SOCIAL SERVICES REGULATIONS

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON

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

MAY 8, 15, 16, AND 17, 1973

PART 2 OF 2 PARTS

Public Witnesses and Written Testimony
(May 15, 16, and 17, 1973)

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PART 1

SOCIAL SERVICES REGULATIONS

TUESDAY, MAY 15, 1973

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

The committee met, pursuant to notice, at 10:25 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman), presiding.

Present: Senators Long, Byrd, Jr., of Virginia, Mondale, Bennett, Curtis, Fannin, and Packwood.

The CHAIRMAN. The committee will come to order.

Ms. Abzug, we are pleased to have you before our committee and we will be very interested to know your views with regard to social services.

STATEMENT OF HON. BELLA S. ABZUG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. ABZUG. I thank you and I would like to thank you and the committee for affording me the opportunity to testify on the new social service regulation issued by the Department of Health, Education, and Welfare.

This has been an issue of deep concern to me, one that I have actively pursued since I received an advance copy of the first version of these regulations, before they were issued in February.

Even a cursory analysis of that first version showed them to be most punitive in effect and at variance with the philosophy of Congress. The major goal appeared to be an immediate cutting of money costs, no matter what the cost in human deprivation or the real long term cost to society of salvaging individuals or families robbed of the hope of becoming self-sufficient.

I take note that much protest was asserted with respect to the regulation in meetings with HEW and Secretary Casper Weinberger, and other Members of Congress in letters and cosponsors of the legislation in which I participated, also with the many organizations that were very much affected by the proposed regulation.

As has been stated, more than 200,000 letters and telegrams protesting the regulations were sent to HEW from all parts of the country. The so-called final version of the new regulations, issued by Mr. Weinberger May 1, meets some of the objections raised in the first go-round. More careful analysis makes it clear, however, that there are still some very real and serious objections to the regulations, and I strongly urge that they be further revised.

Mr. Chairman, I understand that in a colloquy with you last week Secretary Weinberger raised some possibility of changes in the new

regulations. I believe it is essential that the door not be closed on further necessary changes before these regulations are put into effect. There are various "catch-22's", loopholes, and disregard for quality standards in the regulations that require correction, and I am very grateful to this committee for conducting hearings that make it possible to spotlight these deficiencies.

I will address myself to some of the specific problems in a moment, but first I would like to comment on the overall implications and results of these administrative regulations.

When social services were first added to social security legislation, it was done because Congress realized that just giving money to an individual or family in need was not enough. Without backup services, the problems that forced people onto welfare would not go away nor would more people receive the preventative help that would keep them from entering the welfare system. With these remedial goals in mind, Congress passed the public welfare amendments that established the 75 percent Federal match.

The definition and nature of social services was left to be determined by the States and the Department of Health, Education, and Welfare. It was under this program, and the 1967 amendments thereto, that some of the most innovative and creative programs were developed, programs that had the object of helping people get off public assistance and keeping off others, who were not yet receiving cash grants, by enabling them to be self-supporting.

And yet now, in an administration that pays lip service to the "new federalism" and professes reverence for the "work ethic," we have a set of regulations that places undo authority at the Federal level, penalizes the working poor and lower middle class, and in some cases provides incentives to stay on welfare and not become self-supporting.

Now for the specific problems in the regulations. Both the February and May versions include a new requirement that eligibility for services be linked to the various States' resource test for assets. I know that this question was raised with Secretary Weinberger and I think it is important that you know the situation in my State.

In New York State—under the resource test for welfare assistance—an individual can have absolutely no bank accounts, either checking or savings, no insurance with a face value of more than $500, and no personal effects not essential to running the home or related to work.

This means that an individual cannot open a savings account, cannot join the payroll savings plan for U.S. bonds, and cannot even join a Christmas club.

Let's think of what this means to a working woman who needs a job to support her family and can only work if her child is cared for in a subsidized center. She may work for a company that provides a life insurance policy of $1,000 or more as a standard benefit. What is she supposed to do? Quit her job and look for one that doesn't provide any benefits? If she is thrifty enough to save a few dollars or requires the convenience of a checking account to pay her rent and utility bills, should she be penalized by being deprived of child care facilities so that she can no longer work at all?

If this isn't a "catch 22" in the new regulations, I would like to know what is.

It certainly undercuts the easing of income eligibility requirements for child care services in the May 1 regulations, which were welcomed

by us as recognition by Mr. Weinberger that the draft regulations were discriminatory against working women.

While there have been some improvements in the sections dealing with child care in these regulations, there are still enough loopholes and oversights to warrant HEW's changing them, with time for public comment, before they become effective.

In addition to the resource test or liquid assets test, the regulations no longer require that in-home child care must meet standards recommended by the Child Welfare League and the National Council for Homemaker Services.

No longer is there a requirement that the care must be suited to the individual child and the parent or guardian involved in the selection of the care. No longer is there any mention of the necessity of progress in developing varied child care sources so that there can be a choice for the parents.

And significantly, although the new regulations say that facilities must meet standards as outlined by HEW, there is no direct mention of the Federal interagency day care standards. These standards are clearly set forth in the report accompanying the OEO amendments in 1972 as congressional intent.

Another issue raised last week and one that I would like to reiterate is the problem of income disregard. A public assistance recipient is allowed to deduct certain work-related expenses, such as social security and union dues, whereas the worker who is struggling to be economically independent, who is holding a job and not receiving cash grants, is not allowed to deduct these expenses. Thus, we have another example of a regulation that makes it more advantageous for an individual to receive a cash grant than to work and try to be self-supporting.

One of the most serious deficiencies in these new regulations is the question of program eligibility. The States are told that they must make available at least one of the services mentioned under the adult services program. The regulations thus place the States in a dilemma.

In one situation the States, in an effort either to fit into their spending ceiling or in an effort to reduce programs, may make only one of the listed services available to appropriate applicants.

For example, a State may then specify that it will only offer protective services, but not health-related services, or homemaker services, or transportation services, regardless of the specific need of the individual applicant.

On the other hand, the State may allow all of the services that were previously mandated but because of the funding ceiling the agencies may be forced to compete with each other for dwindling funds.

I am afraid that these regulations will lead many administrators to say, as King Solomon did, "Cut the living child in half, giving half to one and half to the other."

The solution here is to provide sufficient funds to continue the services.

The program definitions also create problems that I would like to illustrate.

In New York State we have a program called the welfare education plan. This program has been funded since 1962 with title IV-A

money and in New York City is administered by the board of education. Under the new regulations this program would be shut down because it costs money. Yet it has an 11-year record of success.

The program works with public assistance recipients over 18 who have less than an eighth grade equivalency education or have English language deficiences. They are taught English, helped to get high school equivalency diploma and placed in jobs, job training programs, or in schools for more advanced work skills or education.

Some of those who have benefited from this program came by my office last week and explained how as of July 1, 7,000 people will be shut out of a program that has success stories like these:

These are the words of Monserrate Velez, who came to New York from Puerto Rico in 1961. "A few years later," she told me, "I was in a wheelchair, a total invalid with two small children. I had no hope at all for my future."

"I came to the welfare education plan in January 1969," she continued. "School became the only bright spot in my life. I passed the eighth grade test and then the high school test. Now I am at the Interboro Business Institute preparing to be a bilingual secretary. I can hardly wait to get a job so I can get off welfare. I am even learning to walk again."

I know that last week Senator Mondale described a similar program in Minnesota. These are the programs that are filling the gaps between agencies and services, that provide people with the hope of dignity and self-help. We must not let them fall by the boards. I am also certain that as you continue these hearings and take the testimony of the Governors and their representatives you will hear more stories like that of Monserrate Velez.

There is another point I would like to make in response to Secretary Weinberger's testimony of May 8. It has to do with the question of the $2.5 billion ceiling on Federal spending for social services. Secretary Weinberger was quite clear in saying that if each State spent the full amount of the money it was eligible to spend, HEW would certainly authorize full reimbursement. Yet, at the same time, he indicated that under the new regulations the estimates for total spending are only $1.8 billion, $700 million below the ceiling authorized by Congress.

If there are States that will not be able to spend their full allotment, then we should have a reallocation formula to allow the additional money to go to States with programs in need of these funds.

Another recommendation I would urge is enactment of legislation which would exempt child care from the $2.5 billion ceiling. This would enable us to continue obviously useful child care programs, but not at the expense of the other needed services.

There are many other areas of concern to me in these regulations that I will touch on briefly.

We need a clearly defined fair hearing process. Under the regulations there are no advisory committees for any group of services other than child care, and child care advisory committees are recognized only at the State level and include no parent participants.

There is also the problem with the regulations that the States may have to wait longer for guidelines to be issued implementing these regulations. These guidelines, which may or may not come out before July 1, will have as much effect as the regulations themselves but are

not subject to the review process of public comment that was so useful in changing the first draft of these regulations. I believe it is important that the guidelines be made public as soon as possible and that, like the regulations, they be subject to further change.

In conclusion, Mr. Chairman, the original intent of Congress was to provide services that would strengthen family life, foster child development, help people to support themselves, and aid, with dignity, those who cannot. This should remain our goal and no administrative regulations should be allowed to subvert our purpose.

The CHAIRMAN. Thank you very much. I have one question I will submit to you and hope you can favor us with an answer before the hearings are concluded.

Ms. ABZUG. I would be glad to do so.

[The Chairman's question and the reply of Congresswoman Abzug follow:]

Question: Would you support an amendment which would permit each State the broadest possible latitude in defining "social services" and leaving it to each State to apportion as it saw fit the application of its share of the $2.5 billion?

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 21, 1973.

Re Senator Long's written question to Representative Bella S. Abzug during the hearings on social services.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Dirksen Office Building, Washington, D.C.

DEAR SENATOR LONG: In response to your question of would I support an amendment which would permit each state the broadest possible latitude in defining "social services" and leaving it to each state to apportion as it saw fit the application of its share of the $2.5 billion, my answer is no.

There must be a role for the Federal government in providing social services other than just providing the money. It should and must be the role of Congress to determine the best and most equitable method of allocating that money. Simply giving it to the states in a lump sum is not the answer. The political-geography of many of the 50 States includes urban areas within the confines of nonurbanized states. The urban areas are often faced with problems that are more complex and difficult than the problems of other areas. Until we develop an urban formula that speaks to this problem the allocation of money solely to the states for distribution to its localities will not automatically or necessarily provide for the adequate delivery of services to those eligible to receive them.

I can envision other problems developing in the future if we leave the entire question of defining social services to the states. We are all aware of the problems of migration from state to state caused by the differences in public assistance payments among the states. If there were major differences in services provided, then it is conceivable that there would be a concomitant increase in migration to those states, thus adding to the burden of the providing state.

It is also my belief that the Federal government should have a role in mandating certain services if we are, in fact, dedicated to fulfilling the goal and legislative purpose of fostering self-sufficiency and keeping people out of the welfare system. The current regulations provide only three mandated services and Congress exempted six services from the 90–10 provision. It is my belief that the six exempted services should be mandated nationwide.

The question you asked is a complicated one that should be given serious consideration. Although an amendment such as you suggest by your question is a possible answer, I do not think it would solve the problems caused by the current regulations.

Sincerely yours,

BELLA S. ABZUG,
Member of Congress.

Senator PACKWOOD. I just have one comment, Congresswoman: I agree with you about the regulations. When Secretary Weinberger was testifying last week, he indicated that the States had only submitted requests for $2.1 billion. It would be possible to submit requests for more than thay but on the definitions HEW has drawn it's almost as if HEW were saying, we will totally fund all your quadriplegic deaf women with four children and incomes under X, so long as the requests don't come to $2.5 billion.

I have read all the statements, and it appears that even within the funding limit, we placed too many restrictions on the States. If we are going to hold the States to $2.5 billion, so be it, but give them discretion as to how they want to spend it.

It is pretty clear before the law was passed last October we were faced in this fiscal year 1974 with requests of between $4.6 and $7 billion. Assuming we were to spend the entire $2.5 billion this would still be a level substantially below the hopes and expectations of recipients.

Can you give us some idea up to that amount where your priorities would be, which ones would you fund and which ones would you cut?

Ms. ABZUG. Well, I have great difficulty with that, as I indicated in my testimony. I certainly don't see myself as King Solomon or Queen Solomon.

I objected to the $2.5 billion ceiling. There are many problems with it. I think that much has happened in the course of the years to explain why the increases have taken place in these areas, not the least of which is that we have had, you know, increases in inflation, 6 percent a year probably since 1967.

And, of course, I have indicated my significant interest in child care. I think this is a very needed program in this country since there is so little and there are so many working women, as you well know. We haven't begun to scratch the surface and I have indicated, therefore, and emphasize in discussing both these regulations today and in previous activities in connection with it, this area, but I am a total human being and people do have problems in all of these other areas.

I did make some recommendations with respect to child care because I feel it is a very large part of the ceiling in certain very key areas of this country, and that is why I suggested that one of the possibilities of maintaining these services and meeting the needs was to eliminate child care from the $2.5 billion ceiling as one of my proposals.

I have introduced in the other body a bill to that effect and I think that it does solve some of the problems in terms of providing the funds then for the other needed services.

Senator PACKWOOD. Do you have a rough idea what the projected cost will be next year if you exempt child care?

Ms. ABZUG. Exempt if from the ceiling?

Senator PACKWOOD. Yes.

Ms. ABZUG. Well, there have been varying estimates as to what the amount of child care services are in this area. Some have estimated up to, I think a billion dollars.

Senator PACKWOOD. Thank you.

Senator MONDALE. I want to commend you for your excellent testimony, and for your work in the House with Congressmen Fraser, Reid and others to try to revise these proposed regulations.

I think part of the irony of this fight is that we are trying to make these regulations do what the administration claims they want them to: No. 1, permit State and local governments to have broader discretion; No. 2, to have services in the way that help people stay off welfare, if they can.

And in both instances it seems to me their proposed regulations fundamentally violate those objectives. They would dismantle thousands of programs in State and local governments that can best serve their people. And, as I read their new asset requirement and new income disregard provisions, there is a profound built-in disincentive to leaving the welfare rolls.

These regulations say to people: If you want free services, you had better get on welfare.

And it seems to me that is exactly the wrong way to go—and that is why people get frustrated with the welfare program.

I commend you for your statement.

Ms. ABZUG. Thank you.

The CHAIRMAN. Thank you very much.

Ms. ABZUG. Thank you, Mr. Chairman, and members of the committee.

I appreciate your attention and I will go back to the other body now.

The CHAIRMAN. Pleased to have you.

[The prepared statement of Congresswoman Abzug follows:]

PREPARED STATEMENT OF HON. BELLA S. ABZUG, A U.S. CONGRESSWOMAN FROM THE STATE OF NEW YORK

Mr. Chairman: I would like to thank you and the Committee for giving me the opportunity to testify on the new social service regulations issued by the Department of Health, Education and Welfare.

This has been an issue of deep concern to me, one that I have actively pursued since I received an advance copy of the first version of these regulations, before they were issued in February.

Even a cursory analysis of that first version showed them to be most punitive in effect and at variance with the philosophy of Congress. The major goal appeared to be an immediate cutting of money costs, no matter what the cost in human deprivation or the real longterm cost to society of salvaging individuals or families robbed of the hope of becoming self-sufficient.

I protested vigorously at that time and continued to raise objections to the regulations in meetings with HEW Secretary Caspar Weinberger and other members of Congress, in letters and in co-sponsorship of legislation. Together with child care organizations and women's groups, I sponsored Working Mother's Day protests on April 10 to point up the fact that the new regulations would drive out of child care programs working mothers with even modest incomes, forcing many of them to go on welfare to qualify for care for their children.

More than 200,000 letters and telegrams protesting the regulations were sent to HEW from all parts of the country. The so-called final version of the new regulations, issued by Mr. Weinberger May 1, meets some of the objections raised in the first go-round. More careful analysis makes it clear, however, that there are still some very real and serious objections to the regulations, and I strongly urge that they be further revised.

Mr. Chairman, I understand that in a colloquy with you last week Secretary Weinberger raised some possibility of changes in the new regulations. I believe it is essential that the door not be closed on further necessary changes before these regulations are put into effect. There are various "catch-22's," loopholes, and disregard for quality standards in the regulations that require correction, and I am very grateful to this committee for conducting hearings that make it possible to spotlight these deficiencies.

I will address myself to some of the specific problems in a moment, but first I would like to comment on the overall implications and results of these administrative regulations.

When social services were first added to social security legislation, it was done because Congress realized that just giving money to an individual or family in need was not enough. Without back-up services, the problems that forced people onto welfare would not go away nor would more people receive the preventative help that would keep them from entering the welfare system. With these remedial goals in mind, Congress passed the public welfare amendments that established the 75% federal match.

The definition and nature of social services was left to be determined by the states and the Department of Health, Education and Welfare. It was under this program, and the 1967 amendments thereto, that some of the most innovative and creative programs were developed programs that had the object of helping people get off public assistance and keeping off others, who were not yet receiving cash grants, by enabling them to be self-supporting.

And yet now, in an Administration that pays lip service to the "new federalism" and professes reverence for the "work ethic," we have a set of regulations that places undo authority at the federal level, penalizes the working poor and lower middle class, and in some cases provides incentives to stay on welfare and not become self-supporting.

Now for the specific problems in the regulations. Both the February and May versions include a new requirement that eligibility for services be linked to the various states' resource test for assets. I know that this question was raised with Secretary Weinberger and I think it is important that you know the situation in my state.

