

# **SOCIAL SERVICES AND WELFARE REFORM**

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## **OPEN EXECUTIVE SESSION**

**BEFORE THE**

**COMMITTEE ON FINANCE**

**UNITED STATES SENATE**

**NINETY-THIRD CONGRESS**

**FIRST SESSION**

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**NOVEMBER 13, 1973**

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# SOCIAL SERVICES AND WELFARE REFORM

TUESDAY, NOVEMBER 13, 1973

U.S. 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, Senator Russell W. Long (chairman) presiding.

Present: Senators Long, Byrd, Jr., of Virginia, Mondale, Bentsen, Bennett, Fannin, Hansen, Packwood and Roth.

The CHAIRMAN. The chairman of the Governors' conference has come from Washington State to Washington, D.C., and has asked for a chance to explain the views of the Governors' conference on the welfare legislation and social services measures pending before the committee. I thought he should have the opportunity of explaining what is the view of the Governors of 50 States with regard to a number of matters that we are working on in the Finance Committee at this moment. It seemed appropriate that the rule of openness should apply here, so I have asked that we open our session this morning to let the Governor explain what the Governors' conference thinks about what we have been doing and what their view is on we are thinking about doing with regard to social services, and also with regard to what we might be able to do to make the welfare laws more adaptable to the needs of the poor during the period immediately ahead of us.

We are pleased to have Gov. Daniel Evans here. Governor, the floor is yours to explain to the committee what you have been telling some of us individually in our offices.

## STATEMENT OF HON. DANIEL J. EVANS, GOVERNOR OF THE STATE OF WASHINGTON AND CHAIRMAN, GOVERNORS' CONFERENCE

Governor EVANS. Mr. Chairman, I am very pleased for this opportunity and gratified that the chairman would make it available on such short notice.

I would like to speak on two separate elements today: First, which I am sure this committee and the Congress would like to settle once and for all and have behind them, and that is the area of social services. I think that I speak for all Governors in saying that we believe the Congress was wise to put a \$2.5 billion limitation on the spending for social services. Otherwise, the drain on the Federal Treasury could have reached really fairly crisis proportions.

However, in the reaction to that through the regulations adopted by the Department of HEW, we have been prevented as States from

extending this social services to people who need them. We have been prevented from reaching even those limits which Congress set on spending. And I suggest there are several things I understand the committee has been talking about which I am confident, from my own contacts, with other Governors would represent what we believe is a proper direction in this field of social services.

I have contacted by telegram each of the other Governors of the Nation. We have had responses back from a fair sampling of States so far, about half of the States, and others are coming in each day. Not one Governor yet, not one State yet, has come back in favor of the November 1 regulations of the Department of Health, Education, and Welfare.

In its place, we hope that the Congress will enact legislation to clarify and to let us know exactly where we are in this field. We do not believe that the extension of social services legislation ought to allow the refinancing by the States of programs that we are now using State money for. The whole opportunity is to provide more in the way of needed social services for our citizens, and I do caution the committee that in some States, including my own, with the uncertainty of last spring and how much money might be available, and the estimates at that time by the Department of HEW, that only about \$1.3 billion was their estimate of spending; that we in our State, substituted for that difference between \$1.3 and \$2.5 billion our share of that with State funds because we thought the programs were so important that they ought to be continued. And although we had anticipated from congressional action that we would have our share of \$2.5 billion, when that became uncertain we substituted State money for that. We would hope that would be recognized in any anti-refinancing clause in such legislation.

I believe it is important to assure both the people of this country, as well as those who are engaged in providing social services, that some statements of goals, basic goals, be set forth so it is clear that even though there is broad flexibility to each State, that the aim is to provide social services and not other services which are outside the generally accepted field of social services. I believe it is very important to allow the use of private contributions. We have a genius in this country of volunteer and private organizations. They are providing an immense assistance in this whole field of social services and to cut or deny, or to limit the utilization of private contributions, or even in kind contributions as matching would severely restrict necessary social services programs.

The elimination of a requirement that 90 percent or some such percentage be devoted to those who are on welfare, I think, is or either immediately pre or postwelfare, is a very important element. Perhaps not all citizens recognize that the percentage of a State's population drawing welfare varies from the highest to the lowest State by a magnitude of 5. The percentage of the population in the highest State in the Nation on welfare is 5 times as large as the percentage of the citizens and the lowest State on welfare. So, I think you can readily see that if we are to confine social services primarily to those on welfare, or immediately close to welfare, that those States with a very low welfare recipient population would find it almost impossible to provide the extent of social services programs that would be very easy for

a State at the high end. And I might add that California with its size, it is the largest State in the Nation, and with some work that it has attempted to do in lowering welfare rolls, still has, as I remember, the third highest percentage of its population on welfare of any State in the Nation. It is much easier for California to live within that limitation and still provide its share of social services than for a State like Washington—which is below the national average, and many other States which are much lower than the high ones.

Finally, there have been varying figures used in proposed legislation as to the limitation on funding. The last, as I understood, is \$1.9 billion. I would strongly urge that the committee recommend that the Congress pass legislation that would continue the limit at \$2.5 billion. The Congress did that in setting the limit 1½ years ago. All States of which I am aware in their budget making of last January, depended on that figure and thought that that was the assurance guaranteed by that congressional action. And I would hope that we could continue to depend on that in our budget-making process and in budgets which have already been passed and adopted by many legislators. Some States may not be able to gear up and utilize all of their share of \$2.5 billion. Many States will, and it is my understanding from talking with other States that a high percentage of States will be able to utilize and utilize to the benefit of the citizens of this Nation and in their States the full amount of their share of \$2.5 billion. And I would strongly suggest, and I know I speak for all of the Governors in this, that that be the limitation placed upon us.

