happening, the Department is very liberal in the way they are doing it. They put about 60 percent of the people who apply on, as I understand it.

1 Then those who do not get on, they go before -- they have
2 someone take their case before a Magistrate. He will put
3 about half of those who do not make it on the rolls, then they
4 will appeal it.

5 By the time the Judge gets to it, he will put half the
6 additional ones on the rolls, so those whom the Department
7 thinks should not receive it, even in the United States, they
8 wind up putting 75 percent of them on the rolls at the court
9 level, which is a very frustrating thing, even for those in
10 the Department who really have a reputation for being very
11 liberal-minded insofar as helping the recipients.

12 This program, if we are going to extend it to Puerto
13 Rico and the Virgin Islands where you have a large percentage
14 of the population on anyway, you are going to have a far higher
15 percentage on those rolls than you have in the average state
16 anywhere in the United States.

17 I would suggest that before you got into it, it would
18 not hurt anyone to go down there and spend a little time just
19 looking around, not some person from the government showing
20 you around, but inquiring into the matter yourself and see
21 what the situation down there seems to be.

22 My impression is that you would have great difficulty,
23 almost overwhelming difficulty, establishing any industry,
24 that has to compete down there anyway because of the difficulty
25 of getting productivity.

1 Senator Packwood. What is the cost of living in the
2 Virgin Islands and Puerto Rico? Is it substantially below
3 the United States?

4 The Chairman. Logically it should be. I do not know
5 how Senator Matsunaga gets those figures.

6 Senator Matsunaga. I might say there is a program known
7 as COLA -- Cost Of Living Allowance for Federal white collar
8 and postal workers in certain noncontiguous areas, Alaska,
9 Hawaii, Guam, the Virgin Islands and I believe, but I am not
10 sure about Puerto Rico. Puerto Rico may not be included.

11 However, in all of these areas it has been determined
12 by the Bureau of Labor Statistics that the cost of living is
13 higher than in Washington, D.C. and for that reason, they
14 are allowed, as in the case of Hawaii, 17.5 percent; Alaska,
15 20 percent; Guam, 5 percent; and I believe Virgin Islands
16 is 5 percent over and above their base pay.

17 The Chairman. When they do that -- and I suspect you
18 would find that when they do that, that is proceeding on the
19 assumption that the people there are eating food all of which
20 is imported from the United States, that was processed here
21 and shipped to them. They are living in air conditioned
22 buildings.

23 Senator Matsunaga. That is not so, Mr. Chairman.

24 They actually go to a grocery store -- as a matter of
25 fact, they go to several grocery stores right in the area and



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1 take the average for a family of four and use the same
2 grocery basket as they would here in the United States in
3 Washington, D.C. They take the actual rental being paid and
4 the actual transportation costs, et cetera.

5 So it is on a comparable consumption basis of a four-
6 member family on which the statistics are based.

7 The Chairman. I can recall when our family probably
8 could qualify for some of these poverty things ourselves.
9 Perhaps we were poor and did not know it.

10 We always had a 50-pound sack of rice in the kitchen and
11 we had rice on the table two meals out of three. To me, it
12 is unheard of to have a lunch or dinner and not to have
13 rice, rice and gravy on the table. That is a low-cost meal.

14 Senator Matsunaga. It will help Louisiana.

15 The Chairman. That is a low-cost meal.

16 I have been to areas -- I know there are a lot of situa-
17 tions where Americans from the United States are just consum-
18 ing a lot of canned goods and things produced here in the
19 United States, that the people locally are not making a part
20 of their ordinary way of living in those tropical climates.

21 I am confident in my mind that they can get by without
22 the heating and without the air conditioning -- of course it
23 might be nice to have it, but the question is, do we up here
24 want to pay for that?

25 Senator Packwood. What I am curious about, I do not



1 know, in figuring this cost of living, do they assume air
2 conditioning and heat? Are they taking the cost of living as
3 the cost to live there and then comparing it with the United
4 States? I do not know.