In New York State (under the resource test for welfare assistance) an individual can have absolutely no bank accounts, either checking or savings, no insurance with a face value of more than $500, and no personal effects not essential to running the home or related to work.

This means that an individual cannot open a savings account, cannot join the payroll savings plan for U.S. bonds, and cannot even join a Christmas Club.

Let's think of what this means to a working woman who needs a job to support her family and can only work if her child is cared for in a subsidized center. She may work for a company that provides a life insurance policy of $1,000 or more as a standard benefit. What is she supposed to do? Quit her job and look for one that doesn't provide any benefits? If she is thrifty enough to save a few dollars or requires the convenience of a checking account to pay her rent and utility bills, should she be penalized by being deprived of child care facilities so that she can no longer work at all?

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While there have been some improvements in the sections dealing with child care in these regulations, there are still enough loopholes and oversights to warrant HEW's changing them, with time for public comment, before they become effective.

In addition to the resource test or liquid assets test, the regulations no longer require that in-home child care must meet standards recommended by the Child Welfare League and the National Council for Homemaker Services. No longer is there a requirement that the care must be suited to the individual child and the parent or guardian involved in the selection of the care. No longer is there any mention of the necessity of progress in developing varied child care sources so that there can be a choice for the parents. And significantly, although the new regulations say that facilities must meet standards as outlined by HEW, there is no direct mention of the federal interagency day care standards. These standards are clearly set forth in the report accompanying the OEO amendments in 1972 as Congressional intent.

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One of the most serious deficiencies in these new regulations is the question of program eligibility. The states are told that they must make available at least one of the services mentioned under the Adult Services Program. The

regulations thus place the states in a dilemma. In one situation the states, in an effort either to meet their spending ceiling or in an effort to reduce programs, may make only one of the listed services available to appropriate applicants. For example, a state may then specify that it will only offer protective services, but not health related services, or homemaker services, or transportation services, regardless of the specific need of the individual applicant. On the other hand, the State may allow all of the services that were previously mandated but because of the funding ceiling the agencies may be forced to compete with each other for dwindling funds. I am afraid that these regulations will lead many administrators to say, as King Solomon did, "Cut the living child in half, giving half to one and half to the other." The solution here is to provide sufficient funds to continue the services.

The program definitions also create problems that I would like to illustrate. In New York State we have a program called the Welfare Education Plan. This program has been funded since 1962 with Title IV–A money and in New York City is administered by the Board of Education. Under the new regulations this program would be shut down because it costs money. Yet it has an 11-year record of success. The program works with public assistance recipients over 18 who have less than an 8th grade equivalency education or have English language deficiencies. They are taught English, helped to get high school equivalency diplomas and placed in jobs, job training programs or in schools for more advanced work skills or education.

Some of those who have benefited from this program came by my office last week and explained how as of July 1st, 7,000 people will be shut out of a program that has success stories like these:

These are the words of Monserrate Velez, who came to New York from Puerto Rico in 1961. "A few years later," she told me, "I was in a wheelchair, a total invalid with two small children. I had no hope at all for my future."

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I know that last week Senator Mondale described a similar program in Minnesota. These are the programs that are filling the gaps between agencies and services, that provide people with the hope of dignity and self-help. We must not let them fall by the boards. I am also certain that as you continue these hearings and take the testimony of the governors and their representatives you will hear more stories like that of Monserrate Velez.

There is another point I would like to make in response to Secretary Weinberger's testimony of May 8. It has to do with the question of the $2.5 billion ceiling on federal spending for social services. Secretary Weinberger was quite clear in saying that if each state spent the full amount of the money it was eligible to spend, HEW would certainly authorize full reimbursement. Yet, at the same time, he indicated that under the new regulations the estimates for total spending are only $1.8 billion, $700 million below the ceiling authorized by Congress.

The CHAIRMAN. Next we will hear a panel of witnesses from the National Governors' Conference and the National Legislative Conference Panel.

The panel will include Lt. Gov. Rudy Perpich of Minnesota, accompanied by Mr. Ove Wagensteen, assistant commissioner of the Minnesota Department of Public Welfare; and Senator Kenneth Myers of Florida; Representative Richard Hodes of Florida, chairman of the senate and house health committee rehabilitative services committee, representing the Governor of that State; Dr. Roger Bost, director, Arkansas Department of Social and Rehabilitative Services representing Gov. Dale Bumpers; Mr. James Parkham, deputy director of the Georgia Department of Human Resources, representing Gov. Jimmy Carter; and also Commissioner Fred Friend, Tennessee Department of Public Welfare accompanied by Gary Sasse, director, department of Federal and urban affairs representing Gov. Winfield Dunn.

Senator MONDALE. I would like to particularly welcome our Lt. Gov. Rudy Perpich. Rudy is an old friend of mine and one of the ablest public servants in Minnesota.

It is an infamous Perpich family. He is the Lieutenant Governor and two of his brothers are also in the State senate. When they meet for breakfast, they pass a bill. It's a remarkable family and we are delighted to have them.

The CHAIRMAN. I am pleased to have the gentlemen here. We will be happy to hear your presentation, gentlemen.

STATEMENT OF HON. RUDY PERPICH, LIEUTENANT GOVERNOR OF THE STATE OF MINNESOTA, ACCOMPANIED BY OVE WAGGENSTEEN, ASSISTANT COMMISSIONER OF THE MINNESOTA DEPARTMENT OF PUBLIC WORKS

Mr. PERPICH. Mr. Chairman, members of the committee, I appear here this morning on behalf of the State of Minnesota, to lodge a strenuous protest against the new social services regulations issued by the Department of Health, Education, and Welfare on May 1, of this year.

It is my judgment that the following remarks will reflect the concern not only of the State of Minnesota, but also the concern of all States committed to providing their citizens with a high-quality level of social services.

I am certain that the testimony of the other States represented here this morning: Florida, Georgia, Tennessee, and Arkansas—will bear witness to that fact.

We admit that the new HEW regulations represent an improvement over the proposed regulations outlined earlier this year. But this is a rather meager consolation. The concessions made by Secretary Weinberger merely rescind the most obvious inequities of his earlier proposal. Many more and serious inequities remain. The fact is that these new relations pose a lethal threat to the orderly and effective delivery of social services.

Last October, the Congress imposed a ceiling of $2.5 billion on social services expenditures. Under that ceiling, Minnesota was entitled to about $46 million per year in social services funds. At best, this appropriation would have been sufficient to assure reasonable continuation of our social services programs.

To conform with the new situations Minnesota prepared itself to keep its social service planning and operation in line with the $46 million expectation.

But suddenly we find that because of the new HEW regulations, there is every likelihood that the use of appropriated Federal money to Minnesota will be limited to a mere $21 million in fiscal 1974.

This new figure represents a decrease of over 54 percent.

We believe that clear congressional intent under Public Law 92-512 allocated to Minnesota this $46 million. But now we discover that we are going to be short changed by nearly $25 million.

This money is being withheld simply because of these new regulations. Congress appropriated funds under the auspices of regulations in effect during 1972. But once this money was appropriated, HEW decided to change its rules in the middle of the game and

has told us that we can no longer spend money for purposes that were previously legitimate.

The present administration has devised many means of circumventing congressional policy when it comes to spending money on vital domestic programs. Now they have a new technique: reliance on regulations so restrictive that programs approved by Congress are placed in mortal danger.

The rash of impoundments present an open and obvious challenge to congressional authority.

But I submit that what we have here is a back-door approach, the effects of which are as damaging as impoundment and much more sinister.

If the Congress permits the administration, in this instance, to get away with issuing regulations so restrictive that it is impossible for States and localities to spend appropriated moneys, then I submit, the authority of Congress to decide national policy and set spending priorities has been seriously impaired.

And if the administration is permitted to get by with this kind of behavior now, a precedent will have been set which will be followed quickly with similar restrictive regulations in other areas of Federal-State cooperation.

We believe that the new social service regulations are a test case to determine just how far the executive can go in pursuing its policy of sidestepping the intent of the Congress.

The administration has now unveiled a new plan of operation. We can only hope that Congress accepts the challenge by forcing HEW to rescind its regulations in favor of the previous guidelines.

No one disputes the Department's right to establish reasonable procedures to insure that Federal moneys are spent wisely and efficiently; we do dispute their right to destroy many valuable and necessary programs by refusing to allow in 1973 what was intended by Congress in 1972.

The gentlemen representing Florida, Georgia, Arkansas, and Tennessee here this morning, will undoubtedly outline the specific effects of the new regulations on their respective social service programs.

Very briefly, I shall outline the impact of these new regulations on Minnesota's very substantial and thus far effective social services programs.

In the first place, the new and restrictive eligibility requirements for previous and potential public assistance recipients strike at the very heart of Minnesota's social service philosophy.

Minnesota does not have an unusually high public assistance caseload. In part this is because we have committed valuable resources to insure that those who have escaped the clutches of the welfare cycle can be free of it permanently.

We believe that it is better to spend a few dollars for needed purposes and programs before an individual falls into the welfare trap. Dollars spent at that point reduce the chances that we will have to spend many, many more dollars—sustaining the needs of an individual who ends up on welfare because there were no programs to help him or her make it on their own.

Our people do not like welfare. They are energetic and self-reliant. But economic, mental, and physical hardships are a fact of life in Minnesota, as elsewhere.

We have therefore done what is necessary to mitigate these forces to prevent them from destroying an individual's capacity to get and keep a job.

Thousands of people are a step away from welfare in Minnesota. They are trying desperately to keep their head above water before suffering the pain and sorrow that goes with accepting public assistance. For this reason, we are trying to follow a social policy designed to keep these people from going under. If they are a step away from the welfare rolls, we are going to try and insure that they don't have to take that final step.

Apparently, the HEW is oblivious to this kind of positive, preventive thinking.

The new regulations now make it virtually impossible to sustain programs delivering preventive social medicine. We will now be forced to wait until the social disease of poverty has ravaged the patient before administering the medicine. And by that time, the medicine can only keep the patient alive; it won't help him or her conquer the disease.

The new regulations threaten our entire preventive apparatus. We cannot any longer develop the programs that can keep our people off the welfare rolls.

Little or no Federal funds can be used for the direct treatment of alcoholism and drug abuse—a prime cause of joblessness.

Little or no funds from social services appropriations can be used for community based services to the mentally ill, or for treatment of emotional problems of young people through private treatment centers or specialized foster homes.

Minnesota has been a pioneer in the effort to provide community treatment centers for the emotionally and mentally disturbed. We learned long ago that the days of the large institution were numbered and that enlightened practice dictated that confining these unfortunate people to the institutional environment was both inhumane and counterproductive. Unfortunately, the HEW leadership hasn't yet heard about the new techniques.

We can no longer use Federal service funds for any kind of information and referral services unless they relate directly to employment; the same is true for legal services, and for medical, social, and psychiatric diagnostic services.

Most distressing of all, perhaps, is the news that we cannot use Federal funds to provide services to potential recipients unless they have used cash resources down to the public assistance level.

This restriction is a blow to our many senior citizens who live just beyond the public assistance level. And, in the same vein we can no longer use Federal funds to provide services to potential recipients unless it can be established that they will be on public assistance within 6 months.

Even the most hardened case worker or welfare administrator, except those in HEW, will tell you that this provision is too restrictive to head off the need for public assistance.

Minnesota understands the need for thorough watchdog procedures to insure that Federal social service money is spent to serve only those that require the services. As a matter of fact we are spending millions of dollars to modernize our entire welfare and social service quality control apparatus.

Yet, the new HEW rules imply that the States are virtually giving Federal social service money away on the streets to any and all comers.

This is nonsense. Our people pay a heavy tax burden. They also demand a high level of services for their tax dollars. The State of Minnesota has invested considerable money in developing social service programing, with the emphasis on preventative social medicine. In a matter of months we shall begin to complete a major change in our entire social and human service delivery service program.

Given these factors, we deeply resent the implications contained in the regulations that we have been wasting Federal money because of the scope of our programs.

Let me say finally, that Minnesota has taken considerable initiative in providing high quality social services.

In doing so we have spent many State dollars as well as Federal dollars. During the 1967–69 biennium, for example, Minnesota's general revenue budget was barely $1 billion per year. But for the 1973–75 biennium we will be spending nearly $3.5 billion, the lion's share of which will be going to finance education and social services.

By the same token, during the past decade the Federal Government has enacted five tax cuts exclusive of the regressive social security tax. But in Minnesota we have found it necessary to enact five tax increases during the past 10 years.

This represents vigorous State effort which is supposed to be a pillar of the "New Federalism" valued so highly by the President.

We find it curious that the administration ignores such State initiative and effort by refusing to honor more than half of the Federal financial commitment in the area of human and social services.

This is why, Mr. Chairman, we are asking the Congress to intervene in this matter as quickly as possible, before the Department of Health, Education, and Welfare dismantles in a few short months what has taken years to build.

State and local government are on the front line in the battle to keep our citizens off the public assistance rolls. It has taken us a long time to learn and understand the old saying: "A penny's worth of prevention is worth more than a dollar cure."

The HEW leadership does not seem to have learned this yet. Because if they had, they would realize that the previous guidelines fit the needs of social service programing far better than the lethal guidelines and regulations handed down to us on May 1, 1973.

Thank you very much.

The CHAIRMAN. Thank you very much. You did a magnificent job.

I will call on the Florida witness, Mr. Hodes.

STATEMENT OF HON. REPRESENTATIVE RICHARD HODES, CHAIRMAN OF THE SENATE AND HOUSE HEALTH AND REHABILITATIVE SERVICES COMMITTEE OF THE FLORIDA STATE LEGISLATURE, REPRESENTING THE STATE OF FLORIDA AND GOVERNOR REUBIN ASKEW

Mr. HODES. I am Representative Richard Hodes from Florida. Senator Myers will be here.

I am a member of the State Legislature in Florida and the Governor has asked me to appear. I am also a physician, and have appeared before this committee before.

As a member of a State legislature, I feel that the legislature I represent accepts the same goals and concepts that Congress had in the passage of both the Social Security Act and the Revenue Sharing Act. We must be certain as public officers that the funds available for social services through legislation be directed as nearly as possible toward what is the original and primary goal of social services funding—the reduction of welfare assistance rolls.

I am concerned that the Department of Health, Education, and Welfare, and perhaps Congress in their zeal to direct these funds toward the agreed goals of cutting welfare rolls, may now have excessively limited certain services that are in fact very effective in accomplishing decreases in welfare utilization.

The latest rules and regulations promulgated by the Department of Health, Education, and Welfare seem to consider only two of many effective avenues available. The two are rather obviously worthwhile. One is the provision of day care which permits AFDS mothers to be trained for and seek productive employment or to keep an employed single parent of dependent children from having to seek public assistance so she can stay home with her children. However, even this latter program is severely limited in the regulations by the assets and income level limitations.

The second recognized effort by the Department of Health, Education, and Welfare is that of family planning which brings to low income families the services necessary to help them limit the size of their families and reduce their potential for dependency. This program is also limited by the assets and income limitations.

Apparently unrecognized by the framers of the Health, Education, and Welfare rules and regulations, but nevertheless recognized by Congress in the Revenue Sharing Act, are services relating to alcoholism, drug abuse and mental retardation.

One of the areas of service made available to low income families in the Revenue Sharing Act is drug abuse treatment. The drug abuser with appropriate treatment can be rehabilitated if given an adequate opportunity for treatment. The untreated drug abuser with minimal education and a low income background is a prime candidate for welfare dependency. These services should be restored in the rules and regulations as contemplated in the act. Specifically, the elimination of medical services as an integral part of diagnosis and evaluation severely limits this program.

The Revenue Sharing Act itself ignores or tended to ignore two major disabilities that encourage dependency and can be handled successfully with adequate community based remediation services.

Deficiencies in mental health in the low income family, if dealt with in the earliest stages at the community level, offer significant prognosis for success and potential for eliminating the need for public assistance. Low income families whose members are victimized by psychiatric disease will become welfare dependent unless early treatment is instituted. This is particularly true if the victim is the family wage earner.

The rehabilitation of the low-income youthful offender has been one of the most seriously impaired programs by the health, education, and welfare interpretation of the Revenue Sharing Act.

The juvenile from a low-income family who is unnecessarily institutionalized because of deficient community counseling and supervision

and unavailability of specialized work training programs is a prime causative factor for an expanding welfare roll and the law enforcement crisis. As we each know, the middle and upper income youth is rarely declared "delinquent" and placed in a State juvenile facility because his parents can afford to provide him counseling and special schooling if necessary.

Community juvenile programs must be sophisticated enough to include a combination of counseling, foster care, education, and drug abuse treatment. This group of individuals is an absolute source of welfare recipients. Failure to recognize the importance of community juvenile rehabilitation and counseling programs results in a repeated pattern of offenses or antisocial behavior that creates individuals destined for future dependency.

Senator MONDALE. May I interrupt.

You offer jobs for these kids.

Mr. HODES. Senator, we offer our young people when they have proven that they have the training and they can make the social adjustment necessary and completed education get them into a job-training program.

Senator MONDALE. I am talking about jobs, not job training.

Mr. HODES. The difficulty with jobs is maintaining the inventory of available placement. We have tried to utilize the public service employment as the employer of last resort. We have made some attempts in this area, so far unfortunately because of other funding problems there have been——

Senator MONDALE. In my opinion the best thing to do for a teenager to keep him out of trouble is to give him work. That is mostly what they want to do.