Let me turn, if I might, for a few minutes, Mr. Chairman, to another element and a broader one in the field of welfare. All of us, I think, share a concern over the numbers of those who require the help of welfare and would like to see an opportunity or a program built in this Nation that would give the maximum opportunity to people who are employable to have that opportunity for employment. You know, of all of the citizens of this Nation, those who are taxed the most heavily are those who are now on welfare, who try to find employment, and who find that a high percentage if not all of the extra money becomes deducted from their welfare check, and it is virtually impossible for them to make ground, if you will, from their present position. There is an encouragement to stay on welfare not to get off welfare.

And I might just leave you with one or two figures which I think would be of interest. These we calculated last year in a proposed new program for the State of Washington, and measured the difference between a family of four with the father working full time or not eligible for AFDC, a father working full time at a rate of \$2.50 an hour, compared with same family with the father who is eligible for AFDC working only 80 hours a month. By the time you take into account their income tax payments, the social security tax payments, the work expenses, the benefits that the public assistance recipient receives from medicaid and from food stamps, the effective net income of that full time working father at \$2.50 an hour was \$390 a month. For that same family, with a father working only 80 hours a month, the family's net income was \$488 a month. That is not much incentive for a father who cares very much about his family to get off welfare and to go to work.

The CHAIRMAN. Let me get that straight, Governor. I just want to be sure that you said that correctly.

Are you saying that in your State that if a man is working half-time to support a family, that the family has an income of \$488 a month, but that if that same man were working full time, the net income would be \$390 a month?

Governor EVANS. That is correct because of the way our welfare program works. If you would like to, very briefly, I will leave this with the committee, but the gross earnings of that father working full time would be \$440, if you subtracted a \$21 income tax, and \$23 social security tax, work expenses estimated at \$30 a month, no public assistance grant, no medical care assistance, a food stamp bonus available to that family of \$24, which adds up to \$390. The same family working 80 hours a month, and thus still eligible for public assistance, his gross earnings are \$200 a month, and the social security tax is \$10, and the work expenses of \$15 for that part-time work, reduces that, but he is eligible with the 30 $\frac{1}{3}$  disregard, for a public assistance grant of \$205 a month, eligible for medical care estimated at an average of \$84 a month, and a food stamp bonus of \$24, which adds up to the \$488. I think that perhaps more clearly than anything else, this points out the real problems we have in this country of encouraging people to stay on welfare when they may very well be capable of working, but find not only no financial incentive to do so but a financial disincentive if they are to take full time work, even at a wage considerably above the minimum wage. In fact, we figured a break-even point in our State, and this was last figured at the end of last year, the break-even point for that same family would be gross earnings of something like \$3.20 an hour, which is way above the minimum wage in the State. But, that is what he would have to earn in order to break even.

I would suggest to the committee that one of the things perhaps most important and one of the geniuses of our Federal system is that we do have 50 States with an opportunity to experiment, to provide 50 laboratories, if you will of new ideas. If we are given the opportunity, I think we can use those 50 laboratories—some of them will fail—in new demonstrations but some will succeed. And I think the opportunity to succeed lies in the chance for this committee and the Congress to discover new ways which will help resolve the international welfare problem.

I think one of the most straightforward and one of the most direct ways would be to allow the flexibility of a State to take the welfare payments now made to a family, an employable family, and to transfer those payments to another public agency or perhaps to a private, nonprofit corporation, to supplement their ability to hire that same welfare recipient at a considerably higher wage than welfare wages. They would have greater capacity through the aid of this transfer payment to hire. The family would be much better off in terms of its resources. There would be a financial incentive to go to work. And to relax the necessary rules of the Congress, or the rules of our present legislation to allow this kind of experimentation would be in the best of interest of the country.

There are some unquestionable problems in doing so, and I am very much aware of some of those problems. There could be concerns of the cost and the necessity, I am sure. Foremost in everyone's mind is that

those costs ought to be controlled. We do not want a repeat of the uncontrollable social services costs that we ran into a few years ago. I think there is little question that some members of organized labor or even not organized labor might be concerned over the threats that this might provide. But, I believe that is an opportunity so important to those who pay taxes, including all of those who are workers in this country. I believe it is possible to work with those who are presently at work to show them that there are opportunities for new labor that otherwise simply could not have occurred. And that both they and the welfare recipient will be better off. They will be better off ultimately in lower taxation; the welfare recipients in a new sense of independence.

I know that there are problems in insuring wage standards and job conditions, at least comparable to those who are regular employees. There are many problems and it is easy to throw the problems into the air, and too easy, I think, therefore, to say let us not do it. But, I suggest the opportunities for the States to demonstrate their capacity, the opportunities that could be available for those now on welfare, the opportunities to discover new ideas which would work in an area or State and might be transferred to the rest of the country, are too great to allow difficulties to deny this opportunity.

I could talk about some of the other more technical points, but I believe those are things we can leave with the committee, things that would help in the drafting of any such proposed legislation. My plea on behalf of all Governors is that the States of this Nation in a very, very important area of responsibility, that of public assistance and the public's welfare, be allowed the greatest flexibility necessary to let us help you in discovering the right answers for ultimately the right answers for the Nation.

The CHAIRMAN. Governor, let me just touch on one thing that appeals to me in what you are saying. I have been discussing this one suggestion with the State welfare administrators every chance I have: Why do we not try to offer to every family on the welfare rolls the opportunity, on a purely voluntary basis, for the potential breadwinner of that family to be offered a job that would assure them twice the income they would make living on a welfare check? I have yet to find any welfare administrator that does not want to try that in his State. It is especially appropriate with Christmas approaching that we consider that option.

Now, practically every local government has some revenue-sharing money available that they could put into this kind of program if we would let them do it. But the minute they do that they run afoul of the provisions of the law that says they have to do business with a single State agency. It would seem appropriate to me to just start out with the Christmas period, when we need a lot of people to do a lot of things to help keep the place safe. Right here in the District of Columbia there are plans to add 500 new people to the police force to try to keep down pilferage in the stores during the Christmas shopping season. If you take the welfare money you are paying a number of people and give them the first shot at some of those jobs or all of them, you could take 1,000 families and double their income by simply paying the welfare money over to the police department and letting the



police department hire these people as agents for the police department to help protect against pilferage. Instead of hiring one man who has only himself to think about, you could spread that money twice as wide by combining it with the welfare money now paid. It might not be as efficient this way, but when you realize that you are going to spend the welfare money anyway, it tends to offset that factor when you put a bunch of these people to work so they can double their income during this period.