5 Senator Matsunaga. I did not hear the question.

6 Senator Packwood. Do they presume in the Virgin Islands
7 and Puerto Rico -- I am not familiar with Guam -- do they
8 presume that people pay a certain percentage, a certain amount
9 of money for heat? I do not know.

10 Senator Matsunaga. No. They actually go out and make a
11 survey of what the rent being paid by the average four-member
12 family is. That is the way they do it. Actually go out to
13 the field to determine what the rent is.

14 Senator Packwood. The only thing I can go on, I, like
15 the Chairman, have been to the Virgin Islands several times.
16 The only thing I can go on, I have gone to the grocery stores
17 and purchased groceries there and they are higher than you
18 would pay at the Giant and Safeway here. I have no comparison
19 in terms of rent or heat or anything else as to what the costs
20 might be.

21 Senator Matsunaga. They have a very extensive list of
22 items on which the cost of living is compared and they take
23 a comparable list in the cost of living area and in the
24 Washington, D.C. area.

25 It has been determined that the cost of living in these



1 other areas is much more expensive. Therefore, the Federal
2 employees are entitled to the amounts.

3 However, I am for the House measure, or some measure,
4 which would recognize these Americans in territories who
5 should be treated as Americans without any discrimination.
6 That is my point.

7 The Chairman. Senator, if you go down there and you
8 want to hire somebody, you are going to have to hire the
9 foreigners, because those are the people who -- I am talking
10 about the Virgin Islanders now; I think the problem is some-
11 what similar in Puerto Rico. If you go down to the Virgin
12 Islands, which I have more familiarity with, and you want to
13 set up a hotel, you want to set up any business dealing with
14 the tourists, the probability you are going to have to hire
15 the foreigners in order to get anybody to work.

16 You have to bring them in from outside the Virgin Islands.
17 One of the reason is that the welfare program is so much more
18 attractive than work down there, the way it is now, that you
19 have great difficulty getting people to work.

20 We are going to 70 percent of the population of Puerto
21 Rico receiving Food Stamps the way it is now. That is going
22 to be free, starting next year.

23 This thing of not asking any questions at all and of
24 putting more and more people on the welfare rolls, and
25 basically this is a welfare proposal, we get to the point that

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1 the people who are paying for all of this after awhile are
2 going to be compelled to revolt. Loading these rolls down
3 with people without making an effort to get the father to
4 support the family, no adequate effort, and then proceeding
5 to put those people on the food stamps, and then put them on
6 the SSI, and paying benefits to the point -- admittedly, they
7 have people unemployed. To the extent people are unemployed,
8 they find it so comfortable being unemployed with one welfare
9 program after another, you cannot get them to work.

10 It is going to be a difficult thing. When you go to
11 Puerto Rico and you start increasing those rolls with 70
12 percent of the people drawing food stamps the way it is now,
13 I find myself worrying whether you can find any judge or
14 native Puerto Rican that can stand the pressure of deciding
15 someone would not qualify for SSI when someone is convinced
16 that they are.

17 It is significant to me that this is one of those
18 liberal proposals that the Administration is not recommending.

19 Senator Matsunaga. What sort of manpower training program
20 goes on in Puerto Rico? Has it been successful at all?

21 Is there such a program?

22 Mr. Humphreys. I do not think that we have any informa-
23 tion on the manpower training. This relates, presumably,
24 to people who would not be required to participate in any
25 kind of manpower program.



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1 Senator Matsunaga. My question stems from the remarks
2 of the Chairman.

3 The Chairman. It seems to me that it looks very much
4 to me if you could get the productivity in Puerto Rico to
5 compare with what you get here in the United States that you
6 would have a manpower shortage there because they have
7 tremendous tax advantages that they do not have. In fact,
8 they rebate all of the taxes to the companies down there as
9 an incentive to locate there.