That is the one thing we rarely ever have for them.

Mr. HODES. We get them in specific vocational——

Senator MONDALE. Give them training?

Mr. HODES. With specific training I think you can find jobs for them but if we give them some general program, specific vocational education, it helps a great deal.

Your staff and constituents have mentioned the adverse effect these regulations have had on day care legal services, family planning retardation, work training, drug abuse, and alcoholic programs. Florida is also concerned about mental health and potential juvenile delinquents. Each State has its own particular set of problems and priorities and there should be sufficient flexibility in the law and regulations to allow States to program social service funds in accord with the particular needs of its citizens.

You have heard testimony to the effect that whatever services have been eliminated by the regulations can be provided under some other Federal act presently in effect or to be proposed. As a physician and State legislator, I am personally familiar with the vocational rehabilitation, mental health, retardation, alcoholic and drug abuse programs funded with Federal and State funds. Most of these services are inherently middle class welfare programs.

As a member of the legislative appropriations committee, I can tell you that the importance of flexible Social Security Act service funding is that it "forces" us to provide a minimum level service program to low-income citizens who do not have the voice in government necessary to provide them needed services. At the same time,

these services are cost effective in that they are signed to promote self-sufficiency and avoid welfare dependency. I might add that for the first time in Florida's history, the welfare rolls have declined over the last year.

Until recently, social service funding has been flexible enough to allow each State to develop its program in accord with its own needs and priorities. This flexibility is even more justifiable when Congress has imposed a ceiling on the funding available for each State.

You have heard from the Department of Health, Education, and Welfare that States have acted irresponsibly in expending social service funds. Unfortunately, I'm afraid that the charge of irresponsibility may, in part, be based upon the personal experience of many of the present HEW officials who were previously in charge of various social service programs in other States.

In Florida's case, we developed a detailed program budgeted plan for the entire State which was approved by HEW. We emphasized programs for alcoholics, drug abusers, aged, retarded, mentally ill, blind, and juvenile delinquents. Our standard for potential was 133⅓ percent of the lower living standard for the representative Florida metropolitan area as determined by the Department of Labor, Bureau of Labor Statistics. We justified the level based upon a detailed analysis of the costs of services showing that the costs were such that a person would be forced into depending on State aid. Attached is our analysis under attachment A.

The Bureau of Labor Statistics standard enabled us to avoid the problems caused by asset limitations and income disregard requirements. At the same time, it focused our programs on the poor and facilitated a simplified eligibility determination. We would recommend that HEW consider a similar basis for defining "potential."

I would also like to point out that we provide HEW with a projection of the impact of our social service programs. In the case of services to delinquent children, we projected that the utilization of social services funds, combined with increased State funds would result in a decrease in the number of children institutionalized and increase substantially the number of children provided services in the community.

In attachment B, you will see our original projection made in 1971 compared with our performance since that date.

Finally Mr. Chairman, I would like to bring to your attention something that concerns me very much. Last Wednesday, following Mr. Weinberger's Tuesday testimony before your committee, the HEW regional office held a briefing on the new regulations for all southeastern States. It has been reported by Florida staff people who attended both your hearing and the regional briefing, that there exists some serious inconsistencies in what HEW is saying to you and what they are saying to the States. Hopefully, these inconsistencies are unintentional.

To be specific, last Tuesday, Mr. Weinberger said that there was no attempt to restrict the potential category. At the regional briefing States were emphatically told that the potential category was severely restricted and that practically all emphasis would be on the actual welfare recipient.

More importantly, particularly to me as a State legislator, is the interpretation of the "maintenance of effort" requirement. In response to a question from Senator Roth last Tuesday, HEW stated that

maintenance of effort would be determined from the "overall expenditure level of the agency", "not by specific program." In Wednesday's meeting, the States were told that Washington HEW had instructed that maintenance of effort would be determined by each separate program. In a State with a detailed program budget, such a requirement would severely limit program flexibility and continuity.

In conclusion, let me again express my concern that we in government have responsibility to attack the growing problem of welfare dependency. I strongly recommend that if HEW does not revise the regulations to allow more State flexibility that you develop the legislation necessary to insure that innovative social service programs can be developed in accord with the needs of each State.

[Attachments to Mr. Hode's statement follow:]

ATTACHMENT A

STATE OF FLORIDA, DEPARTMENT OF HEALTH AND REHABILITATIVE SERVICES, DIVISION OF FAMILY SERVICES

PROPOSED INCOME STANDARD FOR TITLE IV-A SERVICES TO SEVERELY DISABLED CLIENT GROUPS

Children and families with problems of alcoholism, drug abuse, retardation or emotional disabilities require substantial financial resources to remain independent of public assistance. The nature of these disabilities requires expensive treatment and care which can rapidly deplete a family's resources to the point where they require public financial aid.

In recognition of the high cost of providing social services and treatment for severe disabilities, the Department of Health and Rehabilitative Services proposes that the Title IV-A eligibility income criteria for such service be based upon the representative Florida metropolitan area low living standard costs plus 33⅓% as determined by the U.S. Department of Labor, Bureau of Labor Statistics.

The following tables indicate the financial burden placed upon a family with one of the above disabilities and on income not exceeding the above standard.

AVERAGE PER-PATIENT COST OF SERVICES REQUIRED FOR THE RETARDED

Service	Cost per unit per day	Monthly cost	Percent of monthly income [1]
Residential care	$14.52	$435.60	60
Nonresidential costs above normal expenses: [2]			
Day care	6.85	205.50	28
Domestic help [3]	10.96	328.80	45
Extra medical [4]	1.37	41.10	6
Saving to provide for estate	7.95	238.50	33
Dental care	.41	12.30	2
Respite/summer camp	.33	9.90	1
Travel and transportation	1.37	41.10	6

AVERAGE PER-PATIENT COST OF SERVICES TO CHILDREN WITH BEHAVIORAL DISABILITIES

Small group treatment homes	$25.00	$750.00	103
Halfway house and start centers	15.00	450.00	62
Intensive training centers and forestry camps	24.00	720.00	98
Intensive counseling services	2.00	60.00	8

AVERAGE PER PATIENT COST FOR DRUG ABUSE TREATMENT

Intensive treatment (residential)	$12.00	$360.00	50
Intensive treatment (day care or outpatient)	8.00	240.00	33
Treatment plan with support services	40.00	160.00	22

See footnotes at end of table, p. 190.

AVERAGE PER PATIENT COST FOR PRIVATE MENTAL HEALTH TREATMENT

Service	Cost per unit per day	Monthly cost	Percent of monthly income [1]
Residential treatment	$80.00	$2,400.00	32[2]
Outpatient psychiatric treatment	[4] 7.00	210.00	29

[1] Family of 4 earning $8,747 annually.
[2] In addition to costs listed, family units containing a retarded individual usually have higher insurance premiums, cosmetic operations, parental counseling, etc.
[3] Mothers of retarded children usually must work because of extra expenses involved and the need to get away from 24-hour supervision.
[4] This does not include visual, auditory, or physical appliances.
[5] Based on a 1-hour visit per week.

INCOME LEVELS FOR DETERMINING ELIGIBILITY FOR SERVICES UNDER TITLE IV-A

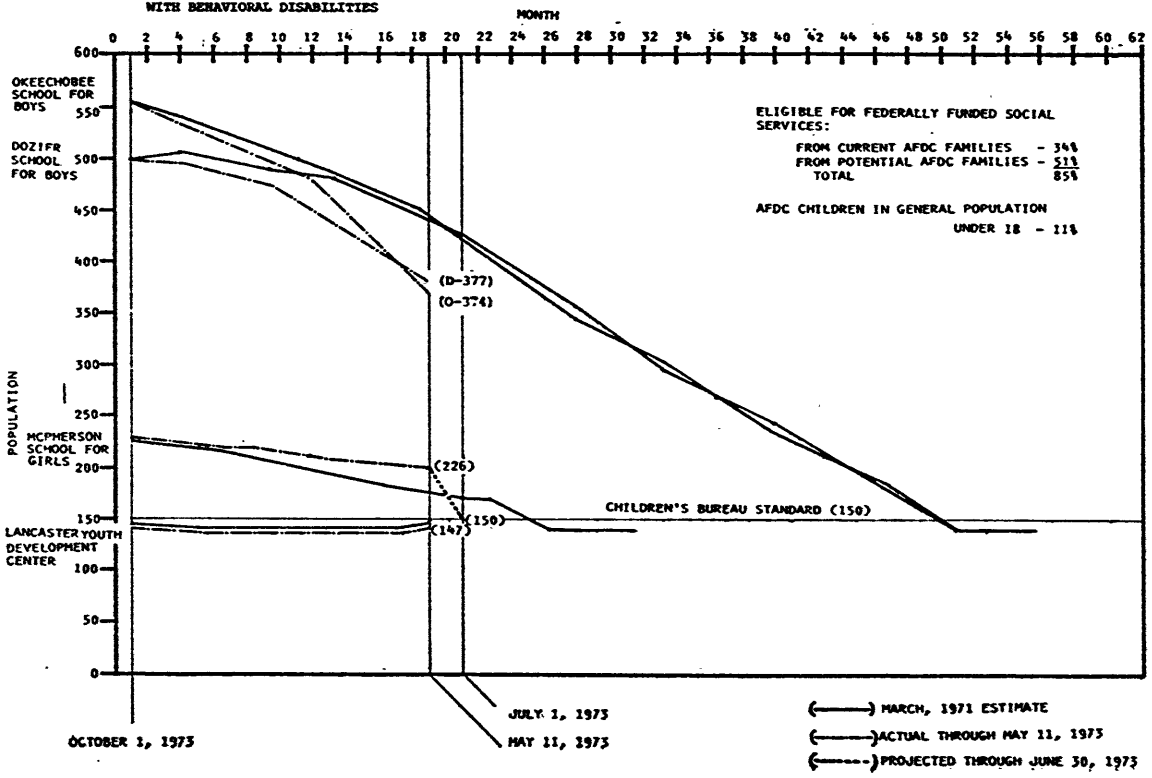
	Column 1 [1]	Column 2 [2]	Column 3 [3]
Family size:			
1	$1,322	$1,983	$4,328
2	1,721	2,581	5,635
3	2,315	3,472	7,580
4	2,671	4,007	8,747

[1] Division of Family Services income standards.
[2] Division of Family Services income standards plus 50 percent.
[3] Representative Florida metropolitan area annual low living standard costs plus 33⅓ percent as determined by U.S. Department of Labor, Bureau of Labor Statistics "Guide to Living Costs"—spring, 1970.

DEPARTMENT OF HEALTH & REHABILITATIVE SERVICES

COMPREHENSIVE SERVICES TO CHILDREN
WITH BEHAVIORAL DISABILITIES

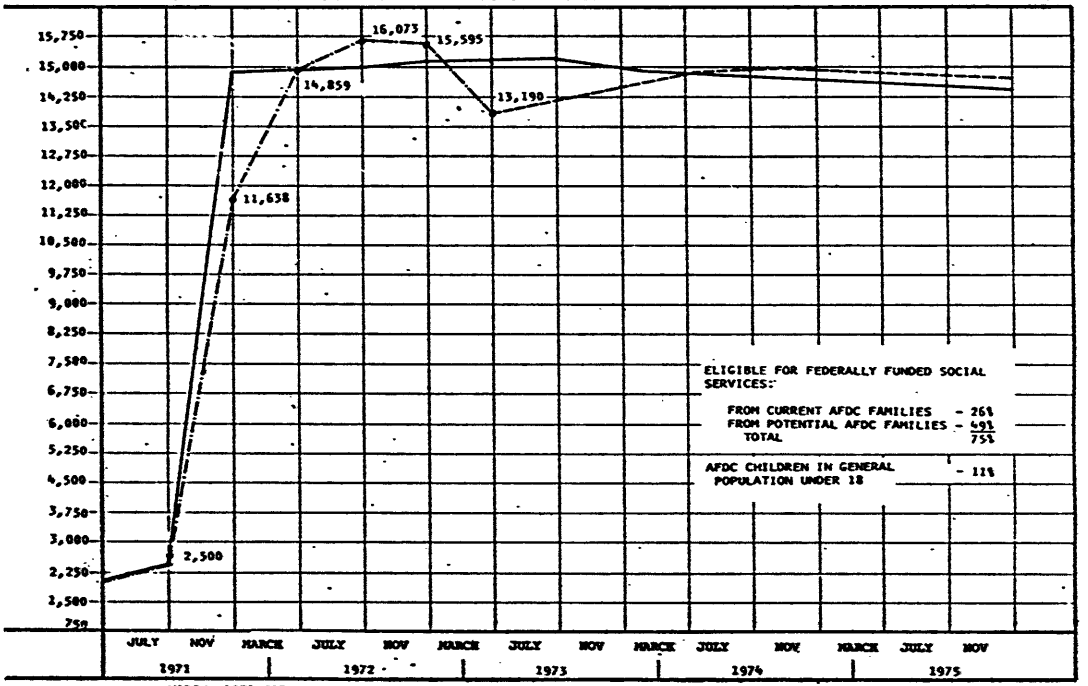
REDUCTION OF NEEDED BED SPACE BY MONTH
AT INTENSIVE TREATMENT FACILITIES



DEPARTMENT OF HEALTH & REHABILITATIVE SERVICES

COMPREHENSIVE SERVICES TO CHILDREN WITH BEHAVIORAL DISABILITIES

PHASE-IN OF INTENSIVE COUNSELING COMMUNITY SERVICES



The CHAIRMAN. Dr. Roger Bost, is he here?
Dr. BOST. Yes, sir.

STATEMENT OF DR. ROGER BOST, DIRECTOR, ARKANSAS DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES COMMITTEE, REPRESENTING GOV. DALE BUMPERS

Mr. BOST. Mr. Chairman, members of the committee, I am director of the Department of Social Rehabilitative Services in Arkansas. I am a pediatrician and I have practiced and taught pediatrics for 20 years.

I am here on behalf of the people of our State and representing our Governor, Gov. Dale Bumpers, to voice our serious concern for the punitive and counterproductive effects that we see down the pike as far as social services are concerned as provided in the legislation and regulations.

Arkansas' allotment under the $22½ billion ceiling established by Congress for social services is $23.7 million. Our estimates at this time indicate that the new regulations will restrict us to less than half of this amount.

This is due primarily to the requirement that 90 percent of the States expenditures of Federal funds for social services must go to services to current welfare recipients.

Theoretically, there are five exemptions to this requirement. However, if you analyze these exemptions as provided in the regulations, you will see that they are not exemptions at all because the restrictions even in the exempted categories very effectively will prevent us from even being able to provide services as intended by the Congress.

Even in the category of mental retardation, the definition of mental retardation is so narrow and the means test of assets test that the parents have to take will prevent many of these families who would otherwise be eligible, from being served.

The 90 percent requirement applying to all of the other unexempted categories of service, for example, mental health services, service to youthful offenders and to the aged and physically handicapped, and so forth will limit Federal support in our State to 8 percent of our population.

That is those on public assistance, to imply, as has Secretary Weinberger, that these are the only people that need and that the remaining 92 percent can afford to pay for these services, is manifestly wrong and most assuredly indicates to us the lack of awareness on the part of the national administration of the problems that communities and States face every day.

The goals of self-sufficiency and self-support are worthy and appropriate.

However, the regulations and interpretations being placed on these regulations by the regional offices of the Department of HEW indicate to us that actually there is only one goal that is going to be used and that is the self-support one.

Also, targeting 90 percent of the Federal expenditures to those presently on public assistance largely ignores the critical importance

and the potential in preventing public dependency in aiding States and communities in providing alternatives to institutionalization which in reality is a form of public dependency.

Such programs particularly for the elderly and disabled and the juvenile offender have high human cost benefits but they are precluded by the new regulations which deal entirely with those on public assistance.

The new regulations also largely deny services support for services within institutions to help individuals of marginal eligibility to return to their homes and communities.

Also largely lacking is support for the continuing services required to maintain the independent status of many who have been brought off welfare or out of institutions.

When they move off welfare they are no longer eligible for services.

If the aim of the Federal Government is to decrease the incidence of dependency in this country, then it should provide assistance to State and community programs which are designed not only to cure the problem in those who have it but prevent its development in those must susceptible to it.

The new regulations with a few categorical exceptions will largely nullify the preventive approach despite the fact this undoubtedly has the greatest potential.

The compelling needs, and unfortunately, whether they be physically or mentally handicapped, deprived or just poor, are appreciated first and foremost, by the afflicted individuals and their families, yet because these individuals cannot be hidden away, nor can their problems be eradicated, society ultimately suffers and pays a price if their needs go unmet.

In rural States, such as Arkansas, the unfortunate effect of the new legislation and the regulations will be that too many families will be unable to pay for long-term private attention and too few will be lucky enough to live in areas where community sponsored services are available at costs they can afford.

The family is initially basically responsible, but in due time society is held accountable and shares not only in the benefit from proper care at a proper time but contrariwise in the ill effects of the cost of neglect.

Thus, serving the unfortunate is not only a private family responsibility, it is a continuing community problem and a public obligation.

The obligation of the public does not cease at the level of public dependency or welfare, the costs and the extended duration of the needs are often as impossible for middle- and low-middle-income families to afford as for those on welfare.

The responsibility of the public is no greater for the mentally retarded than for the mentally ill, the aged, juvenile delinquent, or drug abuser, nor is there justification for limiting public support to child day care services to enable day care relevant to work or training and to declare ineligible those children whose only qualification is that they are victims of deprivation and whose needs for enrichment are critical and essential to their normal development.