Now, meanwhile, somebody needs to provide day care for those children while their mother is out earning some money for the family. You could put a lot of mothers to work in day care centers, and again you could help finance that by paying that welfare check over to the day care centers so that the day care center can afford to pay her just that much more than they could have afforded to pay her otherwise.

I think that any welfare administrator in this country, if he had the flexibility to do it, could find ways that he could help a great number of people, not only during the Christmas season this year, but during next year too. But when he tries to do that, he runs afoul of a number of provisions that we put in the law, and some of which really do not make too much sense. I can understand how at the Federal level, they like to do business with just one State agency, so that in the event something goes wrong, they can hold one man responsible. But that just played havoc with our hospital system in Louisiana because it was not organized in the welfare department to begin with.

If we gave the welfare administrators some flexibility, I have no doubt that they are satisfied in their mind that they could make more efficient and more effective use of that money for the benefit of those that they are trying to serve. And speaking for your State, are you confident that if you had that flexibility you could do more good for the poor people you are trying to help with your welfare money?

Governor EVANS. Absolutely, Mr. Chairman. And I am not trying and I would not try to complain about what HEW or even the Congress in the past has done because I think that the States are guilty of much the same thing. In a pretty fundamental area we all get caught up in the desire to write rules and regulations and laws to protect against failure. But, in doing so, too often we mitigate against success. We just put things in so narrowly, trying to avoid disaster, that we do not allow the kind of flexibility that will lead us to answers we are all seeking. And so, we muddle along, maybe preventing some real problems, but never giving ourselves the real opportunity to get to the heart of some of these problems and resolve them. I think in the process I have enough confidence in our own people that I believe we would, in a fairly short period of time, have some ideas tested out in the marketplace that would be of benefit to this committee and to the Congress.

The CHAIRMAN. Well, Governor Evans, I may be totally in error about my ideas about this problem, and if I am, I would be delighted to offer you the opportunity to prove me wrong. I would just like to have one point in my favor, and that is, in the event I am right and you are in error, I would like to have the opportunity to prove you are wrong. Frankly, I think that the people administering the program in my State very much think along the lines that I am thinking. And

I am satisfied that they are positive that they could do a lot more good for a lot more poor people if they had the flexibility to do it. I think that every State in the Union would like to have an experimental program to show what they think ought to be done, and if they had their way, every one of them, of course, would like to do it at the expense of the Federal Government. That would cost a lot of money. But if without spending any more money, they could find a way to make some changes in their program to do this, so that from the point of view of the Bureau of the Budget up here they are not creating a large additional expense, then I do not see why we cannot let 50 States have some flexibility to see what they can do to improve the lot of their poor in those States.

Senator Bennett?

Senator BENNETT. I think I would like to let the questioning on our side start at the bottom end, if anybody here is ready to question. I wanted to kind of be the clean-up man.

Senator ROTH. I guess it is obvious who is the bottom man.

I want to thank you, Governor, for your very helpful testimony. I only have one question and that goes back to the contributions on the part of private charities which I agree is important to bring them in. The criticism I have heard on a number of occasions, on the part of State legislatures and even some State officials, is that the will of the State government can be by-passed between the man, say, in the welfare department or one of the agencies by getting money from a private charity and getting the corresponding dollars from the Federal Government. Would there be anything wrong with trying to write in some kind of requirement that all programs that are financed by charity should have to go through the regular governmental channels of some type, and put it in the legislation?

Governor EVANS. Well, I think when you are dealing with public moneys you would like to have, first, some idea of where it is going and some idea of what is happening to it. And to that extent, I think that would be of value.

I think it gets down to the question of what you do in the writing of regulations, and if in the writing of regulations you really hamper the opportunity to provide that ultimate customer, that ultimate person in need of a good social service, then we ought to take a real look at it.

If, on the other hand, we are talking about just making sure that there is good accountability, and the knowledge of where money is going, sure, I think any time there is public money involved, you should.

Senator ROTH. I think there is a necessity for flexibility there and I am not attacking that, and I am not even sure I agree with what the answer to my question is. I am just raising it because it has been raised with me. But, the problem under the legislation last year is that there appeared to be a number of incidents or cases where new programs were adopted purely by action of the State executive branch of the government, because an agency could go to a private source and get a contribution from that private source, and then they would go to the Federal Government and get the matching dollars there, and they would never have to go through the State legislature or the regular

procedures. And the concern was expressed by a number of the legislators to me that they thought this was bypassing the regular governmental requirements at the local level with the same kind of power we are sometimes being critical of in the executive branch at the Federal level. And I am just asking, would it be appropriate to say that the programs that were supported locally by private funds ought to be legislated perhaps by the general assembly or State legislature?

Governor EVANS. Well, I think there are two concerns. Let me express, first, the fact that depending on the State, legislative assemblies very often are in session only for a limited period of time at sometimes fairly rare intervals, and there would be an extensive period of time during which perhaps a very desirable and needed social service might not be available, simply because of a requirement that they would have to wait, sometimes for as much as a year and a half, before the next legislative session in order to take advantage of that particular and maybe totally desirable social service. I believe the answer lies in the relationships that ought to be created between the Governor and the legislature of each State. In my relationships with my own legislature which meets considerably more often now, they have developed a budgetary proviso and others which say if there are unanticipated Federal receipts, come to the legislature or at least come to the joint budget committee to let us know and to get approval before those unanticipated receipts are spent. So, I do not think we have a real problem in our State because of the procedures we have worked out. And I think that is the proper form to work out that particular kind of problem between the legislature and an executive in a particular State, rather than writing in Federal regulations which I really do not believe would be necessary for that particular purpose.