10 If you had the productivity there that you had in the
11 United States, they could not find the labor that could do
12 all that could be done, I would think.

13 On the other hand, if you do this, you are going to
14 make one more step towards making welfare more attractive
15 than work, and the probability is that you have it too much
16 that way already, so moving those people into production would
17 be a very difficult thing to do.

18 That is the way it looks to this Senator. When you add
19 large numbers on these very generous benefits under SSI, we
20 cannot control the cost of the program in the United States.
21 It is out of control the way it is now, right here, and it
22 will be even more out of control down there if you do it.

23 Senator Matsunaga. Would that concern be taken care
24 of by the President's proposed new welfare program?

25 The Chairman. I do not think so, not in the least. What

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1 you are talking about here is taking these elderly people
2 who are not on Social Security or to only a small extent, and
3 then taking all these people who would like to be regarded as
4 disabled, and loading all of those people on.

5 What percentage, when you have 70 percent of the entire
6 population down there drawing food stamps now, I should think
7 that you are going to find that if this became law, you are
8 going to have a far higher percentage of people qualifying
9 for SSI down there than you have here.

10 I do not have all those figures. I would like to have
11 them. Maybe we can get more.

12 Senator Matsunaga. I have 185,000 recipients if the
13 House version should pass, an increase from 35,000 or 384.

14 The Chairman. What is it?

15 Senator Matsunaga. 185,000.

16 Mr. Stern. Compared with 35,000 now.

17 Senator Matsunaga. It would be an increase of 425
18 percent, or about 150,000 increase. Is that correct?

19 Mr. Stern. That is right. A good more than five times
20 as many recipients.

21 Senator Matsunaga. Out of a total population of how
22 many? What is the Puerto Rican population, 2 million?

23 Mr. Humphreys. I think that is about right. 2 million.

24 Senator Matsunaga. I am surprised at the percentage
25 receiving food stamps, up to 70 percent.



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Senator Packwood. Eligibility for food stamps is more a function of unemployment. Comparing food stamps and SSI and the way the law is written, it is two different things. I can argue with you about how it may be administered. I do not know.

The Chairman. What kind of matching do we get down in Puerto Rico on this?

Mr. Stern. In general, it is a flat 50 percent matching for assistance programs. That includes Aid to Families with Dependent Children as well as old-age assistance. There is a ceiling on the various territories for all the maintenance payments programs.

It is now \$24 million in the case of Puerto Rico, \$1.1 million in Guam, and .8 million in the Virgin Islands.

We would suggest if you want to do something you might increase those ceilings by 25 percent. It has been about five years since the ceilings have increased. If you want to do something modest --

The Chairman. It seems to me that we might increase the ceiling, increase it by 50 percent. I would rather do that than go for something that is going to cost -- what is the estimated cost? \$185 million?

Mr. Humphreys. Yes, that is the full year cost.

Senator Packwood. Out of curiosity, what is the reasoning in the House bill for going to \$102 month maximum



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in Puerto Rico and \$177 in the Virgin Islands, which, is the same as the United States.

Mr. Humphreys. The House bill does it on a proportional basis to that state which has the lowest per capita income related to the per capita income of each of the territories.

Senator Packwood. Say that again?

Mr. Humphreys. It turns out to be Mississippi, it provides a benefit related to the national benefit in the same way the per capita income in Puerto Rico or Guam or the Virgin Islands relates to the per capita income of Mississippi.

Senator Packwood. Why, then, is the Virgin Islands so much higher than Puerto Rico? How does that ratio differ?

Mr. Humphreys. Their per capita income, in point of fact, is higher than the per capita income of Mississippi, the Virgin Islands.

Senator Packwood. The per capita income is higher in the Virgin Islands?

Mr. Humphreys. That is right.

Senator Packwood. Puerto Rico is what, equal to Mississippi?

Mr. Humphreys. It is about two-thirds of Mississippi's.

The Chairman. Might I just suggest as a way of a compromise on this issue, you say it is costing \$24 million to each territory?