Under present legislation and regulations the needs of those in the unexempted categories above the welfare level will not be met by the private sector. Only through partial support by public funds combined

with a sliding fee scale above welfare for all the major types of service and categories of need can equitable and comprehensive benefits be achieved.

Is partial public dependency for services to families above the welfare level limited to the exempted services of day care and family planning, and to the exempted categories of mental retardation, alcoholism, drug addiction, and the foster child? Surely if there are categories of need among public assistance recipients, as recognized by the social service amendments, and if there are needs for delinquent assistance above the welfare level as provided by the exemption, then surely the same needs exist and the same public responsibilities apply among families above welfare with equally serious problems in the unexempted categories.

There is no reason for the exemptions.

The long mental illness or presence of severely handicapped member eventually creates a form of dependency in most families of less than average income.

In Public Law 92–512, the Congress allocated $2½ billion to the States for support of social services. With this, within this ceiling or even a lower one, if that is the desire of Congress, the States should be given the ability to utilize the fund allocated.

New legislation should be enacted and regulations promulgated to eliminate the exemptions and provide broad definition to those to be served in the allowable services and to provide the Federal matching of services not only to public assistance recipients, but to those above the level of welfare incomes, and particularly taking into account appropriate earned income exemptions which the present regulations do not provide for.

Arkansas' inability to utilize its allotted share of the $2½ billion provided by the Congress is not because we lack the local matching; it is because we cannot possibly generate the services to justify the use of the funds that Congress has allotted because of the restrictions.

Thank you very much.

[Mr. Bost's prepared statement follows:]

PREPARED STATEMENT OF ROGER B. BOST, M.D., DIRECTOR, DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, ARKANSAS

Social Services Regulations released April 26 by Secretary of H.E.W., Caspar Weinberger, are less restrictive than the earlier version, but significantly tighter than those now in effect.

Arkansas' allotment under the $2.5 billion ceiling established by the Congress for Social Services is $23.7 million. Preliminary estimates indicate that the new regulations for Social Services will restrict our optimum utilization to no more than half that amount. This is due primarily to the requirement that 90% of a state's expenditures of federal funds for social services must go for services to current welfare recipients (except for the five "exempted" categories of M.R., day care, family planning, foster care and alcoholism-drug addiction). Even in the exempted categories, the tight restrictions on foster care, alcoholism and drug addiction will very effectively prohibit significant support to these critically needed services in Arkansas. In particular, Section 221.9(b), (8) is in conflict with P.L. 92-512, the Revenue Sharing Act, which specifically provides for "services to a child who is under foster care in a foster family home or in a child care institution" as an exempted category. The Regulations omit services to a child in a foster home or foster care institution.

The 90% requirement applying to all other unexempted categories of service (e.g. Mental Health Services, services to youthful offenders and juvenile delinquents, to the aged, physically handicapped, etc., etc.) will limit federal support to services to 8% of this state's total population, i.e. those on public assistance. To imply, as has Secretary Weinberger, that these are the only people in real need, and that the remaining 92% "can afford to pay for them" is manifestly wrong and most assuredly demonstrates the National Administration's lack of awareness of the critical needs which states and local communities face each day.

The goals of "self-sufficiency and self-support" are worthy and appropriate; however, targeting 90% of federal expenditures to those presently *on* public assistance largely ignores the critical importance of and potential in *preventing* public dependency, and aiding states and communities in providing alternatives to institutionalization, a form of public dependency (e.g., nursing home and mental hospital care; juvenile training school commitment; etc.). Such programs, particularly for the elderly and disabled with marginal incomes, have high human and cost benefits, but are precluded by the new Regulations which deal only with those eligible for public assistance.

The new Regulations also largely deny support for services within institutions to help individuals of marginal eligibility to return to their homes and communities. Also largely lacking is support for the continuing services required to maintain the independent status of many who have been brought off welfare assistance or out of institutions.

If the aim of the federal government is to decrease the incidence of dependency in this country, then it should provide assistance to state and community programs which are designed not only to *cure* the problem in those who have it, but also to *prevent* its development in those most susceptible to it. The new Regulations, with a few categorical exceptions, will largely nullify the preventive approach, despite its greater potential for effectiveness.

The compelling needs of the unfortunate, whether they be physically or mentally handicapped, deprived, or just poor, are appreciated first and foremost by the afflicted individuals and their families. Yet, because these individuals cannot be hidden away, nor their problems eradicated, society ultimately suffers and pays a price if their needs go unmet. In a rural state such as Arkansas, the unfortunate effect of the new Legislation and Regulations will be that too many families will be unable to pay for long term private attention, and too few will be lucky enough to live in areas where community sponsored services are available at costs they can afford.

The family is initially and basically responsible, but in due time society is held accountable and shares not only in the benefits from proper care at the proper time, but, contrariwise, in the ill-effects and the costs of neglect. Thus, serving the unfortunate is not only a private, family responsibility, it is a continuing community problem and a public obligation.

The obligation of the public does not cease at the level of public dependency or welfare. The costs and the extended duration of the needs are often as impossible for middle and low-middle income families to afford as for those on welfare.

The responsibility of the public is no greater for the mentally retarded than for the mentally ill, the aged, the juvenile delinquent or the drug abuser; nor is there justification for limiting public support to child day care services to enable caretaker relatives to work or train, and to declare ineligible those children whose only qualification is that they are victims of deprivation and whose needs for enrichment are critical and essential to their normal development.

Under present Legislation and Regulations, the needs of those in the unexempted categories above the welfare level will not be met by the private sector. Only through partial support of public funds combined with sliding scale fees above welfare for *all* the major types of service and categories of need will equitable and comprehensive benefits be achieved.

Is partial public dependency for services of families above the welfare level limited to the exempted services of day care and family planning, and to the exempted categories of mental retardation, alcoholism, drug addiction and the foster child? If there are other categories of need among public assistance recipients as recognized by the Social Services Amendments and, if there are needs for declining assistance above the level of welfare, as provided by the exemptions, then surely the same needs exist and the same public responsibilities apply among families above welfare with equally serious problems in the unexempted categories. Prolonged mental illness or the presence of a severely handicapped member eventually creates a form of public dependency in most families of less than average income.

In P.L. 92-512, the Congress allocated $2.5 billion to the states for support of social services. Within this ceiling, or even a lower one if that is the desire of Congress, the states should be given the ability to utilize the funds allotted. New legislation should be enacted and Regulations promulgated to: (1) Eliminate all exemptions, (2) Provide broad definitions of those to be served and allowable services, (3) Provide 75% federal matching for services to public assistance recipients and to those with family incomes up to 150 percent of a state's welfare payment standard, with sliding fees for families whose incomes are between 150 and 233⅓ percent of the state's welfare payment standard.

These legislative and administrative actions would vest in the states the discretion to identify human service needs and to establish programs designed to meet those needs. As President Nixon said in his message to the Congress on March 1:

"Rather than stifling initiative by trying to direct everything from Washington, Federal efforts should encourage State and local governments to make those decisions and supply those services for which their closeness to the people best qualifies them. In addition, the Federal Government should seek means of encouraging the private sector to address social problems, thereby utilizing the market mechanism to marshal resources behind clearly stated national objectives."

The CHAIRMAN. Did I understand that Mr. James Parkham is not here, but his testimony will be presented by Mr. Herschel Saucier?

Mr. SAUCIER. Yes, sir.

STATEMENT OF HERSCHEL SAUCIER, GEORGIA DEPARTMENT OF HUMAN RESOURCES FOR GOV. JIMMY CARTER

Mr. SAUCIER. Mr. Chairman, I am Herschel Saucier. I am director of the social service programs of the Department of Human Resources.

I would like also to express the regrets of Governor Carter who had very much wanted to be here, himself.

He has a special interest in this subject matter, as you know, but he made commitments to be out of the country during this time.

The CHAIRMAN. What is your capacity?

Mr. SAUCIER. I am director of the social service program for the Department of Human Resources.

The CHAIRMAN. I think most members of the committee are well aware of Gov. Jimmy Carter's very strong interest in the program.

Mr. SAUCIER. Mr. Chairman, the social service regulations on first reading appear to give considerable relief from the proposed regulations, but after careful study, and after briefings we have had from regional HEW staff, after they were briefed by the central staff, it's obvious that very little relief is given to the very restrictive regulations, or proposed regulations, that received such a nationwide criticism and concern.

Georgia has not had time to fully analyze the impact of these regulations on our social service program, but it appears that under these regulations we will not be able to serve some of the following people:

We have identified at least 1,833 children of welfare, most who are currently in day care programs, that we will not be able to continue serving, because these are mothers who are not working or in training.

These are mothers who don't have work potential promise for holding a job, yet these mothers aren't able to meet the basic needs of their children; and without the kind of developmental services that can be provided in day care, we are dooming these children to continuing the welfare assignment.

For example, we can't serve the 5½-year-old boy in Alma, Ga., that is in one of the day-care programs. This little boy was found living with his grandmother and a sister, a 14-year-old sister who had an infant child, without any care, being severely neglected.

When he was first placed in the day-care center, the first time he went out to play he ran away like a wild rabbit. The outreach worker went and got him and gave some special help to the day-care staff and kept him in the program for days.

I visited this program several weeks—about 6 weeks later, and it was hard to tell the difference in this youngster from other children who had been less deprived. This young boy will have a chance to make it in public school now and he would not have had any chance at all of conforming to the first grade requirement.

Two children ages 6 and 8 whose father neglects them and abuses them and their mother regularly when he gets drunk on weekends, we cannot serve. We can't provide protective services for these children or any necessary supervision that we feel are necessary that the court may order to improve the care given these children, regardless of the financial status of this family.

Since in Georgia we do not have a program of providing financial assistance to unemployed fathers, this family won't be eligible for protective service.

Should the court decide that these children need to be removed from the home for their protection?

We can't provide foster care services under the new regulations. Even if the father weren't employed we cannot assist in trying to provide protective services to these children.

Foster care under the new regulation cannot be provided to any kept AFDC children. This was made emphatically clear by the regional staff of HEW.

Another woman and her son we can't help, is this woman 83 years of age, living in Athens, Ga., who receives a small social service income and lives with her son, 66, and disabled. She receives social security benefits that makes enough to make her ineligible for old age assistance.

The son receives some annuity which makes him ineligible for him to receive welfare assistance.

Presently we are providing homemaker home health service to this elderly and disabled couple, on the basis of 3 hours a day, 5 days a week, at a cost of $219.60 a month.

Without these services, these two people will have no alternative except to go to a nursing home which at a minimum cost will cost the taxpayers $630 a month plus about $200 from the family's own limited resources, to take care of their needs.

Under these regulations we can't provide these services that are keeping these elderly and disabled individuals out of expensive nursing home care.

I would like to comment on some of the regulations that haven't been mentioned here yet in regard to potential recipients.

The income standard has been alluded to and I would like to talk about it in a little more detail. The income or payment standards as described in the regulations provide a very complex and inequitable

income standard for determining who can be served in the several States as potential recipients.

The regulations concerning eligibility, a potential recipient's real eligibility for a family of four ranging from $1,746 in Alabama and $1,944 in Louisiana to $6,498 in Michigan, and $7,200 in Alaska.

The income eligibility requirements are not related in any sort of poverty standard that can be considered consistently applied throughout the country.

As an example of the inequity in those individuals eligible for social services through the use of Federal funds, a family of four in Louisiana, earning $2,000 will not be eligible when in Mississippi, a State with a lower average family income and a lower financial assistance payment plan, a family earning no more than $4,986 will be eligible for social service, ability in inequity on the face of it.

The payment standard as stated in the regulations is clearly discriminatory and in our judgment is unconstitutional.

The Department of Health, Education, and Welfare should develop an economic standard for the Nation as a whole rather than a hodgepodge of discriminatory methods that is provided for in these new regulations.

Furthermore, the eligibility procedures will be costly and time consuming. The process of determining eligibility for families and children for services as potential recipients under the new regulations is almost as expensive as it will take about as much manpower per case as determining eligibility for financial assistance in AFDC families.

Georgia is now having difficulty completing eligibility determinations for AFDC applications within the 30-day time frame.

This applicability process for services will be almost as time consuming and complex as that.

Furthermore, our social service staff are complaining we are making clerks out of them. They would much rather be out providing service to people in need of services.

The national income standard for families in all States must need, to be able to be eligible for social services as potential recipients providing this State can accept the statement of the individuals concerning income should be sufficient to determine eligibility for services with frequent auditing or monitoring of these States.

Following the procedures currently outlined by HEW will require a great share of the manpower now available for social services and will take away scarce resources that could be used for providing very much needed social services.

I would like to comment on the provisions for services to the mentally etarded. The regulations, on the face of them, have you believe that we are going to continue full services to mentally retarded children as the section concerning this grandfathers in all services to mentally retarded that are being served on June 30 through December 30 of this year.

There is every indication on January 1, 1974, the current regulations for social services will also be applied to the mentally retarded.

In fact, HEW has already made it clear to us that those mentally retarded individuals needing services, requesting services on July 1 or July 2 or at any time after June 30, will have to meet these very

limited eligibility requirements. This means those retarded youngsters who are not yet being served will have little opportunity to be served.

In summary, I would like to urge that HEW work toward a more equitable means of determining eligibility for services.

They also indicated legal services are an added service, yet they limit the legal services to only work related programs and Georgia has had very little experience or need for this kind of legal service.

We provide services that will help them handle financial matters, housing problems, consumer problems and domestic problems.

I would like to request the privilege of having a statement prepared by the State of Pennsylvania, concerning legal services entered into the record, if I may, Mr. Chairman.

The CHAIRMAN. Without objection.

(Mr. Saucier's prepared statement and the Pennsylvania paper referred to follows:)

COMMENTARY ON THE NEW SOCIAL SERVICE REGULATIONS FOR THE ADMINISTRATION OF SOCIAL SERVICE PROGRAMS UNDER TITLES IV-A AND XVI OF THE SOCIAL SECURITY ACT AND THEIR IMPACT ON THE PEOPLE OF GEORGIA

The Social Service Regulations, as published on May 1, upon first reading, appear to give considerable relief for some of the provisions in the proposed federal regulations that provoked such nationwide concern and criticism. Upon careful reading and after receiving interpretation from the Regional HEW staff following their briefing on the application of these regulations, we find that very little relief to states is provided by the final regulations.

Georgia has not had time to analyze in depth the impact of these regulations, but at this time it appears that under these regulations we will not be able to serve the following:

1. 1,833 children of welfare mothers who are in day care centers at the present time. These children are being served now because their mothers or caretakers are not competent to meet their developmental needs. The group learning experience in day care, we believe, can do much to break the "welfare cycle." Under the new regulations we can send into the home a child development worker or a homemaker to help the mother learn how to provide better for the children and to meet their developmental needs. We cannot, however, place these same children in a group day care center because the mother is not incapacitated according to Georgia's AFDC requirements.

We cannot provide day care for a child like the little 5½ year old boy in Alma, Georgia, who receives AFDC and who lives with his grandmother and 14 year old sister who has an infant daughter. When he was first brought to the day care center, he was described by the community worker as being much like a wild rabbit. In fact, the first day when he went out to play he ran away. After a period of weeks in the day care center this youngster had learned to adjust to the day care environment almost as well as the other children. Without this kind of care, this child would never have made it in public school.

2. Two children, ages 6 and 8, whose father neglects them and abuses them and their mother regularly when he gets drunk on week-ends. We cannot provide protective services and supervision to improve the care given these children even though his annual income is only $2,400 per year. If placement is needed to protect the children, we cannot use social service funds to provide placement services and supervision of the placement because foster care services are not related to self support. Even if the father weren't employed, we could not provide services since Georgia does not have financial assistance for unemployed fathers.

Foster care cannot be provided to any children, regardless of financial status, if they are not recipients of financial assistance.

3. A woman, age 83, who receives a small Social Security income and lives with her son, age 66, who is disabled and receives just enough benefits so that he and his mother are not eligible for Old Age Assistance. With homemaker/home health aide service three hours daily, five days per week, we have been able to maintain this woman and her son in the home at a cost of $219.60 per month. Without this service, both these individuals will have to go to a nursing home at a combined cost to the taxpayer of $630 per month plus about $200 additional from their own

resources. Under the new regulations, we cannot provide homemaker/home health service to these elderly and disabled persons.

REGULATIONS CONCERNING ELIGIBILITY OF PERSONS THAT CAN BE SERVED AS POTENTIAL RECIPIENTS

The eligibility requirements as provided under Section 221.6(c) (3) provide for a very complex and inequitable income standard for determining who can be served in the several states. The regulations concerning eligibility as potential recipients results in an income eligibility for a family of four ranging from $1,746 in Alabama and $1,044 in Louisiana to $6,498 in Michigan and $7,200 in Alaska The income eligibility requirements are not related to any sort of poverty standard that can be consistently applied throughout the country. As an example of the inequity in those individuals who are eligible for social services through the use of federal funds, a family of four in Louisiana earning $2,000 would not be eligible when in Mississippi, a state with a lower average family income and smaller financial assistance payments, a family earning no more than $4,986 will be eligible for social services.

The payment standard, as stated in the regulations, is clearly discriminatory. and, in our judgment, unconstitutional. The Department of Health, Education and Welfare should develop an economic standard for the nation as a whole rather than the hodge-podge discriminatory method that is provided for in the new regulations.