Senator ROTH. Thank you very much.

The CHAIRMAN. Senator Mondale?

Senator MONDALE. Well, thank you very much, Governor Evans, for what I think has been a most helpful presentation on behalf of the Governors.

As I understand it, the Governors oppose the present regulations propounded by the Department?

Governor EVANS. Unanimously, from every Governor I have heard from so far.

Senator MONDALE. Unanimously, and would like a measure which contained these principles: One, to prohibit supplanting existing programs with social services' money, with the one problem being the catchup issue that you referred to?

Governor EVANS. Right. That is correct.

Senator MONDALE. I think they have that problem in many States to make certain that programs that have been using social services' money in the past but have been picked up by the States because of the new regulation, do not get into the nonsupplanting provision. And I see that as the critical point, because if we are going to keep a separate program with broad State discretion for serving people on or near welfare, it has to be identifiable. If there can be supplanting with no restriction, I think the program would be lost and no one would be able to find it. And that is why I think that nonsupplanting is the central issue and, as I gather, the Governors strongly believe that the position you testified to should be asserted in legislation.

Second, you would support broad definitions of social services, but, basically, leave up to the States and local governments the question of what those social services should be.

Third, to continue the very creative relationship that exists between Government and private charities through the use of private match so that where charities have programs of social services that appeal to the States as making sense, States may continue to permit those private charities to carry on those social services. And I think that is a very important objective.

And, finally, to define what we mean by welfare recipients, or which recipient in a way that provides the State with broad liberality to deal with people who are potential or part welfare recipients, and give them services long enough to get them out of the dependency requirements rather than these very strict and rigid HEW rules that, in effect, would require you to provide help almost exclusively to welfare recipients.

Governor EVANS. And I would like to reiterate that point that for some States with the highest percentages of their population drawing welfare it is very easy to utilize the funds under the November 1 regulations. They have got a big pool to work from within their State and they can provide social services to those exclusively on welfare without much difficulty and use up all of their potential share of social services' money. Those States with a very low recipient population may have some very severe social services problems but if they are confined to that small pool of those who happen to be on welfare, I think we deal unevenly with the States and, particularly, you make it more difficult for those States which have done the best job of keeping people off welfare or getting people back in an independent status. And I think that is just the wrong kind of emphasis.

Senator MONDALE. I agree strongly with that. The whole idea of the social services program is to provide a hopeful strategy for reducing welfare dependency. If social services—such as day care, alcoholic care, help to the retarded—can only be obtained by going on welfare, we have created another incentive to require people to stay on welfare rather than to become independent.

Governor EVANS. That is right.

Senator MONDALE. Finally, I strongly agree with your position about the \$2.5 billion a year, but I do not think we can swing it. I would be glad to vote for it. But, the budget of this administration provides for \$1.9 billion. I do not believe they ever intended to spend that much, but that is what the budget provides. If we go the full \$2.5 billion, that would be another \$600 million, and I think we might invite a veto. I would like to have the \$2.5 billion, and what we have talked about here is \$1.9 billion this year, but with the requirement that they simply must spend it all.

As you know, when we put the \$2.5 billion ceiling on, the argument of the administration was that they needed that because they had no way of controlling the expenditure that the States would make otherwise. It was open-ended. Then to our surprise, through a strategy through what I call "impoundment by redtape" they did not only not spend the \$2.5 billion, we think they were spending at the rate of about \$1.2 billion last quarter. In other words, they had impounded over half

of the program. And it is my personal opinion that that is the whole reason why we are fighting with HEW now. It is not strategy, it is not concept. It is money.

As you know, not only did the Department oppose the first action of the committee, which was supported by the Governors, they also opposed the second action on the grounds they did not want general revenue sharing. The only thing they say they can manage from the Federal Government are their regulations which restrict the States more, which involve more regulation, more control, more oversight, more studies, more plans, than any other proposal that we have before us. So, I think the reason they give does not stand up. There must be another reason, and that other reason is they are trying to save money in this area. I think that is what it is all about.

And one of the things that bothers me is that while we are trying to develop a strategy here that agrees with what you are talking about, the administration has gone ahead and propounded regulations, even though it is clear we are planning to do something else and the Governors want something else. I would hope that the administration could hold up on these regulations until we have acted. I think, and we should try to have a smooth transition, because, as you know, the new regulations are contrary to every single principle that you have announced. They put the squeeze on private charities. They make this funding solely for persons on welfare, for all practical purposes. And they would probably spend a lot less than we think ought to be spent in this area. So, I think that your testimony has been very helpful.

One final point: On the experimentation and demonstration of new strategies, my feeling has been that there is a disincentive in the welfare program, which your figures eloquently point out, which often discourages people from working on the grounds that if they are unskilled and the rest, they perhaps cannot survive in private employment, whereas they might be able to survive on welfare.

Governor EVANS. Right.

Senator MONDALE. My only point is that I think the strategy we ought to pursue is to make employment more attractive, into welfare, in the sense of minimum survival, and that is all I think it is today, more onerous. I would like to see your ideas incorporated, but on an experimentation and demonstration basis and understand it as such, not as a proposal for just sweeping aside the present system but permitting experiments and demonstrations in various states to see what we can learn through different strategies which might help us out of this difficulty.

Governor EVANS. I think that is the concept we are looking for. The problems we have run into with new ideas or demonstrations by States in the past has been simply that the redtape to get a demonstration project approval discourages anyone from experimentation.

Senator MONDALE. Yes, right.

Governor EVANS. And I think the financial exposure itself because the States have a role to play and the financial role in the whole welfare system. For every Federal dollar, there are various amounts of State dollars. In our State we spend more dollars than the Federal Government does. The ratio is less than 50 percent Federal money. We are not going to get involved in something that expands our own finan-

cial exposure. But, I think we need the opportunity to experiment within our present cost. I do not think that these ought to be programs that either mandate the states to do something, nor should they be programs that mandate the recipient to be forced to do something. But, if we do these things in the right fashion, and give the kind of flexibility that will allow each State easily to engage in new experimentation, I just think we have a much better opportunity to discover some successful new ways to go.