Mr. Stern. \$24 million in the case of Puerto Rico and



1 in the case of the Virgin Islands, it is \$800,000; in Guam,
2 \$1.1 million. A total of \$26 million for the three.

3 The Chairman. Why do we not say we will increase those
4 figures by 50 percent and we will shift the matching formula
5 to make it more of an advantage, instead of \$1 getting them
6 \$1, \$1 will get them \$2, and then say that the amount of
7 money we would make available for that purpose, instead of
8 \$24 million would be \$36 million.

9 That is a major increase for them, for that type of aid.

10 Senator Packwood. You say Puerto Rico is \$24 million
11 now.

12 Mr. Stern. That is right.

13 Senator Packwood. What would the cost in Puerto Rico
14 be if we extended it to \$102 a month.

15 Mr. Stern. We are talking about two different things
16 here. When we talk about the ceiling, we are talking about
17 an overall ceiling on maintenance payments, which includes
18 Aid to Families with Dependent Children too.

19 Senator Packwood. You mean the \$36 million?

20 Mr. Stern. That is right.

21 Senator Packwood. I am curious. How much of that, then,
22 is SSI, of the \$24 million?

23 Mr. Stern. In fiscal year 1976, the Federal share of
24 Puerto Rico's AFDC program was about \$12 million. The total
25 cost of the program was \$24 million.



1 Senator Packwood. Was any of that SSI?

2 Mr. Stern. I was only talking about Aid to Families
3 with Dependent Children.

4 Senator Packwood. The \$36 million the Chairman is
5 talking about, would that be for AFDC?

6 Mr. Stern. Both AFDC and old-age assistance, both. I
7 just do not happen to have the old-age assistance numbers for
8 Puerto Rico.

9 The Chairman. Maybe you could get something for him.

10 Senator Packwood. I am looking at the comparative cost.
11 If you increase the maximum SSI benefit to \$102, you are not
12 talking about taking this out of the \$24 million at all?

13 Mr. Stern. Puerto Rico -- it looks as though Puerto
14 Rico actually only used about \$16 million of a possible
15 \$24 million.

16 Senator Packwood. For AFDC?

17 Mr. Stern. AFDC and aid to the aged, blind and disabled.
18 It seems to be running \$3.5 million.

19 The major effect of what the Chairman is suggesting would
20 be the changing of the matching percent rather than raising
21 the limit.

22 The Chairman. They are not using all that is available
23 to them, only using two-thirds of it now?

24 Mr. Stern. That is right.

25 Senator Matsunaga. What is the average benefit level

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under the present program in Puerto Rico, that is, for a family of four?

Mr. Stern. In the case of the aged, blind and disabled, it is \$19, compared with \$102 --

Senator Matsunaga. \$19 as compared to \$102.

Mr. Stern. That is right.

Senator Matsunaga. I thought it was about \$14.

Mr. Stern. I guess those are not comparable numbers because \$19 is the average payment rather than the highest possible payment.

Senator Matsunaga. This would certainly not be attractive to be unemployed.

Mr. Stern. Not at \$19. \$102 might be a more attractive amount.

Senator Matsunaga. Right now, under the present program --

Mr. Stern. The Chairman is suggesting continuing the present program, but at a rate of higher Federal matching. On AFDC, the largest amount that is paid to a family of four is \$53 now and the food stamp benefit if the only income is AFDC is \$162.

Actually, when you add the \$53 in cash with \$162 in the value of food stamps, it would be \$215 a month.

The Chairman. \$215 a month when you take that into account.

Mr. Stern. Right, if you add the food stamps.



1 I would think the value to them would be, if they had
2 a program that was running, say at a \$20 million level, instead
3 of the Federal share being \$10 million, you would be giving
4 them about \$13 million. It would be a few million dollars
5 more without any expansion of the rolls.