Eligibility Costly and Time Consuming

The process of determining eligibility of families and children for services as potential recipients under the new regulations is almost as expensive and will take about as much manpower per case as determining eligibility for family assistance through the AFDC program. Georgia is now having difficulty completing the eligibility determinations in AFDC applications within 30 days already, and this eligibility process for services will be almost as time consuming. Furthermore, our social service staff are complaining that we are making clerks out of them when they are interested in providing services to people.

Georgia strongly recommends that HEW develop a national income standard that families in all states must meet in order to be eligible for social services as potential recipients. Providing that states can accept the statement of the individuals concerning income should be sufficient to determine eligibility for services. Following the procedures currently outlined by HEW will require a great share of the manpower now available for social services and will take away scarce resources that could be used for providing needed services.

Services to Mentally Retarded

We are pleased that Section 221.6 grandfathers in all services to mentally retarded to those being served on June 30, 1973, through December 31, 1973. There is every indication that on January 1, 1974, the current regulations for social services will also be applied to the mentally retarded. HEW has already made it clear to the states that those mentally retarded individuals needing services on or after July 1, must meet the new regulations as all other service programs must do. This means that those mentally retarded needing and requesting services on and after July 1, will be treated quite differently from those who are being served prior to that time.

For example, Jim and Mary Brown have two children—one of which is retarded. Jim's salary is $8,000 which makes him eligible under current regulations for MR services through December 31. The retarded daughter can continue to receive free service in a day care and training center for retarded through December 31 of this year. His neighbor three houses down the street who decides to enroll his mentally retarded son in the same center on July 2, must pay the full cost of care, $2,500 per year, even though his salary is $1,000 less than Jim's. In fact, under the proposed regulations, if Jim's neighbor earns as little as $5,000 per year he would have to pay the full cost of care for his mentally retarded son.

Secretary Weinberger indicated in his testimony to the Committee on May 8, that the regulations would fully carry out the intent of Congress that the six exempted program areas and services would be available to persons other than welfare recipients. Section 221.8 of the regulations, concerning program control and coordination, by omission limits the use of social service funds for foster care to welfare recipients. HEW staff have been emphatically informed by the Washington staff that only those services with a self-support goal will be made available to potential recipients. In other words, states are not allowed to provide to potential recipients protective services including foster care for poor children who are

neglected, abused or exploited, or to disabled or elderly persons who may be in physically dangerous living situations or lacking necessary medical care.

The prohibition on the use of social service monies for services that are directed toward self care of individuals will not make it possible for states to use federal funds to work out community-based living plans to get elderly and disabled persons out of institutions and into foster homes, nursing homes, or intermediate care facilities.

Section 221.9(a)(5) of the regulations has the practical effect of preventing states, like Georgia, with a statewide WIN Program, from using federal social service funds for self-support services. At the present time, states are using a considerable amount of their social service funding at a 75-25 match to provide services related to self support prior to the welfare recipient entering into the Work Incentive Program, as provided under the Talmadge Amendments. In some communities, social service staff have found employment for more welfare applicants than Employment Security staff.

Section 221.5 in the new regulations adds legal services to families and adults. Then in the section on definitions of services, legal services are limited to those related to obtaining or retaining employment. Georgia has provided, in close cooperation with the Georgia State Bar, legal services to welfare recipients to assist them with income problems. Through Georgia Indigents Legal Services (GILC) we are helping welfare clients better utilize their limited resources. Under the new regulations, we can no longer do this.

In summary, the final regulations as published by the Department of Health, Education and Welfare are clearly designed to limit expenditures of federal funds already allocated to states by Congress for these purposes. They do not help states provide those support services that will enable persons likely to become welfare recipients to work toward self support and self care. The administrative cost in implementing the new regulations will greatly increase the cost of social services when these limited funds could better be used for direct services to those in need. Congress has acted decisively in placing fiscal controls on the expenditure of social service funds and if these funds were allocated according to the actions of Congress to the several states, with broad general guidelines, the states could set their own priorities and spend a larger proportion of the federal and state funds in direct service delivery, rather than in administrative costs.

Background Paper on HEW Legal Services Programs in Pennsylvania

I. How it works

A. Nationally

In 1968 the Social and Rehabilitation Service in the Federal Department of HEW included legal services as one of those services for which it would provide 75% matching funds where state welfare departments make this service available in its public assistance program. The option is left to the States whether or not to provide legal services. A State may determine for itself: the scope of service, the eligibility standard, the methods to provide the services and other major policy decisions. HEW does insist that the legal services programs be administered in accordance with the standards and ethics of the legal profession.

At present, there are only five States that have opted to provide legal services with HEW funds. They are: Maryland, Pennsylvania, Georgia, Ohio and Montana. The total national HEW annual expenditures for legal services are approximately $4 million.

B. Pennsylvania

1. Funding—Pennsylvania is spending approximately $3 million per annum on legal services through HEW of which $2.4 million are federal funds. State and other public and private funds are utilized as the matching 25% state share. This represents over 50% of HEW's national expenditures for legal services. In addition, OEO is spending $1.9 million per annum to support legal services in Pennsylvania. All but one OEO sponsored legal services program receives HEW monies. The attached chart provides a breakdown by counties of the amount of money being spent on legal services, the number of attorneys and whether the program is being solely supported by HEW funds.

2. Policy

Pennsylvania is committed to the development of a statewide system of purchasing civil legal services for the poor. In terms of the rendering of legal services this means that the economically disadvantaged must have the same access to lawyers and legal institutions as those who are financially able to employ their own counsel. Pennsylvania's program renders high quality services in accordance

with the professional standards and ethics embodied in the Code of Professional Responsibility of the American Bar Association.

The Commonwealth, through the Pennsylvania Department of Public Welfare, provides legal services through purchase arrangements with independent non-profit legal service organizations. The board of directors of the local legal services organization must have a majority of its members as lawyers. The State insists upon local program maintaining active and friendly relations with the organized bar.

All general programs funded by the State just provide for eligible clients a full range of civil legal services except for fee generating cases and matters in which the Commonwealth has an obligation to furnish counsel to the indigent. Programs undergo both periodic review and a systematic annual evaluation to insure that the program is being operated in accordance with State objectives.

II. PENNSYLVANIA LEGAL SERVICES CENTER

The Pennsylvania Legal Services Center, a recently formed nonprofit legal services corporation, has just signed a 17-month contract with the Department of Public Welfare in Pennsylvania to provide the following functions:

1. Coordinate the funding of all local legal services programs within the Commonwealth.
2. Develop new local legal services programs in those geographic areas lacking an existing program so as to extend coverage on a State-wide basis.
3. Regularly monitor and provide technical assistance to all local programs which it funds.
4. Provide training, recruitment, and staff development assistance to all local programs.
5. Act as a clearinghouse service for information pertaining to poverty law issues of importance in the Commonwealth.
6. Coordinate activities between State government and clients.
7. Assist local programs in preparing legal documents.
8. Seek new ways to attract public and private funds for legal services.

Funds necessary to support the activities of the Center will be 75% reimbursable by the Social and Rehabilitation Service of HEW.

The center was formed at the direction of the Governor. General policy is established by a Board of Directors chosen from four general categories: (a) the public-appointed by the Governor; (b) the organized Bar-appointed by the Pennsylvania Bar Association; (c) legal services project directors; (d) representatives of clients.

III. CHANGE IN HEW REGULATIONS

New social service regulations no longer permit HEW through the Social and Rehabilitation Service to reimburse States for legal service expenditures under Titles I, IV, X, XIV and XVI of the Social Security Act other than to provide legal services to assist eligible persons to obtain or retain employment. If these regulations are implemented, Pennsylvania's Legal Services Program will cease to exist.

This regulation would bar legal services to the aged, the physically and mentally disabled, the mother with small children, and the many others who are not employable. In addition, those who are employable could not qualify for legal services which are not employment oriented even though they may actively be looking for a job.

IV. LEGAL SERVICES MUST BE INCLUDED AS AN OPTIONAL SERVICE

Arguments

1. State's rights—Revenue Sharing. Legal services should continue to be an optional service for SRS funds and not forbidden. In this way each State can decide for itself the proper mix of services it needs and wants. Unlike OEO legal services, Governors have an affirmative role to play.
2. Small amount of Money. Nationally, the total expenditure is approximately only $4 million which is a negligible amount—noninflationary.
3. Will Not Expand Appreciably in the Future. Since 1968 only a few States have opted to provide legal services. To continue legal services as an optional service will not open a floodgate.
4. Social Service Expenditures Are Now a Closed End Appropriation. Title III of the Revenue Sharing Act already put a lid on social service expenditures. The proposed HEW regulations on social services create some new service programs; however, legal services is the only one to be eliminated. To eliminate legal services

will not save HEW any money because States will transfer their limited funds to another program.

5. Good Faith. The State and local bar associations started programs with the expectation that they would be long lasting. If programs are terminated, tremendous hardships will befall clients.

6. Social Value of Legal Services. Access to courts, equal justice, poor people gaining rights in our society, etc.

7. Pennsylvania Will Suffer Most. Over 50% of HEW expenditures nationally in legal services go to Pennsylvania. HEW supported programs and expenditures in Pennsylvania exceed OEO programs and expenditures. If HEW withdraws money, the rural areas in the State will be the hardest hit. At least 50,000 clients would be denied service. Elimination of HEW funding will seriously hamper programs jointly funded by OEO and HEW and wipe out those solely HEW funded programs.

V. Alternately legal services must be included as an optional service until adequate funds for legal services in Pennsylvania are forthcoming from the proposed National Legal Services Corporation.

Last week President Nixon introduced the National Legal Services Corporation Act which would establish an independent National Legal Services Corporation to fund local legal services programs which are now funded by OEO. Because over 55% of the legal service program in Pennsylvania is now funded by HEW, Pennsylvania, which receives more of these funds than any state in the nation, has a unique delemma. If HEW funded legal services are in effect terminated by the new regulations, much of the Pennsylvania program will be dismantled, even if the National Legal Service Corporation bill is passed unless the following two conditions occur:

1. The new corporation has adequate appropriations to replace both OEO and HEW legal service funding (HEW funded legal services total only about $4 million annually.)

2. Until such time that the proposed corporation is operational, HEW funds must be continued at the current unrestricted level.

County served	Name of organization	Number of attorneys	Solely funded by HEW moneys	Total annual budget
Allegheny	Neighborhood Legal Services Association	15		$377,800
Armstrong	Westmoreland County Legal Services	2	Yes	50,500
Bedford, Fulton, Huntingdon	Legal Services for Bedford-Fulton-Huntingdon Counties.	2	Yes	55,400
Berks	Tricounty Legal Services	3		78,900
Bucks	Bucks County Legal Aid Society	4		99,500
Cambria	Cambria County Office of Legal Aid	1		22,000
Chester	Legal Aid of Chester County	2	Yes	64,500
Cumberland	Cumberland County Legal Services Association.	2	Yes	67,000
Dauphin, Perry	Dauphin County Legal Services Association	3	Yes	77,500
Delaware	Delaware County Legal Assistance Association.	3		60,000
Erie	Erie County Legal Services Association	5	Yes	139,100
Indiana	Westmoreland County Legal Services	2	Yes	50,500
Lackawanna	Lackawanna County Legal Aid and Defender Association.	1		25,000
Lancaster	Tricounty Legal Services	2		52,700
Luzerne	Luzerne County Legal Services	6		115,400
Northampton	Legal Aid Society of Northampton County	4	Yes	90,000
Philadelphia	Community Legal Services	18		490,000
Do	Northwest Tenants Organization	2	Yes	58,600
Schuylkill	Schuylkill County Legal Services, Inc	2	Yes	48,000
Somerset	Cambria County Office of Legal Aid	1	Yes	22,000
Sullivan, Wyoming	Lackawanna County Legal Aid and Defender Association.	1	Yes	25,500
Westmoreland	Westmoreland County Legal Services	6	Yes	151,400
York	Tricounty Legal Services	2		52,700
Statewide	Bureau of Consumer Protection	7		400,000
do	Pennsylvania Legal Services Center	11	Yes	432,000
Total		107		3,106,000
Federal share				2,329,000
Approval pending:				
Columbia Montour, Northumberland, Union, Snyder.	Central Susquehanna Legal Services	3	Yes	80,000
Adams	Cumberland County Legal Services Association.	1	Yes	25,000
Lycoming, Centre, Beaver, Butler, Mercer, Lehigh, Venango.		11	Yes	275,000

The CHAIRMAN. Next we will hear Commissioner Fred Friend, Tennessee Department of Public Welfare.

STATEMENT OF FRED FRIEND, COMMISSIONER, TENNESSEE DEPARTMENT OF PUBLIC WELFARE, ACCOMPANIED BY GARY SASSE, DIRECTOR, DEPARTMENT OF FEDERAL AND URBAN AFFAIRS REPRESENTING GOV. WINFIELD DUNN

Mr. FRIEND. Thank you. I am most grateful for the opportunity to join these others to express our concerns and our fears about the over-restrictiveness of the regulations that have been printed and published by the Department of Health, Education, and Welfare.

I believe it is abundantly clear from those who have preceded me that our concerns follow the same general outlines. We have had the opportunity of presenting a rather lengthy statement for the consideration of the committee, and, therefore, in the interest of leaving more time for direct questions I am going to confine my remarks for just a few generalities or areas I believe are of particular interest to this body as they are of interest to us in the State of Tennessee.

We have developed a belief in the preventive power of social services. I am persuaded that one of the reasons that our AFDC case load has been very stable in Tennessee over the past 2 years is as a result of a continuing and expanding program of social services both employment related and for the good of those who need them without regard to the test of employability, so that we have been able to maintain for at least 2 years now a virtual static condition in our case loads in this particular category.

We have not objected to Congress placing statutory limitations on this expenditure or any expenditure of public funds.

It appears to us that this $2.5 billion is a very reasonable ceiling.

In the State of Tennessee, our share of this amounts to $48.4 million.

We have attempted to be in the vanguard of making our services measurably meaningful. We believe that the process of being able to evaluate what we are actually accomplishing with these expenditures should be of great interest to this body.

We do believe that the States deserve and need the flexibility for which many of the speakers on the panel have already appealed to you this morning in order to be able to focus in on those services that in our individual locality seem most capable of helping us limit dependency and overcoming it where it now exists.

In the State of Tennessee we have placed a great deal of emphasis upon day care and child development services, largely in conjunction with the private funding agencies.

I believe that we may have won a periodic victory in the restoration of the use of private funds in these new regulations.

If the eligibility requirements are going to remain as restrictive as they now appear the private agencies simply will not be willing to raise money and to participate as they have in the management of programs that must eliminate a majority of the poor people in their individual communities.

They will leave it to us to do the whole job and we simply will not be able to do it with our public agencies and funds.

We think that the emphasis upon day care and child development services for those that are in employment or in training is a good thing, but we believe that equal emphasis should be placed upon rendering these services to those with whom we can work to begin the process of breaking the poverty cycles in our communities.

In order to be able to reach those that we believe at least of the State of Tennessee are most affected, we recommend in our comments to the Secretary that a national income standard of $6,000 of net income be considered the limitation for those obtaining social services under ordinary conditions.

And that a ceiling of $9,000 be applicable to special conditions of extreme hardship and need such as mental retardation or severe handicap where the cost of these services alone for one member of the family would consume anywhere from a third to half of the available income resources of the family if they have to provide these for themselves.

We believe the present method of determining eligibility is going to be unduly restrictive and as has been repeatedly stated here, will actually continue to reward those who remain in a state of dependency and penalize those who are doing their very best to meet most of their needs and requirements by their own efforts.

Therefore, we would respectfully recommend that legislation, if necessary, be enacted that would remove these over-restrictive aspects that go beyond the intent of Congress in placing the original ceiling on social services and in particular that a standard of income and a removal of the assets test be given top priority by the gentlemen of this committee.

There are many of the specific services in the State of Tennessee that we would like to be able to continue because we can demonstrate that they are having a positive effect.

It is our initial estimation that of the $48.4 million that are allotted to us, for social services, by the Revenue Sharing Act and this amendment to it, that we will not be able to expend in meaningful programs more than half of these funds under the regulations as they have been promulgated.

Therefore, we respectfully urge that you give further consideration to those measures of relief that might mandate those services that in the judgment of Congress ought to be required in each State and then leave to us in a kind of bloc grant or revenue-sharing approach the flexibility to develop those programs and to implement them and monitor them and evaluate them and demonstrate to the Congress that we can use these services toward the reduction of dependency.

Thank you.

[Mr. Friend's prepared statement follows:]

TESTIMONY PRESENTED BY FRED FRIEND, COMMISSIONER OF PUBLIC WELFARE IN TENNESSEE

Mr. Chairman, Members of the Committee, I am most grateful for the opportunity to be able to appear before you and testify for Governor Dunn about an issue which is of vital interest to Tennessee as well as to the nation at large. Governor Dunn is most concerned about the way the Department of Health, Education and Welfare is handling the social service programs.

Governor Dunn supports the President in his present intention to limit federal expenditures generally and understands that limitations upon expenditures in the

area of social services and welfare programs must be a part of the overall limitation. He is also completely in agreement with the principle that strict accountability for the cost-effective use of social service funds must be demanded at all levels of involvement.