Senator MONDALE. What you are asking for is experimental and demonstration authority. You are not asking for authority to completely escape the present structure, are you?

Governor EVANS. Oh, I do not think we want to completely escape the present structure. That would be not only very difficult but disruptive. When you talk about demonstration projects, however, it may very well be that some States will find in certain elements or areas of a total welfare program demonstration a concept or an idea that might encompass a good many recipients, or a good share of the State or it might even cover the whole State for a specific part of the public assistance program.

Senator MONDALE. But you know, in the family assistance plan this whole issue was at stake and everyone agreed that there is a disincentive to work at certain levels, as your statistics reflect. Now, one of the objections to certain strategies was that they would involve a subsidy for cheap work. In other words, they would encourage employers to pay less in order to get subsidies. Now, many people disagreed with that, I remember, but the labor movement felt very strongly that they did not want a system here where our welfare system was changed just to subsidize work, which brought forth a private pay scale that was clearly beneath the subsistence level. I think you pointed out that \$3.20 is what you think is needed. Well, we have got a minimum wage law of \$1.60 now, which is exactly half of what is needed to get up to the incentives you are talking about.

Governor EVANS. Right.

Senator MONDALE. And then when you get around to income disregards, which is one of the best ways of doing that, it costs tremendous amounts of money at the Federal level. It may be a good thing to do. I do not know. But, I do not want to get a situation where in the name of demonstrations we are permitting a whole new national strategy that does not face up to these issues. And I think the decision has to be at a Federal policy level if it is a fundamental policy decision.

Thank you.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. Dan, 2 weeks ago, in executive session, this committee struck out the laundry list of social services definitions. It was not our intention at the time to injure social services recipients or limit services to be provided. One of our reasons was that the list, as I recall, included 24 or 25 specific types of special services, and then the last one said anything else the State wants to do as a social service would be permitted, unless specifically refused by the Secretary of HEW. And we thought, well, this is a revenue-sharing program for social services, so strike out the list and leave total discretion and flexibility with the States. So I went back and I read the testimony of the

various State welfare administrators who testified before this committee last summer. Of each of them I asked the question:

"Would you prefer to have the committee simply strike the definition of social services and turn it over totally to the State to determine?" And they said "Yes," and I checked with some of my agencies in Oregon and they preferred that. So I voted to strike out the list. But as soon as the word came out that we had done that, complaints and opposition began to come from the very people who said that that is what they would prefer, and complaints began to come from the Governors who we thought, would prefer it.

Let me ask you now, what would be the preference of the Governors? Would you rather have the laundry list in there or leave it out, and leave it totally to the States to determine what are the social services, realizing you will have to live within the maximum limitation either way?

Governor EVANS. I think there are two elements in a description of social services in the proposed legislation that you have been working on. One is a series of about four general goals which I think really are necessary.

Senator PACKWOOD. Let me interrupt?

Governor EVANS. That would, at least, you know, confine this to social services rather than a broad general revenue-sharing.

Senator PACKWOOD. Let me interrupt there because there is some confusion as to what the committee did. We do not keep any minutes in our executive committee meetings. It was my intention when I voted for this only to strike the laundry list of 25 services, but I am not sure in retrospect what we did. And there is no evidence to prove one way or other what we did. But, it was my intention to leave those four goals in.

Governor EVANS. I wanted to separate those. I think the basic goals are highly desirable, and I know would be supported by the Governors because we asked that question and they did say that.

The laundry list, given the best of circumstances I think, would be unnecessary and undesirable. The reason for the laundry list, and the reason I am sure that some have complained about taking it out is very frankly their apprehension about what might happen in terms of the management of this program, and regulations or denials that might come through HEW. And I think that is unfortunate because it represents something of the lack of trust in what HEW might allow as social services, even given the board goals that are set forth. So, I would say under the best of circumstances, I think the laundry list is unnecessary. Under the present circumstances which exists and the apprehensions which exist it may very well be necessary just to assure that the breadth of social services we all desire is made available and clearly is upheld.

Senator PACKWOOD. So, the fear is not, in your mind or, I think, in some of the recipients' minds, that the States would not be fair. The fear is that, given no definition at all, we might be back to the place where HEW is able to say, well, that is not a social service?

Governor EVANS. I think that is exactly right.

Senator PACKWOOD. All right, let's go to maintenance of effort.

Oregon did the same thing Washington did in making a special appropriation this year, when it became clear that we were not going to receive our full allocation from the Federal Government. Oregon appropriated an additional amount to make up for the potential deficit from the Federal Government's action. If we were to go back to the full payment of \$2.5 billion from the Federal Government, would the States still have to maintain their full effort, how do we write a maintenance of effort requirement without penalizing States like Oregon and Washington, which ironically, have shown the best faith of all—by totally funding programs the Federal Government might change on? Could we allow a deduction of these amounts?

Governor EVANS. Well, I think quite clearly they ought to be allowed that opportunity to deduct the amount that they made up, for what, you know, was apparently going to be deducted. But, with that exception I think the States quite clearly recognized this is an opportunity to expand social services, not just to supplant other programs which have been long ongoing programs.

And in the telegrams I received back as a result of my inquiry of the Governors, a number of them volunteered that the whole thrust in their State of this program was to expand and to broaden the whole area of social services programs which they believed very strongly would result ultimately in a reduced welfare caseload, and reduced problems as far as the citizens are concerned.

So, I think the nonsupplementation is perfectly acceptable. That question that I brought up and that you mentioned in Oregon is something we hope the committee would take care of.

Senator PACKWOOD. No other questions, Mr. Chairman.

The CHAIRMAN. May I just explain before I call on Senator Bentsen, that Senator Bentsen and Senator Hansen entered the room while this hearing was going on and the odd way I have been calling on Senators has resulted from the fact that when it came to Senator Bennett's turn, he asked that we start at the far end of the Republican side of the aisle. That is why I have been working from the top down on this side and the bottom up on the other side.