6 The Chairman. Your principal compulsive cost in that
7 area in the tropical climate, your principal compulsive cost
8 is food. A \$500 million food stamp program applied to Puerto
9 Rico, that is one tremendous welfare program.

10 Can you show what it is costing in a typical state
11 sample, what is it costing us in Louisiana for welfare programs?
12 We have always been extremely generous in ours. What are we
13 spending in food stamps there?

14 Mr. Stern. Food stamps, I do not know. In Aid to
15 Families with Dependent Children in fiscal year 1976 it was
16 a little less than \$100 million.

17 The Chairman. \$100 million.

18 Mr. Stern. Total cost of the AFDC program.

19 Senator Matsunaga. Mr. Chairman, if I might ask a
20 question of staff, in the case of SSI, to be eligible a
21 person, whether he be in Puerto Rico, in the Virgin Islands,
22 Guam or here in the continental United States, the applicant
23 must still pass administrative tests, one being 65 and above
24 and two of being disabled to a point where one is unable
25 to work, is that it?



1 Mr. Stern. That is correct.

2 In the case of the continental United States -- I should
3 say the United States other than the territories -- in the
4 territories, there is not an SSI program, but they have to
5 meet whatever the territorial standard is in their program
6 to the aid to the permanently and totally disabled.

7 Senator Matsunaga. What are the minimum requirements?

8 Mr. Stern. I would assume they are analgous to the
9 Federal requirement.

10 Senator Matsunaga. Unlike the food stamp program, where
11 they merely need to show income below the poverty level, in
12 the case of SSI, they must qualify and there is a limit to
13 the number who can qualify because of the qualifications.

14 Mr. Stern. It is true that that number does include a
15 very substantial majority of the aged in Puerto Rico. In the
16 case of disability, I guess our apprehension is that the
17 disability benefits are probably better than unemployment
18 benefits and furthermore, would go on forever, and it would
19 create a fairly strong incentive for people to try to show
20 that they are disabled.

21 Senator Matsunaga. They would still need to pass the
22 administrative examination.

23 Mr. Stern. That is correct.

24 Senator Matsunaga. I do not wish to delay this too
25 much, Mr. Chairman, but I definitely feel that I think we



ought to do better than we have been doing under the existing law and I think for fellow Americans, that is my concern.

The Chairman. Why do we not pass this one over and we can come back to it.

At this point, we do not have any Republican members here and I do not want to press it at this time when we are short of members anyway. So let us pass that.

It is more likely to be controversial than the others.

Mr. Humphreys. The next item, on page 37, would be something that is not in the House bill.

Under present law, SSI recipients benefits will change if the income are so that they have certain kinds of changes in circumstances, and there is a fairly high overpayment rate and the study the staff did of the SSI program found there was a lot of concern that much of this overpayment rate is caused by the fact that individuals simply do not have any regular requirement that they report changes. They are supposed to report a change as it occurs. If they forget to do that for one reason or another and do not, and an overpayment occurs and it accumulates for some period of time, at least a year very often, and sometimes longer, they do not get around to re-examining the case in that period of time, the staff would recommend an amendment under which the Secretary would establish a simple quarterly reporting form that each individual would send in on a sort of postcard form saying

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there have been no changes, or these were the areas where there was a change, and if the form either did not come in or indicated some change, at that point the Social Security Office would go out and find out what the effect was.

We think that would serve to substantially reduce the overpayment level in the program simply by getting better reporting.

The Chairman. One of my rules -- I am not sure it is a written rule, but I think I should abide by it; that is, when we have no one representing the Republican side of the aisle, we have to quit and come back on the following day.

So I would suggest that we do that. I would like to continue further, but the Senators have a responsibility to be elsewhere. I know what they are. I quite understand the situation.

I think we will have to quit because of a lack of a quorum today. We are scheduled to meet at 10:00 o'clock tomorrow morning.

(Thereupon, at 11:30 a.m., the Committee recessed to reconvene on Tuesday, August 2, 1977, at 10:00 a.m.)