The State of Tennessee is willing and able to assume the role of primary decision-making in the areas of social service programs, and we sincerely feel that the state agency is the optimum vehicle for planning, implementing, monitoring, and evaluating programs designed to develop human resources and to meet human needs. It is Governor Dunn's personal conviction that, in order to realize to the fullest possible extent the President's desire for a "New Federalism" and to render the maximum in services to the citizens of the nation, a program of special revenue sharing for social services and welfare programs should be designed and implemented as rapidly as possible. Being thus permitted the maximum flexibility in the design and operation of social service programs, the several states then should stand fully accountable for the success of these programs in removing those barriers which prevent families, children, the aged, the blind, and the disabled from attaining the greatest amount of self-sufficiency and or self-support of which they are capable. It is entirely reasonable to expect that the continuation of such a funding arrangement would be contingent upon the ability of the states to achieve significant, meaningful and measurable results, in harmony with the general provisions of the special revenue sharing program enacted for these purposes.

As you are probably aware, Tennessee has used the "cost-effectiveness" approach in the provision of these services over the period of their existence. During the early debate, we supported the Congressional efforts to place a ceiling on the expenditures of social service funds. One major reason for this action on our part was to obtain a more equitable distribution of these funds among the states. However, with the issuance of the new regulations, we have found that we are being substantially short-changed in what we anticipated to gain from the imposition of the ceiling. It is apparent from the wording and the interpretation of the regulations that the Department of Health, Education and Welfare is substantially reducing the amount of money that is expended for social service programs. It is interesting to note that in the colloquy in both the House and the Senate, in discussing the imposition of the ceiling and the amendment to the revenue sharing act concerning social services, the obvious intent was that a ceiling be imposed but that the states be allowed the continued flexibility in developing programs to provide needed social services.

Let us make clear at the outset that we are not questioning the intent of Congress that services should be primarily for the most needy. What we do question is the fact that in issuing the regulations the Department of Health, Education and Welfare has gone beyond the intent of Congress, and they have, in fact, severely limited the kinds of services which can be provided to both welfare recipients and potential welfare recipients. In addition, it would be my estimate that by reducing the flexibility of the states to provide varying kinds of social services, the Department of Health, Education and Welfare is, in fact, working at cross purposes.

The new regulations have eliminated the bulk of those services which would enable individuals to improve themselves so that they would not have to depend upon public welfare for their existence. The major advantage of the old regulations was the fact that they provided needed flexibility to the states to be able to develop new and innovative programs which could, in fact, begin to reduce the welfare rolls. The new regulations will not only reduce the number of people eligible to receive these services, but will, in fact, do away with many worthwhile programs.

On this point, if I may, I would like to quote a statement of Representative Mills of Arkansas in discussing on the House floor the amendment to the revenue sharing act concerning social services. Mr. Mills stated:

"Let me get the record straight, if I may. We have not changed the definition of 'social services' that are available for those who are recipients of or applicants for welfare."

I think that in the colloquy on both the Senate and the House floors in discussing the amendment this was the intent of Congress. To illustrate further how the new regulations are contrary to the intent of Congress, let me provide you with some specific examples.

First, let me speak to the income standards. As you know, the regulations provide for eligibility to be determined by income, income being defined as

150% of the state's payment standard. In Tennessee we would have no argument with this provision if it were, in fact, 150% of net income; however, as the regulations are being interpreted, this will not be the case. The rule being applied by the Department of Health, Education and Welfare is that applicants for social services must be adjudged in the same manner as applicants for welfare grants. Allow me to give you two specific examples of how this rule will affect Tennessee.

First, a family of four with an income of $300 per month will be eligible for services provided that their other resources, such as, the value of an automobile, do not exceed $1,000, or they do not have insurance of the cash value of above $600. For another example let me cite a family of four with a retarded child in need of day care and an income of $500 per month. They would appear to be eligible for day care provided they pay a fee based on a scale set by the Department of Public Welfare. However, when it is determined that this family has an automobile valued at $800 and $300 in savings, then the family becomes ineligible for day care services for the retarded child.

It is obvious from these examples that the net result of this interpretation will mean that many people who are barely above receiving welfare grants will not be able to receive social services. I do not think that it was the intent of Congress to subject the working poor to the same eligibility standard as those people who are applying for welfare grants. Further, by requiring that assets be considered in determining eligibility for social services, the result will be the elimination of the "potential" category in Tennessee.

The imposition of this rule will force many families to make the difficult choice of either going on the welfare roll or denying their children much needed services. I would also point out that in many cases if a child is denied these needed services, we are assuring his becoming a recipient when he reaches adulthood.

It is obvious in this case that the regulations are, in fact, contradictory to the intent of Congress. Congress has long held that these programs should be used to enable people to be graduated off the welfare rolls. This interpretation will mean that before a person who is presently off the welfare rolls can become eligible for services, he must first place himself upon those rolls.

Now, if I may, I would like to illustrate to you some of the kinds of services and the effects of these services that Tennessee has been providing in the past which under the new regulations will no longer be available to those needy persons. In Tennessee, as in many other states, we have attempted to break the poverty cycle and particularly the welfare cycle through the use of day care programs. We have observed, as I am sure you have, that parents who are long-term recipients of welfare have tended to have children and grandchildren who also become welfare recipients. Day care programs which we have developed in Tennessee under the old social service regulations were designed to strike at the very heart of this problem.

We were attempting and succeeding in breaking this vicious cycle by giving children from very poor environments day care which would enable them to be better able to compete both in school and in society at large. An additional benefit was that the parents of these children were also enabled to begin to be better able to provide for themselves. The use of these day care programs enabled us in Tennessee to keep many families intact which would have otherwise have been destroyed because of the internal tensions within the family unit. In many cases, day care was provided so that the parent could receive other services provided through the social service program. Day care was one of the programs to allow the mother to begin to seek training or to receive treatment for various problems such as alcoholism, family planning clinics or mental health and educational services to enable the mother to cope with her family. All of these services except those related to work and training are being eliminated under the new regulations. This is a step backward from the resolution of the problem.

Another exempted service which has been severely restricted by the new regulations is the alcohol and drug services. In Tennessee, where it was determined that treatment for alcoholism or drug addiction was neccessary to the rehabilitation of an individual and where this service was not otherwise available, we have provided educational services, half-way houses, non residential treatment centers, and residential treatment services for individuals. The new regulations go beyond prohibiting services. They, in fact, prohibit us from providing any kinds of services to people who are not in active treatment programs.

In Tennessee, as in many other states, there is without a doubt a greater demand for services of this kind than there is a supply of such services; and

as is true in all cases, when the demand exceeds the supply, the price of the service increases. This being the case you can readily see that the poor and, in particular, the welfare recipients are going to be excluded from these kinds of necessary services. The poor, the near poor and the welfare recipients are very susceptible to drug problems. The new regulations will prevent us from being able to provide any educational services to these people to prevent them from being subjected to the problems which accompany alcoholism and drug addiction. Here again you can see that the affect of the interpretation of the regulations is going to be a step backward and will, in fact, ultimately begin to increase the welfare rolls.

Another area of restriction is in the exempted category for mentally retarded. In Tennessee we had developed, or were in the process of developing, programs for the training of the mentally retarded adults to begin to move them away from institutionalization and toward self-sufficiency, We were using half-way houses to assist in moving people out of institutions into their local communities. In an effort to prevent further increases in the welfare rolls, we had developed outreach programs to identify mentally retarded individuals and had provided information referral services to enable them to begin to receive the necessary training and education to enable them to become more self-sufficient. In this area is one of the most obvious negative approaches taken by the regulations. Here the regulations imply that the only reason for providing services to mentally retarded is so that they may become self-supporting. When you think of this, it is obviously a contradiction in terms of expecting an individual who is severely handicapped to become fully self-supporting. This becomes even more ridculous when you consider that it also applies to children. You can readily see what these regulations have done is completely exclude any potential welfare recipients who are mentally retarded from receiving services. This is most curious when Congress itself established mental retardation as an area of priority concern.

Another category which has been eliminated is in the area of mental health. All services which were previously provided in the area of mental health are now prohibited by regulation. Without these services it is obvious that there are many individuals, both current and potential recipients of welfare, who will not be able to maintain their self-sufficiency much less obtain self-support. There is also a long range danger which is not considered in these regulations, and that is the lack of available services to children. Similarly, while it might be noted that health services as well as mental health services are excluded, in fact the regulations go far beyond this by saying that screening and diagnostic services for potential recipients for social services are not eligible expenditures. This results in the situation of the welfare recipient's having to pay for his own diagnosis before he can become eligible for a service.

There are two other exempted categories that I have not yet spoken to. These are family planning and foster care. These two priority concerns are directly affected by the goals of self-support and self-sufficiency.

It is obvious from the wording of the goals for self-support and self-sufficiency that they are properly applicable neither to children who need foster care not to individuals in family planning services. A child who needs foster care may well be from a family which does not meet the goal of self-support or self-sufficiency; however, to prevent this child from becoming an ultimate recipient of welfare, it will be necessary that he receive foster care services. This is also true in the case of family planning services as many individuals most needing this service would and could never become self-supporting. It goes without questioning that the lack of family planning practices among low income families is a primary contributing factor to dependency. We are well aware of the tremendous number of families currently on the welfare rolls because of the many problems created by large family size, many of whom can never expect to more into self-supporting society without family planning services.

In closing, allow me to restate the major impact of the new regulations.

First, the regulations will prevent the expenditure of monies duly authorized by the Congress, with proper limitations already created in legislation.

Second, many valuable and even necessary programs and services are prohibited.

Third, programs in the areas of priority concern identified by Congress have been severely restricted.

Fourth, except in the area of self-support, the regulation prohibits any services for potential recipients.

We agree with both the President and Congress that the states should be held accountable to insure the proper expenditure of these funds. This can be done, however, without eliminating productive services for those most in need.

I respectfully submit for your consideration the concept of social service revenue sharing. This would provide the states with the necessary flexibility to meet their varying problems, while at the same time providing Congress the capability to determine the cost effectiveness of the programs. Congress has identified five areas of priority concern which Tennessee and the other states have developed and implemented programs to correct. The new regulations will effectively prevent the implementation of these programs by virtually eliminating the potential category through the "assets test" and an unduly restrictive self-support goal. Without the opportunity to serve potential recipients we will lose the capability to control the future size of the welfare rolls.

The CHAIRMAN. I would like to thank each of you for your statement here. Let me indicate what I tend to think of as the answer to the problem.

In the first place, it is clear that those of us in the Congress never really had in mind making $2½ billion available and then limiting its availability to such a restrictive basis that the States could not use the $2½ billion.

One welfare director, who is not here today, told me he went down to the Department of Health, Education, and Welfare with regard to the social service programs. He had looked at the regulations they had proposed, and he told this person who was supposed to be in charge that not 1 State in the entire 50 could meet the restrictions HEW has placed on the social services program.

To which the answer was, "Yes, that is correct, but if they do meet the regulations, the money is there."

Now, I think that those of us in the Senate, and I think those in the House, generally would be willing to go along with what Commissioner Fred Friend suggested; that we ought to make it clear that when we said that the States were to have the $2½ billion we meant they could really get the $2½ billion, and that the States should have sufficient latitude so that they can judge as between the relative priorities where they can use the money to the best advantage.

It has been suggested, and I can understand how some would advocate this, that some States that had a very large social services program should be permitted to have reallocated to them some of the money that other States do not use.

That is something we might think about in acting in this area. But I would think for beginners we ought to make the latitude sufficiently broad so that any State in the entire 50 can use its share of the $2½ billion if they want to use it.

Now, is that generally the way you gentlemen feel about it?

Mr. FRIEND. Yes, sir.

The CHAIRMAN. I see each witness nodding his head.

May I say that some time ago I was invited to meet with a group of about 25 States directors of human resources and every one there seemed to agree that from their point of view that would be the answer, that the $25 billion would be acceptable to them.

Senator BENNETT. Let's cut it to $2½.

The CHAIRMAN. I didn't mean to up the figure.

One thing you become familiar with in this committee is that you don't use thousands; you use millions and billions.

They said that the $2½ billion would be acceptable to them provided that they actually have sufficiently broad latitude that they can use their share of the $2½ billion the way they think would most benefit the people of their States.

That is basically what you people agree upon, I take it?

Mr. HODES. That's right.

Senator CURTIS. I would like to get from the panel what their understanding of the regulation is in regard to services to the mentally retarded.

Who could you serve in the category of mentally retarded in the calendar year 1972 that you can't serve now; would you answer that?

Mr. FRIEND. Sir, it is my understanding, subject to correction, because we have had relatively little time; it's been my understanding that really the only difference from the income and needs test with regard to the mentally retarded is the day-care services would be available without respect to the employability of the parent, but otherwise, they must meet the same financial tests as others receiving this same kind of service.

Is that not right?

Mr. SAUCIER. Yes, sir.

Senator CURTIS. I will state my question another way:

Prior to these first regulations, were you able to extend social services to the mentally retarded without an income or needs test?

Mr. SAUCIER. No, sir; each State had some leeway in setting a realistic needs standard.

Senator CURTIS. Was there any imposed by the Federal Government?

Mr. SAUCIER. None imposed by the Federal Government.

Senator CURTIS. Either by law or regulations?

Mr. SAUCIER. We had to have a standard approved in our State plan by the regional office.

For example, in Georgia, you do serve a family that had an income of four, slightly over $8,000, if they had a mentally retarded individual who needed service.

Senator CURTIS. How is that altered by the last regulation?

Mr. SAUCIER. The last regulations make the same income standards for all other services apply after June 30 to mentally retarded individuals which in Georgia——

Senator CURTIS. In your opinion is that in accord with the act of Congress in the revenue sharing?

Mr. SAUCIER. I think it is strictly an administrative decision about how it would be applied.

In fact, I understand through the testimony of Secretary Weinberger, he left the impression all of the services now being provided could be provided through December of this year, and only those persons currently being served through June 30 could continue to be served.

After June 30, they must meet all of the other requirements except the work requirement in day care.

Mr. HODES. The only comment I can make, all we are able to provide except for those who fall in the restrictive categories, will be the day-care service, that any of the remedial services or anything to relieve the problems of retardation could not be provided with Federal funds.

So that the Federal act didn't strike me as contemplating that at all but this regulation contemplates only day care, but not remedial services of any type.

Senator CURTIS. It was my understanding when we in the Conference Committee wrote in the provision that the mentally retarded services were not to be linked to welfare programs——

Mr. SAUCIER. That's correct.

Senator CURTIS (continuing). That the Congress was saying that these services are to be provided without an income or needs test.

Mr. SAUCIER. Well, that has not been; that has not been the way the regulations——

Senator CURTIS. I understand.

What is your understanding of what the law was?

Mr. SAUCIER. My understanding of the law, that was a service that was exempt, and that this——

Senator CURTIS. Exempt from what?

Mr. SAUCIER. Exempt from the restrictions of having to be a welfare recipient or 10 percent of the funds going to nonrecipients.

Senator CURTIS. In other words, there was nothing in the act of the Congress that would cause any State to believe that anything they were doing for the mentally retarded at that time would be curtailed?

Mr. SAUCIER. There was no reason to believe that at all, and we planned to make use of the target funds to provide community services and the regulations totally abrogated that intent of the Congress and required us to give up any plans or activities in these services for the poor in the mentally retarded services or institutions which we chose not to do.

Mr. BOST. I might mention also that the definition of mentally retardation in the new regulations is so narrow that it does not allow us to continue serving the developmental and disabled.

Children with cerebral palsy and epilepsy and various other neurological problems that do not allow them to go to school and they need special day-care services, they will not be eligible under any circumstances unless they are public assistance recipients.

Senator CURTIS. At the time this matter was under consideration, I was in conference with my State officials, and after reviewing the language they were convinced that the language of the conference was such that they could carry on their programs for the mentally retarded, without any restrictive changes whatever, and I believe that was, in fact I know that was the opinion of the language chosen by the conference, the opinion of the National Association for Mentally Retarded.

Mr. HODES. I believe the rules abrogated that intent.

Mr. SAUCIER. I believe I can shed light on MR services.

Senator CURTIS. What are MR services?

Mr. SAUCIER. Mentally retarded.

My understanding of the Revenue Sharing Act that deals with this say we could serve mentally retarded as potential recipients without any reference to the specific dollar figure.

The income standards for potential recipients in the regulations tend to place a very rigid income standard.

Now, under the old plans where States can set their own definition of potential recipient upon approval of HEW, Georgia could have continued to serve most of the mentally retarded people who could not provide it themselves.

Senator CURTIS. That's all.

Mr. FRIEND. May I add one thing:

In addition to this State plan defining the income level, which in Tennessee was $7,500, there was a provision that allowed us to serve 15 percent of our dollar expenditures in these areas without respect to needs; and in this area we were able to reach over the income line and extend the services of mental retardation and such to certain people that did not otherwise qualify. This has been removed.

Senator CURTIS. Do the new regulations restrict by age services to any mentally retarded, or have this effect?

Mr. SAUCIER. No, sir.

Mr. FRIEND. I don't think so.

Mr. BOST. They do restrict it in the sense that the single goal that is being interpreted to us from the regional office is that of self-support; and if this person is not potentially employable, he is not eligible for services, and that is as of June 30.

Of course, many mentally retarded, severely profound retarded individuals, have no potential for employment and so there is no goal of self-support possible and so consequently he is not eligible.

Senator CURTIS. All right, that's all.

Senator PACKWOOD. Gentlemen, do all of your legislatures manage to finish their budgeting prior to the start of your fiscal year?