Senator Bentsen?

Senator BENTSEN. Thank you very much, Mr. Chairman. Senator Packwood, as I remember the proceedings in the executive committee, with the unwritten minutes, we tried to get a little of the best of both worlds, and I am not sure that we have accomplished it. I have not seen the staff report and if I had not had had this understanding I certainly would not have voted for it. But, I thought we kept in the laundry list of 19 items and then we went beyond that and said that this laundry list is an example of social services, but by no means binding. I frankly was not very satisfied with the result and the more I think about it the more dissatisfied I am.

My concern, Governor, is that a State legislature, not necessarily just HEW, with no perimeters on what the social services are which might use social services funds to balance their budgets, in effect, to avoid some kind of tax increase. And I am afraid we will be back to the same kind of situation we had once before where we had some very major abuses in what were considered to be social services. Then you will have HEW saying again that we must have these restrictive measures.



I cosponsored along with Senator Mondale and Senator Hollings the bill that would set up these 19 categories of social services because the Governors had gone into this at length, along with other organizations. They had given it a great deal of study and we felt that this was a proper approach to it. Certainly I agree that there should be some leeway for some experimentation to find a better way to provide social services, to get people off welfare. But, I do not want to see an open-ended proposal, and I thought the bill we had proposed was a good compromise and would accomplish the purpose. Would you argue against that view?

**Governor EVANS.** Well, first, I think we are all subject to looking through the wrong end of the telescope and look at what we conceive to be the failures or the potential abuses and do not realize the vastly greater number of successes of States and local communities and others who are attempting to do a better job. I think sometimes we end up through regulation, preventing an enormous number of successes because we are aimed at one potential abuse, or one potential failure. And I just think it is very difficult when you start confining. As long, I think, as you say, as are within the basic goals of what constitutes social services, and I think those are fairly readily understandable goals and I think it would be difficult to stay within those goals and really abuse the social service program. But, the needs in the various States vary widely and as I have pointed out earlier, the incidence of public assistance varies by a multiple of five from the lowest to the highest State, and I would say the needs and the intensity of needs in social services programs varied even more widely than that as between the States. And I would hope that there would be some sense of trust. I do not think it would be misplaced in both the Governors and the State legislatures of the 50 States of the Nation. And I would think we would have an opportunity from many, many more successes than the potential failures we might be aiming at through legislation or through narrowing of the social services programs. I think the basic goals are fine. I think the laundry list really, in my view, is more necessary to make sure that we can do something than it is to try to confine States from going too far.

**Senator BENTSEN.** Well, Governor, I think we were trying to strike a balance in this thing to be certain that HEW would let you do these things, and on the other hand, we were operating on what we thought was the collective wisdom and experience of the Governors in legislation they have worked on, which said that these 19 social services would cover what we are doing within our State, that we think is essential. And then at the bottom we put the provision that any additional social services approved by the Secretary could be allowed, so as to allow some experimentation.

**Governor EVANS.** As I say, I think the rationale behind the development of a list like that, insofar as the States are concerned, was to put all of the things they could conceive in there to make sure that they were mandated, in essence, so that they were approved. But, I doubt very much although I have not talked to all of them, I doubt very much that any State or any Governor believes that that list should be in legislation to try to confine what ought to be done in the general field of social services. It was quite the contrary. It was the develop-

ment of a laundry list to make sure that we could do at least all of these things without interference or without a regulation or cutting by the Department of Health, Education, and Welfare.

Senator BENTSEN. Well, let me say, at least one Governor told me that he would not want it totally open ended because he would have concern about the result in his particular State legislature.

Governor EVANS. Well, that Governor, I presume, has the power of veto and could utilize it. And I do not hesitate to do that in my own State if I feel the legislature goes too far. And I think that I really sometimes think if we aim at the potential problems of one State in doing so we may deny to the other 49 or a vast majority of the States and the people of the country an opportunity to accomplish some things we ought to be accomplishing.

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

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

Just one question, Governor. You mentioned the veto. Do you have an item veto in your State?

Governor EVANS. I have a significant item veto, which the legislature does not like very well, and which is subject to some potential court test at the moment. It is an item veto which allows not only the veto of sections of a bill but items within a section and those items that have in the past, been utilized down to the extent of single phrases or words.

Senator BYRD. Do you find that most States have an item veto?

Governor EVANS. No, not like that. I think that—I do not know what the numbers are in each category but some Governors have no power of veto except in appropriation bills and in other bills they simply have no power of veto or very, very limited powers of veto. I think the norm is to have the power of veto over whole bills. Some States, I frankly do not know how many, do have item vetos of one kind or another. I think ours is the broadest.

Senator BYRD. Thank you, Governor. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Bennett?

Senator BENNETT. Thank you, Mr. Chairman.

I have been very interested in listening to this discussion in two or three basic concepts that I think we should talk about. I have listened to the discussion about whether the State should have the decision as to what they should consider social services or whether we should write strict regulations into the bill. And it seems to me that we are talking here fundamentally about a lack of confidence. The Governors say if it is totally open ended if there is no definition, we have no confidence in the Secretary of HEW, we are afraid he will come along and say something that we consider social services are not, and therefore you cannot spend the money and therefore the Governors are saying to themselves, we have no confidence in our own people to stay within reasonable social services limits.

Now, it seems to me that the laundry list is known, and if the Governors feel that if they stay within that laundry list they should be privileged to move the money around, they ought to be willing to, they ought to have faith enough in themselves to know what is an honest social service. And the question now comes: Do we in the Sen-

ate have to take the responsibility of telling the Governors what they can spend for social services because they are afraid to trust the Secretary of HEW, if he gives them an open ended list? And I do not see how you can resolve this problem unless somebody has confidence at both ends.

And I would think, or well my experience in legislation over the years is that every time you write something definite into law and it becomes rigid, you run into trouble with the people coming back and saying, "No," we have to add this to the list, or we have to take this out of the list. And the committee proposal gives the Governors full reign, expressing the confidence that they will know what is an honorable social service and that they will not exceed it.

So, I think this is a dilemma that we cannot solve. If we write it in we are in trouble. If we leave it out, we are in trouble. Actually, I would think if I were a Governor I would rather have the privilege of making my own list than being bound by the list we make.

Now, do you want to comment a minute?

Governor EVANS. Yes. First, Senator, I have no qualms at all about the Governors taking the responsibility. I think I speak for all Governors. There are no fears in my mind about the ability in our State for the Governor and the legislature, because you work closely with the legislature to define what is a proper social service, and better than that to have some sense of priorities within the social service field. Even at the \$2.5 billion level, we are not going to come close to helping meet the legitimate and, I think, high priority needs in the social service area. So, we are only talking about being able to handle fairly high priority needs.

I have no qualms at all about the Governors being able to confine themselves to what is legitimately a social service. Now, that is the path we thought we were on at the time the Congress put the \$2.5 billion limitation in the field of social services and created the necessity for an even higher measurement of priority needs. But we found to our chagrin that the regulations promulgated prevented in some States even the highest priorities of social services, and that is all we are seeking now, is the opportunity to have that.

Senator BENNETT. If this bill passes, those regulations are moot.

Governor EVANS. Well, that is exactly what we hope will happen.

Senator BENNETT. Well, I understood your response to Senator Mondale and Senator Bentsen that you would rather have the 19-item laundry list back in the bill?

Governor EVANS. Well, no. What I tried to say is that there are two elements in trying to measure what is the social service. There is the statement of some basic goals, as I understand it, some four goals which were considered and I think those are important and should be in the bill. I think under the best of circumstances that is enough.

The laundry list is not, in my view, to try to confine Governors or to confine the States to a certain list of social services or to give us comfort about how narrowly we provide these services. The only reason in my view for any kind of a laundry list was merely to assure that at least that breadth of social service was going to be mandated and would not be distorted or destroyed by future regulations of the Department of Health, Education, and Welfare.

Senator BENNETT. If there is no list and if this becomes a social service revenue-sharing concept, which is its present condition as far as the bill is concerned, you still want the laundry list in there?

Governor EVANS. No. I am saying that the only reason for the laundry list is the one I have just mentioned. If we could be assured that a bill like this was passed, that the view of the Department would be to look at those goals and to view them in a broad sense, we do not need a laundry list. But, I guess that is the concern. The concern of the Governors, believe me, is not the feeling of a need to be confined because we are afraid of taking responsibility or afraid of setting priorities. The only concern is that we may be denied the opportunity to meet our high priority needs simply because regulations would prevent it.

Senator BENNETT. Well, if the laundry list becomes law, I do not see how the Secretary can write restrictive regulations under it. And I may be wrong.

Senator MONDALE. Would you yield?

Senator BENNETT. Yes.

Senator MONDALE. The idea for the laundry list was not to limit the Governors but to limit the Secretary in his ability to withhold funds, so that the Governors would have the broad range within their own discretion of deciding what made the most sense for social services. It is an unusual thing to do but the reason we did it is because of the history of the Secretary denying the Governors funds under social services. For example, in Nebraska, they cut out their whole retardation program, which the Governor and the State thought made a lot of sense. In my State, they cut out services for the elderly in their own homes and apartments, and a program of education to get mothers off of welfare. Every State found that because of these regulations they got less of the money they were entitled to.

So, then we went ahead and we made up the laundry list, not for the purpose of limiting the Governors to that list but to try to list everything that everyone agreed was a social service so that the Secretary could not deny them the funds in some way, and get right back to where we have been for the last year and a half where we thought we had a program that would give \$2.5 billion pro rata among the States, but, in fact, only had \$1 billion. In other words, it is an unfortunate situation, but not designed to restrict the Governors.

Senator BENNETT. Do you feel, and I will just ask you as well as the Governor, do you feel that the language we have written into the bill tentatively solves the problem, or do you want to go back to the laundry list?

Senator MONDALE. Well, here is what I am worried about. If we do not have the laundry list with our bill, the Secretary could say, "Well, I do not consider that a social service. I have decided that what Governor Evans wants to do in Washington in these eight areas is not a social service and, therefore, you are not going to get the money." And what we wanted to do was just to define the list of what some of the social services were, by law, so that we would not get into that situation of what I call impoundment by redtape. We are not trying to limit the Governors, we are trying to make certain in every way we can that the money gets there. That is all.

Senator BENNETT. But by putting a laundry list into the bill you limit it automatically unless you put a catchall at the end saying anything else the Governors want, and in that case, from my point of view, the Governors are free to do anything they please anyway?

Senator MONDALE. We do have a catch-all provision to make sure that it is not exclusive.

Senator BENNETT. May I ask—excuse me—ask Senator Mondale another question? What would be your reaction if the laundry list were put in the report rather than in the bill?

Senator MONDALE. I think the Secretary, in light of his very strong opinion against what I think is the congressional view, would continue to impound by redtape. In other words, we have been going through this for 2 years. I would like to settle it, so that we are sure the States get the money. And I think the laundry list is one of the ways we can make certain that is the case. And I think if we put it in the report rather than the bill, they would have every reason to say it is not binding on us if they decide to do so.

We have had trouble getting them, you know, to follow the law.

Senator BENNETT. Well, then, your position is you would reject the solution the committee adopted tentatively and go back to the laundry list?

Senator MONDALE. I think we are coming up with a compromise, frankly. We are doing away with a lot of rigid standards that I had in my bill and we are making it far more of what you might call a special revenue program than it was before. For example, we have thrown out the economic standards. We have liberalized that a great deal and that was the second element. We still have the fight over day care standards, that we have not gone into at all at this hearing. But, I think we have greatly loosened the program to give it liberalities that the States want. And I think that in a legal contemplation the laundry list does nothing. The only reason for putting it in there is to make certain that the Secretary does not go back to that strategy again of what I call impoundment by redtape. If it were a binding list, I think your point would be valid, but it is not.