Mr. BOST. Yes.

Senator PACKWOOD. You are different from the Congress.

Mr. PERPICH. We do. There is no money.

Senator PACKWOOD. That would be a wise admonition for us also. I want to find out how we got ourselves in this jam. It seems to me there are two problems: One is the tremendous cut in total money from what you had been expecting—what you were budgeting for; and the other, what you regard as undue interference from the regulation regardless of how much there is to spend, how you are going to spend it.

Now, in fiscal 1972, the Federal Government gave the States about $1.7 billion under this program as of July of 1972, the estimates were that the Federal Government would spend about $4.7 billion under this program in fiscal 1973. And I assume that that estimate was based upon the estimates they were receiving from the States in terms of their projected programs for fiscal 1973.

Did you get into a jam—I am not here faulting you; it is the Federal Government's fault, I think it is Congress rather than HEW—did you get into the jam because you based your budgets for 1973 on the assumption that the Federal Government would continue to match the money they had been putting up before for social service programs?

Mr. SAUCIER. Very much so.

Mr. HODES. I can speak to that. We have a legislative session in both States, so we are just completing the budget process now for a July 1 fiscal year. We made projections based upon the regulations and the law as it existed prior to the Revenue Sharing Act. Then, after the Revenue Sharing Act was passed, in fact, we then continued to plan further programs based upon our interpretation on how the rulings would have, you interpret the act.

Senator PACKWOOD. I am going back a year.

Mr. HODES. Yes, that is exactly what happened. We in good faith acted upon those programs that were in existence and planned our

budgets and set up eligibility requirements and started providing services.

Senator PACKWOOD. And adjourned and went home?

Mr. HODES. Yes. What obviously happened when the law passed again, it cut into the situation and left many States without funding.

Senator PACKWOOD. The real problem was when Congress put the $2.5 billion ceiling on last October and said it applies to this year. Despite the fact you had assumed there would be $4.7 billion total, roughly, there only was going to be a maximum $2.5 billion.

It is going to be less than that; but we started the ball rolling on this, not HEW.

Mr. HODES. In effect you did, and in effect there was some justification for it because you did have an open-ended fund program that made everybody nervous. It would make me nervous, and I think you had a sound approach in capping what should have been retained as an open-ended program except for dollar cap on this date cap basis.

The effect of the previous program was certain States that had perhaps more managerial ability were able to invade that funding much better than others, and they went into it quite heavily, and they are the ones that got caught short the most rapidly, I think New York and California.

Senator PACKWOOD. I looked over the list while you were testifying, and the two that really got hit were New York and Illinois. So far they had taken the initiative in finding how to use this program. Most of the rest of the States were not that far off in terms of what they would get under $2.5 billion, as opposed to what they would have gotten before. But Illinois and New York were hit hard.

Mr. HODES. The effect of this is crisis in confidence in intergovernmental funding because we have had so many changes right along the States with the general revenue sharing money, I know as a legislator and in the Appropriations Committee I am unsure in treating revenue-sharing money as recurring revenue, even though I spend it, and nonrecurring revenue, I will be accused of building monuments with revenue sharing.

I can't be sure I will have the money.

Senator PACKWOOD. I was in the State legislature before I came here, and I think I would have the same mistrust of our action.

Mr. HODES. That is the problem we are faced with.

Mr. BOST. I would like to say under the previous open-ended arrangement, and method used in administering the social services program by the Department of Health, Education, and Welfare, I think it was evident to everyone that was involved in these programs that there was tremendous abuses going on throughout the country and there were requests being made totally unjustified.

I feel that the States are partially responsible for this, but also the Department of Health, Education, and Welfare is equally responsible because they allowed these abuses.

Senator PACKWOOD. They had the power to issue the regulations, but never did to slow down this ahead of 1972 and the statutory change.

Mr. BOST. They occurred in New York and California and Illinois, and other States and allowed the floodgates to open and even the State of Mississippi came in with a request for $400 million; and of

course, this was just a totally impossible situation, and that is when the Congress put the ceiling on it.

I think that if the Department of Health, Education, and Welfare administered these programs properly under the prior regulations, that there was enough restrictions there to have held the cost down to reasonable levels and this ceiling would not have been necessary.

Senator PACKWOOD. Forgetting for the moment the restrictions as to how you can spend this money but keeping the $2.5 billion ceiling in this year and the next fiscal year, would most of your States be in a reasonable, equivalent position to where you were in fiscal 1972, in fact a little better than where you were?

Mr. PERPICH. We would.

Mr. BOST. I would say most States would be.

Senator PACKWOOD. Most States would?

Mr. FRIEND. Might I offer the suggestion if you take action in this area to remove the distinction between the comment and the optional services that are in the law itself, because this is the hangup that prevents us from offering day care services to a number of people based on their need for the services, and not financial need necessarily, has particularly narrowed the fact.

Personally, and as one who has been led down the primrose path to ask for more than we needed under the other plan, I would say frankly that the $2.5 billion ceiling coupled with the old regulation, pretty much of that status would be a very acceptable method to operate under for the near term future.

Senator PACKWOOD. You would be willing to take the old regulation if you only get $2½ billion, and you would make the priority decision?

Mr. FRIEND. Yes, sir.

Senator MONDALE. According to Minnesota calculations, Minnesota would get something like $46 million theoretically as its share of the $2½ billion, but in analyzing the proposed regulations, we could only use $21 million, or less than 50 percent, of, I think.

Arkansas, what would be your figures?

Mr. BOST. 23.7 allotted and we estimate no more than somewhere around $10 billion, $10 or $11 million.

Senator MONDALE. You are less than 50 percent.

What was Georgia?

Mr. SAUCIER. I made no estimate, but it would be somewhere between 50 and 55 percent of the total allocation of $56 million. We do well to spend half.

Mr. HODES. We have figured on capitation about $87 million, and we can spend based on our analysis of the rules about $35 million.

Senator MONDALE. Once again less than half.

Does Tennessee——

Mr. FRIEND. Approximately 50 percent.

Senator MONDALE. So the Secretary said to us the other day, that the States have estimated that they would use substantially less than $2½ billion, indicating the States weren't coming up with applications—and that is correct, but it assumes the regulations that they put out, which for all practical purposes disentitle you to in most instances more than half of the money to which you are theoretically entitled.

Mr. PERPICH. That would be correct.

Senator MONDALE. If that is true, naturally, $2½ billion would shrink to, it may be $1.25 billion, something like that, and only about 50 percent of the money is going to be used under the new regulations, which is entirely different than the Congress intended.

Mr. SAUCIER. To shed a little light on the estimate for the first quarter of fiscal year 1973, Georgia was spending at the rate of $67 million in Federal dollars.

Senator PACKWOOD. First quarter of what?

Mr. SAUCIER. Of fiscal year 1973. July 1, through that quarter, we were spending at the rate—not planning to—spending at the rate, $76 million per year annual rate.

So we had a considerable cutback with it when the law passed, and then when they were slow in releasing regulations, we proceeded under our current regulations and plans and outside expenditures this year would be much less.

Senator MONDALE. You would swing in your social services from an expenditure annual rate of $76 million; then you dropped to something like $56 million, which was your share; and now under the new regulation you are down to half of that?

Mr. SAUCIER. Yes, sir, $28 to $30 million at most we can spend.

Senator MONDALE. I assume many States went through the same trauma, so it is a disaster to the social services being delivered to the recipients.

Second, the comment from the witness from Florida confirmed my suspensions, when the Secretary testified that they view social service now, free social services, as being essentially limited to welfare recipients.

They do not see these regulations the way I think the Congress saw them, as services designed to permit people to stay off welfare, or if they are on it, to get off welfare, and the Secretary at one point in his testimony in effect said: What you reported; that is, that services were intended to be a principal benefit to welfare recipients, not to some more general segment of the public.

That is exactly what we intended was the generalized segment. It is difficult to define people who are welfare prone and who can avoid welfare, and we in effect left it up to the States to try to define, based on their own wisdom and being close to the problem, how you could best meet that target population that is difficult.

So it seems to me if we intend to fulfill what I think is clear congressional intent, we must act quickly, and that brings me to my next point.

Are there about 45 days left before these proposed regulations go into effect?

What is happening to social services in the midst of all of this confusion?

Mr. FRIEND. Senator, I would hope we would all learn from this almost 1 full year of confusion.

Since the talk has been going on, it is my opinion that we have not received a third of the value of the social services in the 12 months that there has been all of this uncertainty and rumor and discussion about exactly how we are going to be operating.

Senator MONDALE. In addition to the problem of how you make up a budget, and I don't see how you can, I don't know how you can keep a decent staff in any of these programs because they don't know if

they are going to be around, whether their services will be needed, I don't know how you can maintain public confidence in a program when you can't promise its continuation.

So I think that we are probably wasting the $1 billion we are spending because of the total uncertainty surrounding the problem.

So I would hope that unless the Department acts quickly that we could in effect quickly pass a new amendment here that says what we meant the last time.

Mr. PERPICH. Minnesota is an example where we are getting clobbered in the elderly.

Nursing home care averages about $700 per month. By having a homemaker service, meals on wheels, having someone come out to shovel the walk, people are able to stay at home.

Well, now if these regulations continue, they will end up in a nursing home going on welfare, which means increased cost as far as local property taxes are concerned.

So it is a vicious circle.

Senator MONDALE. We have some excellent programs in Minnesota, so that sounds very much like the ones in Florida, where we give home services for elderly for living in their own homes or apartments, and then they prefer to live there than to go into public housing or nursing home, and for very little it works.

Mr. HODES. The costs are tremendous and a tremendous waste of money the way it is written up now.

Senator MONDALE. I think so.

Mr. BOST. In the category of mental health in our State, in the last few years we have reduced the population in our mental hospitals from between 5,000 and 6,000 to less than 2,000, and this has been mainly by providing community mental health services.

These people serving in the local communities, they are discharged earlier because they can be followed in all kinds of social services for these people, and this is completely wiped out in this regulation.

Senator MONDALE. Those are tremendously cost effective, and it is better service in the community than in the institution.

Mr. BOST. We have cut the recidivism rate in our juvenile training schools by providing community alternatives to putting them back in the institution, and this juvenile service is completely wiped out.

Senator MONDALE. I can't understand, we hear the rhetoric trusting local government, and we have heard, I think, many examples here which States and local communities have developed really exciting programs, and yet it is usually the ones with the most hope, the most potential that are being terminated under these new regulations, contrary to the best judgments of the Government we are supposed to be trusting.

The CHAIRMAN. I would like to ask about one matter, I have provided the witness with a copy of a pamphlet prepared for us by our staff.[1] These materials are usually helpful to us in arriving at a judgment, and there is certain information that is reprinted there which, if it is correct, I think the witnesses should be invited to comment on.

If you look at page 19, table 1, the Federal share of social services expenditures for fiscal year 1971 was $746 million, and then for fiscal year 1972, the total figure would be $1,684 million.

[1] Reprinted as appendix A, part 1 of these hearings.

Now, then, if you turn to page 67, you see a study that was made by Touche Ross Associates and there, under the heading of "Public Agency Purchased Services," this statement is made—I am quoting the third paragraph on that page:

"Because public agency purchased services made up the overwhelming portion of the total rise in expenditures"— that is, the rise between the year 1971 and 1972—"we obtained detailed data from the 10 States visited to determine the types of services purchased and the agencies providing the services."

Now, look at the last paragraph on the page:

"While reviewing the purchased services program during our State visits, it became apparent that"—the remainder is underlined—"most of these services had been provided as State funded and operated programs prior to their 'purchase' by the public welfare agency. We found little evidence to conclude that the purchased services represented increased services or new service programs."

In other words, this study indicates that most of what we were paying for with this additional billion dollars of Federal funds in 1972 was services that the States had already been providing. There wasn't much increase in the services provided, but rather there was a shifting from State funding approach to Federal funding.

Would you care to comment on that?

Mr. SAUCIER. This is inaccurate for Georgia. In fact, there was almost a net increase in the purchased service programs. Now, we had maintained the same level of State service that we provide, but this came primarily from donated dollars from persons willing to invest money in expanded social services.

The CHAIRMAN. Would that statement be correct for Arkansas?

Mr. BOST. No, sir, that would not be correct at all because we increased the services.

The increased funds we received went to increased services almost to the penny. We increased the number of community mental retardation centers from less than 20 to over 80 and a proportional increase in sheltered workshops and other kinds of community activities, mental health programs, and so forth.

The CHAIRMAN. Would it be correct for Florida?

Mr. HODES. Well, Senator, in Florida I can express it, we use a program budgeting system. We did cut back $15 billion in expenditures on certain groups of services, and then refunded and expanded $60 million in other areas.

So that I alluded to that in my remarks about the specificity against general approach as far as reduction in purchases.

We actually expanded social services purchases by $45 million net after we got through with our expansion in the federally assisted programs.

Senator BENNETT. Are you talking about the State's share or the total?

Mr. HODES. States's share.

The CHAIRMAN. Would that statement be true with regard to Minnesota?

Mr. PERPICH. We also expanded our services, Mr. Chairman.

The CHAIRMAN. Very substantially?

Mr. WAGENSTEEN. Yes, we have a close working relationship with the voluntary agencies in Minnesota, and we encourage them to

expand their services as well as the services offered by the public welfare agencies.

The CHAIRMAN. Would that statement have been correct with regard to Tennessee between 1971 and 1972?

Mr. FRIEND. No, sir, there was a net increase in growth in State dollars in all programs, particularly in the mental health areas and in the area of child-care which were attracting mainly private funds into our work, and these were growth dollars.

The CHAIRMAN. Well, if I had been a State administrator I would have been looking at this program where the Federal Government puts up $3 when the State puts up one. Any dollar I had that was not being matched I would try to find some way to bring under the social services program.

Now, we in Louisiana have for many years had the situation where we had such an elaborate charity hospital service providing public hospital care for the poor, compared to other States—I am not saying elaborate compared to States today, but compared to what States had at the time that we started medicaid—that we have never yet been able to arrange our affairs to have the full benefit of Federal matching and Louisiana in some respects has lost out because of the fact that it had a program that predated medicaid.

But you can't blame any administrator for shifting his funds around to obtain the most matching, and that being the case, I can understand how some who had a very elaborate service might feel they simply ought to shift their funds to obtain the Federal matching and use the money thus saved in some other program.

I don't criticize them for that, but I wonder to what extent that has been true.

Mr. BOST. Senator, I think most of us realize that there were tremendous abuses in this way that you are describing, but we feel, I think, that the Department of Health, Education, and Welfare was derelict in allowing these abuses to occur because it was against the regulations at that time that they were allowed to happen.

Senator BENNETT. In other words, they gave you an opportunity to yield to temptation, and you yielded.

Mr. BOST. It was like an open-ended revenue sharing, $400 million free.

The CHAIRMAN. Thank you very much, gentlemen.

We appreciate your appearance here today, and you have been very helpful.

I see Senator Kennedy in the room, and I believe Senator Kennedy has come to introduce one of our witnesses.

I would suggest we hear the Senator now. We will then be able to hear the balance of our witnesses this afternoon.

STATEMENT OF HON. EDWARD A. KENNEDY, A SENATOR FROM THE STATE OF MASSACHUSETTS

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

I know you have a full schedule, and I appreciate very much the opportunity to make these brief comments.

It's an honor for me to appear before you this morning and to have the opportunity to introduce my good friend and colleague from

Massachusetts, the Honorable David M. Bartley, speaker of the house of representatives in our Commonwealth.

David Bartley is an outstanding example of young and vigorous leadership in Massachusetts.

When he was chosen speaker of the house in 1969, he became the youngest person to hold that office in this century.

Only 38 years old today, he has already established a reputation as one of the most effective speakers and legislative leaders Massachusetts ever had.

It was back in 1962, as a teacher in Holyoke, that he decided to enter politics. As he put it then, he had majored in government as a college student, he had gone door-to-door for John Kennedy during the 1960 election campaign, and so he decided to give public life a try himself.

He won a special election for the State House in 1962, and since then has become an articulate legislator who understands the issues and knows how to use the power of his position to get things done for the benefit of all the people of the State.

His achievements contain many significant milestones. Among his highest priorities and accomplishments have been reform of the State legislature, the institution of computers and data information systems to streamline the business of the legislature, the realinement of the antiquated legislative committee and staff systems to reflect the problems and needs of modern society, and the establishment of postaudit and oversight mechanisms for Massachusetts similar to those used by our own GAO in Congress.

Among Speaker Bartley's major substantive priorities in the State legislature have been vigorous support for local economic assistance programs, for consumer protection legislation, and for special community education programs for retarded and handicapped children.

Thanks to his leadership as well, Massachusetts was one of the first to enshrine an environmental bill of rights in the State constitution.

At the Federal level, Speaker Bartley was a leading advocate among State and local officials in the successful drive for Federal Revenue sharing in the past Congress.

As one who has supported the concept of revenue sharing for many years, I share Speaker Bartley's growing concern over the impact of the revenue-sharing program on the communities of Massachusetts.

It is absolutely devastating.

Speaker Bartley will point out that Massachusetts may lose as much as $350 million in Federal funding over the fiscal years 1972, 1973, and 1974. That prospect is one of enormous alarm and distress not only to State and local officials in the Commonwealth, but also to millions of ordinary citizens who have been benefiting from the programs to be cut back.

I am sure the members of the committee will be as troubled and distressed as we are over the way that this legislation is being implemented. The legislation offered much promise to every State in the Nation. It offered special hope to many of the older communities in New England, but this has not been fulfilled.