Senator BENNETT. Has the Governor seen your proposed compromise? I have not.

Governor EVANS. I have listened to what the Senator has said this morning, and I think that expresses what I believe are desirable things, the things we have been talking about, the provisions against refinancing State programs, the establishment of certain basic goals for social services, the broad eligibility for services, to not confine it narrowly to those either just on welfare or immediately pre- or post-welfare recipients, and broadening to allow the utilization of these funds in conjunction with private, in kind, funds and as I have suggested, the \$2.5 billion ceiling.

In a letter to you, Senator, Mr. Weinberger said a few days ago that "we believe these regulations" his regulations, properly focus our social services program on those in the greatest need and provide, for the first time, a set of requirements which this Department can effectively monitor." And that is precisely what we are concerned about. These are the greatest needs as determined by the Secretary, and on a nationwide basis. But, that simply does not meet the individual needs

er the individual priorities of our States because of the vastly different situations we are in in terms of those who are now on welfare and in terms of the percentages. Even if you took the percentages of the aged population in each State, they vary in a huge range, and so the priority of programs for the aged is vastly different in one State with a high percentage of the population over 65, as composed to another State with virtually none.

Senator BENNETT. Well, I have taken more time than I should and there is one other subject that I want to talk about. I am very interested in your testimony that you still want to use private funds for matching, and it seems to me that when you look at this in the total, in its total aspect, you have got three sources of funds. You have got the Federal Government, the State government and private funds. Now, when you use private funds for matching, you reduce the responsibility of the State government by that amount and I am one of those who believe the State government should provide its own matching share rather than escape that much of the obligation by turning to the use of the funds that were raised for a private charity.

Governor EVANS. I cannot say what all private charities might answer to that. I would rather suspect and, in fact, I am confident that in our own State the answer of those private charities would be, let us put up our money to match Federal moneys and the combination of what we have and what the State is doing and has been doing, along with what we get at the Federal level, will extend the total program. It is not a question of supplanting the State moneys. We already are talking about a proviso in the bill that would not allow the supplanting of State moneys. I think the States are doing a great deal now, and it is going to require full efforts of private charities as well as the States and the local communities, I might add, and the Federal Government if we are going to achieve anything here.

Senator BENNETT. I come back to the arithmetic. You are going to get a certain fixed amount from the Federal Government which you have to match 1 for 3. Now, if you use private money for that matching, that taxpayer's money in the State is saved. Is that not automatic?

Governor EVANS. No. I think you use the State money and, as far as I am concerned, the best place you would like to use the State money, for the entire match, is in areas where there is no capacity at all for private efforts. But, in some other areas of high need, a private charity may very well be able to offer social service and expand that social service with Federal help, and it is a team effort. It is a team effort in our State and we do not look upon each other as competitors or on each other as doing more or less of the job. The State works in close conjunction with its private organizations and its volunteer organization and both do a share. And how you do it and under what circumstances, and who provides the money, sometimes there is a partial State share, a partial private share, and partial Federal share and, that is, I think something where some considerable flexibility ought to be left. If we are denied that flexibility, I think we further restrict the myriad of circumstances which exist across this country.

And, again, it comes back to something you, I—think, so wisely mentioned earlier—that some sense of trust in being able to carry out these programs exist.

Senator BENNETT. Well, I am still left with the basic arithmetic, that by using private funds for matching Federal money, the State saves for other purposes. Maybe other social service purposes, its own money on the basis of 3 to 1, and this is the reason why I personally am opposed to that business. The private money was raised for a private purpose, and it is the State's responsibility to match the Federal Government, not the contributors to the Boy Scouts, or the Community—I cannot think of names offhand—the Community Chest or that kind of an organization.

Just one further comment, and I have been commenting more than I have been questioning. Your discussion about the welfare work dilemma is one for which I think there is no answer. There are only solutions which create other problems because man A starts with \$200 a month before he works for a month, and man B has to work for the first dollar he gets. Now, as long as that condition exists, we are just juggling break-even points and juggling various relationships because as long as an individual, who is a little bit, shall we say, shiftless or without ambition, can discover that he can start with \$200 before he ever works a day or an hour for \$1.60, or \$2.25, we will have that problem. And I do not know how you are going to develop a formula which will not generate—which will transfer the equity but it would not cure it. Do you agree with me?

Governor EVANS. There is always a problem of those who are, as you say, shiftless. I suggest that being on welfare is not a great way to live even if you have little ambition. I also suggest there are a lot of people in full-time jobs who are not very ambitious either, and are just barely getting along, are shirking their full responsibility, and others who are their colleagues are assuming more than their share of the responsibility as a result. And I do not think just because someone is on public assistance that that necessarily equates—

Senator BENNETT. No; I do not either.

Governor EVANS. With a lack of incentive. To many who care very much about their own families, and I have talked with them personally, and I have worked with them personally, many who care about their own families find that it is virtually impossible to get out and to earn if the end result is going to be less for that family. They would not care very much about their family if they did. And you may very well be right, that there are no absolute solutions, that it may be a matter of shifting some of the responsibility or perhaps even shifting some of the equities. But, I think that is a part of our whole political and governmental responsibility to try and find the best balance we can within those limitations, that we try to maximize the good we do and minimize the ills that prevail. We are a long way from that in my view in the welfare system, and even though we may not find solutions, I think the possibility of experimentation and trying new things will get us closer at least than we are at the present time.

Senator BENNETT. And the more we increase welfare benefits, the higher the break-even point goes, or the higher the decision point goes.

Governor EVANS. Well, I have appreciated this very much.

The CHAIRMAN. I will restrain myself so that we can take this matter up in closed executive session, and I will hope that the others might feel so disposed.

Thank you very much, Governor.

Governor EVANS. Thank you Mr. Chairman. We appreciate this very much.

[Whereupon at 11 :40 a.m., the open executive session was concluded.]

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