Speaker Bartley is here today to participate in these hearings on social services, in order to present to this committee the report of the joint Massachusetts legislative committee on Federal financial as-

sistance programs, and to give the committee the benefit of his experience with respect to the impact on Massachusetts of pending HEW rules and regulations, especially in the areas of DAY CARE, family services, and welfare.

There is no doubt that HEW's recent actions will drastically alter the lives of thousands of citizens in Massachusetts. Over 70,000 recipients of social services in the State, including the working poor, the elderly, the physically and mentally handicapped, children who are emotionally disturbed, children who suffer child abuse, children in day care, children in foster care, as well as many families that had formerly received welfare assistance—all will be abandoned if the new HEW rules are put into force.

I am pleased, therefore, that you will be able to hear firsthand this morning of the impact of these devastating rules on our Commonwealth, speaker Bartley is accompanied before the committee today by two other distinguished members of the Massachusetts legislature, the two cochairmen of the State joint legislative committee—Senator Joseph Walsh of Boston, who has made major contributions toward solving the problems of municipal employees and public services, and Representative Vincent Piro, an assistant majority leader in the Massachusetts House, who is well-known for his work on problems affecting urban areas.

Again, I am honored to be able to introduce these outstanding public servants of Massachusetts to the committee, and I am confident that their views will be useful to the committee in preparing legislation to deal with this important area of Federal-State relations.

The CHAIRMAN. Thank you very much, Senator.

We are running two hearings today. We are going to have a very brief lunch hour now, in view of the fact we will be back here at 1 o'clock on the hearing we started prior to this, and then we go back on social services at 2.

I would like to have Speaker Bartley to be with us when we resume at 2 o'clock on this subject.

Mr. BARTLEY. I cannot come back this afternoon, I will leave my statement for the record.

The CHAIRMAN. If it is not possible for you to come back after lunch, we will hear you now.

STATEMENT OF DAVID M. BARTLEY, SPEAKER OF THE GREAT AND GENERAL COURT OF THE COMMONWEALTH OF MASSACHUSETTS

Mr. BARTLEY. I thank you, Senator, I understand, as one who conducts hearings I can understand very well the difficulty in timing that you have.

I thank Senator Kennedy for his kind remarks and I appreciate very much coming here from Massachusetts. In fact, after last November I appreciated even being invited to the Capitol.

The CHAIRMAN. We didn't lose everything in Massachusetts last year. We still have a few seats in the Congress.

Mr. BARTLEY. I appreciate that. Things might improve.

In January of 1971 I testified before the House Ways and Means Committee and urged adoption of the Federal block grant revenue sharing proposals.

Thanks, to your congressional response, Massachusetts has now received $84 million under that plan with another $160 million going to counties and to municipalities as Congress and the administration sought creatively to help the States and localities to meet their responsibility with the concept of the new federalism.

However, in January of 1973, a new dynamic was introduced. The President impounded funds desperately needed by the few States and cities and towns, and new sweeping restrictive regulations were imposed by HEW.

The additional reduction conceived under the social and rehabilitation services program before you, too, is another slashing of these funds. This time the hidden targets are the working poor, the elderly, and those recovering from mental illness.

HEW proposals for Massachusetts would reduce our funding promised by the Congress by $35 million.

All of these slashes are under the flag of fiscal responsibility.

The overall outlays frozen under the program are going to cost Massachusetts $357 million.

I submit to you copies of a report today compiled by Massachusetts under the impact crisis and what it is going to mean to our particular State.[1]

My specific concerns are the regulations before you today. At best, the revisions are minimally going to restrict day care eligibility and use of private donated funds.

At worst, they are just simply reworded a little more liberally on these controversial issues.

I fear that the top administrators have been working behind the scenes to exercise their power as tightly as possible and to restrict the funds and to interpret the regulations very, very narrowly.

Congress clearly and specifically outlined in title III of the State and Local Fiscal Assistance Act of 1972 that $2½ billion would be available for the States.

Under that requirement Massachusetts should be receiving about $70 million from HEW.

Instead, HEW has pulled the checks back, battled over the authorized programs, delayed the settlement and left us faced with the reality that we are going to get half that amount, $35 million, despite the will and intent and the act of the Congress of the United States.

I am no defender of my own welfare department. I do believe that the regulations for semiannual redetermination of eligibility are just going to be another paper load that will not really work.

The General Accounting Office has said the same thing. The requirements will in no way enable the State to achieve a good fiscal control over the program.

There are 300,000 people in Massachusetts now receiving noncategorical assistance. These are the working poor, but HEW is telling them to go on welfare.

The proposed rules and regulations for the poverty line dropped from $7,100 to $5,600 for a family of four. I can't think that Congress or myself or you can turn your back on those with incomes of $5,000 or less, and I can't accept telling the elderly they have to get $69 a month less.

[1] The document was made a part of the official files of the committee.

I can't accept telling a person who has just come out of welfare, or who was recently institutionalized for mental illness, that once they are released, their family has to be self-sufficient.

The 2-year period that we had before was much more humane. Under the proposals, former recipients will receive social service aid for 3 months, not 2 years, and determination of a potential recipient will be based not on a 5-year projection but on a 6-month basis.

I would hope that the Congress would continue its pressure on HEW to interpret the regulations that will help the ones that you intended to help;-namely, the poor and the working poor.

I would request that Congress force HEW to meet the mandate of the $2.5 billion for social services under title III.

I would recommend that this distinguished committee specifically define in law that former welfare recipients shall qualify for enabling services for 2 years and that the determination of the potential recipient shall be calculated for 5 years.

Several other steps I would hope would be taken.

S. 1220 should be approved. It would require retention of parts of present social service regulations instead of the proposed regulations regarding State flexibility in determining those eligible for social services.

I would recommend that an amendment be offered to the Federal supplementary budget that would provide for the redistribution in the next fiscal year of social service funds unspent by any State. The funds would be allocated to those States whose programs exceed the amount of Federal dollars allocated under the population formula.

In your deliberations on the Better Schools Act of 1973, more commonly known as special revenue sharing for education, I would urge you to include additional funds for adult education and to support a change in title 1, so that base allocations are not made solely on census information on poverty families. Existing legislation as proposed would result in an overall reduction of elementary and secondary education funds by $2.3 million, and by $726,000 for the handicapped in Massachusetts.

I would urge the Congress and the administration to continue administering grant-in-aid programs in their present form until such time as special revenue sharing programs are enacted and funds are forthcoming, so that an appropriate amount of time can be made available to the Commonwealth and the other States to ease the transition.

I would urge the passage of H.R. 5626, which would repeal the statutory limitation that at least 90 percent of the social service funds in each State be used for present welfare recipients. This change would free up more money for child care, family planning, foster care for children, services for the mentally retarded, alcoholics and the drug addicted, for example.

These changes which I have outlined cannot be left in the hands of insensitive administrators. The surest course is to follow your suggestion, Mr. Chairman, that further congressional legislation be enacted to curb the administrator's butcher knife.

Massachusetts is looking to you, your committee, and Congress for help.

Thank you for your consideration. We desperately need to keep the commitments that we promised the people of this country during the 1950's.

Mr. Chairman, I know it is lunchtime. Thank you for your time and indulgence. I will be happy to answer any questions you or members of the committee may have.

The CHAIRMAN. Thank you, Mr. Speaker. I think you were in the room during the testimony of the previous witnesses, and I think you understand my attitude about this matter. I feel that the $2.5 billion made available should be something that the States should be in position to rely upon; and if I have any influence, that is the direction in which we will move on this committee.

Mr. BARTLEY. It is fitting, Mr. Chairman, when the Congress passes an act to help the States and then those in the administration make it impossible for the States to get the money, that Congress should act again.

The CHAIRMAN. Thank you very much, Mr. Speaker.

Senator PACKWOOD. I have a couple of questions, if it is all right.

In your statement, Mr. Speaker, you urge us to continue the grant-in-aid programs in their present form until such time as special revenue-sharing programs are enacted.

Are you talking about a special social service revenue-sharing program?

Mr. BARTLEY. That's correct.

Senator PACKWOOD. You would be satisfied, as the witnesses from the previous States indicated, if we were to get out of the regulation business entirely, give you a pro rata share of $2.5 billion and say you spend it for social services as Massachusetts best sees fit?

Mr. BARTLEY. That's correct. Of course, that is not what is happening now.

Senator PACKWOOD. I am aware of that. But you would like for it to happen?

Mr. BARTLEY. That's correct.

Senator PACKWOOD. Without us saying, for example, you have to spend 10 percent for children care and 12 percent for family planning.

Mr. BARTLEY. That was the concept under which we were supposed to believe revenue sharing was going to happen. What has happened to us is that we have been led down the primrose path.

Senator PACKWOOD. I agree.

Mr. BARTLEY. We understand that Congress ought to have some type of check on whether we have adequately spent that money.

I believe that the General Accounting Office could examine the States to see that we have carried out in the broad areas of education and social services what your intent was. But the new federalism is not working for the time being. The States should not be made to suffer, and so I would go back to the categorical grant-in-aid program.

Senator PACKWOOD. Let me question you on your budget areas. Fiscal year 1971 Massachusetts received from the Federal Government roughly $8.3 million from this program.

In 1972, $23 million.

Now you say for 1973 under the pro rata share of $2.5 billion, you are going to get $70 million, but you were cut back to $35 million because of the new regulations.

That is still a $12 million increase over what you received from the Federal Government last year, which is a fairly healthy increase.

Mr. BARTLEY. That is only in one program.

Remember that Massachusetts spent close to $1 billion on public assistance programs.

Roughly 48 percent of that is reimbursed by the Federal Government. Because of the situation in Massachusetts—one statistic that makes me unhappy is that our unemployment is at 7.2 percent—we have not recovered as fast as the rest of the country has from what I call depression.

Consequently we projected our need, which would be even greater than it was last year. While we receive a $12 million increase in that particular category, it by no means represents an increase in the overall moneys that we expected to receive from the Federal Government.

Senator PACKWOOD. I have no other questions.

The hearings are recessed until 1 p.m.

The committee will continue its hearing on the nomination of Mr. Sonnenfeld as Treasury Under Secretary at that time, and I think we are due back here at 2 o'clock for the continuation of these hearings.

[Whereupon, at 12:25 p.m., the hearing was recessed.]

AFTERNOON SESSION

The CHAIRMAN. We will now resume our hearings on social services. Senator Curtis requested that we hear Mr. Koley next while Senator Curtis is here. So, if there is no objection from other committee members, we will next call Mr. James L. Koley representing the United Way of America.

Senator CURTIS. Mr. Chairman, I would like to welcome to the committed hearing Mr. James L. Koley of Omaha, Nebr. He is a very public spirited citizen who has performed in many capacities and has done an outstanding job in representing the United Way of America, which has in turn raised money and carried on many good projects.

STATEMENT OF JAMES L. KOLEY ON BEHALF OF THE UNITED WAY OF AMERICA, ACCOMPANIED BY HAMP COLEY, VICE PRESIDENT OF UNITED WAY OF AMERICA, AND HARRY STREELMAN, PROGRAM DIRECTOR OF THE UNITED COMMUNITY SERVICES OF OMAHA

Mr. KOLEY. Mr. Chairman, Senator Curtis, members of the Senate Finance Committee, I am James L. Koley of Omaha, Nebr. By occupation, I am an attorney and am also corporate secretary of Peter Kiewit Sons, Inc., which is a general contractor that does work primarily in the United States and Canada.

With me today are Hamp Coley, who is vice president of United Way of America, and Harry B. Streelman, who is program director of United Community Services of Omaha.

Although Mr. Coley's name is the same as mine, you can see that we are not blood brothers, but we are certainly brothers in spirit in this matter that we come before you today.

In Omaha, I serve as volunteer chairman of the planning and budgeting committee of the United Community Services of the Midlands.

In this capacity, I was directly involved in efforts to get the regulations proposed by the Secretary of HEW on February 16, 1973, modified to more adequately meet the needs of the people in our local communities who find themselves in or near dependency on public welfare.

The United Way of America and its local affiliates were pleased to see the changes incorporated in the final regulations on social services. However, we feel strongly that the final regulations need further modification to—and I would like to point out the three areas that we think there should be changes:

First, we would like to see these regulations help people avoid dependency on the welfare rolls and to maintain their independence by making them eligible for social services which can make the difference between self sufficiency and dependency;

Second, we would like to maintain high standards of accountability in States, while allowing adequate flexibility in use of Federal dollars for that particular State's program. Innovative social services programs should be promoted;

Third, we would like to see the regulations changed so that we can make the maximum use of existing resources in communities by allowing States to support information and referral services by going beyond those allowed by the regulations for employment-related information and referral services to other vital human problem areas.

Before we get into the particulars of these concerns, though, I would like to take just a few minutes to give you a brief picture of the United Way and how it functions in communities throughout the country.

United Way of America is a national association of more than 1,400 local United Funds and councils. It is truly a "bottoms-up" organization in that control rests in the local communities. Last year local United Way organizations raised $860,000,000 from 37 million contributors in this country. The funds raised are used to support, approximately 35,000 national and local organizations including, for example, the Boy Scouts, the Girls Scouts, the Red Cross, the Salvation Army, the YWCA and the YMCA, and many other organizations. These organizations provide a broad range of programs such as day care, delinquency prevention, homemaker services, meals on wheels, emergency assistance and other social, health, and welfare services.

Millions of men, women, and young people serve as United Way volunteers by actively working in agency programs and serving on boards and committees in order to set policies for United Way and its member organizations. The United Way movement represents the concrete implementation of the concept of people helping people, and it has a unique history.

United Way organizations have been operating in this country since 1887. They grew out of an interest on the part of local community leadership to increase their ability to raise funds in an efficient and economical manner. To this day, our fundraising activities cost less

than any other voluntary fundraising effort in the world. Last year, for example, 7½ percent was our nationwide average cost.

Over the years our interest has grown from a limited fundraising effort into a broad-based concern for total human welfare in local communities. This interest is renewed each year by millions of people coming together as participants in the United Way movement to raise, plan, and allocate money for community-based programs. Local United Way organizations' involvement in planning and financing services programs has necessarily led to an interest in those services provided by the public agencies. In brief, the United Way has an overriding interest in all available resources, public or voluntary, that impact the lives of citizens in our local communities. Thus, we are especially interested in any change in public social policy brought about through legislative or administrative action.

United Way organizations, through their volunteer leadership, conduct three essential functions—fundraising, planning, and allocation. The functions of planning and allocation are essential components of local United Way organizations. Involved here is the assessment of community needs and the allocation, supervision, and monitoring of expenditures. This activity is carried out under the continuous review of volunteers who are concerned with local community needs. These volunteers have recognized their responsibility for stewardship of the voluntary contributed dollar and are diligent in their pursuit of the most effective and efficient use of these scarce resources. It is of the utmost importance that United Way organization's planning, allocations and priority setting capacities be included in development and implementation of publicly supported, community based social services programs.

At the present time, under the 1967 amendments to the Social Services Act, United Ways are actively participating with State and local welfare agencies in planning and implementing efficient and effective social services programs. United Way has developed necessary management techniques to account for expenditures within the private voluntary sector. We are now engaged in a major project aimed at initiating a uniform definition of services system. The United Way Services Identification System (Uwasis) can provide the basis for developing cost benefit and quantitative data so desperately needed for efficient management of human services resources. The volunteer involvement of local United Way organizations is enhancing the overall effectiveness of public welfare programs, and legislation, regulations, and administrative policies for public social service programs should insure the continued involvement of this unique resource.

Now this also raises the question of donations by United Way organizations. Local United Way organizations have been able to donate moneys as States' match for Federal financial participation. The donation agreement permits United Ways to identify the community and activity for which moneys are to be spent. The State, based upon its priority setting, is able to use the resultant funds for services in communities. In many instances, the State decides not to provide services directly, but to "purchase services." A contract may be written between the State and a United Way member agency.

Let me point out here the distinction between the United Way organization and its member agencies. As we indicated earlier, United

Way organizations confine themselves primarily to fundraising, planning, and allocating to meet human services needs. They are essentially a broad community based, multiservice, fundraising, planning, and allocating organization which raises and allocates funds to member organizations. On the other hand, the member organizations are also autonomous. They are independently incorporated, and they operate under the direction of their own volunteer policymakers. These member agencies are organizations which provide direct services to people. I am deliberately pointing out this distinction because there appears to have been some confusion in the past about the differences between the United Way organizations and their member agencies.

We understand and we accept the ceiling placed by Congress on social services expenditures. However, the legislation and the regulations under which programs are required to operate must be framed so that the individuals in and near dependency will be able to receive essential services. We are concerned that the present regulations may not serve to assist people in attaining independence but will have the effect of maintaining dependency in order that the recipient is able to receive services. Therefore, we are urging that the regulations be changed to—

1. Enable more of those in or near dependency to be eligible for those services that are critical to achieving and maintaining an independent status;

2. That they shall be changed to provide States with maximum flexibility in determining the type and scope of services they require; and

3. That they be changed to provide Federal financial participation for information and referral services for all human care services for those who can use services to avoid or find their way out of dependency.

In conclusion, I would like with your permission to respond to one question raised by Senator Curtis earlier in the day. He asked income limitations apply to the mentally retarded. For the purposes of the record, we would like to draw your attention to the Omaha community. We currently are serving 520 retarded children in that community. Under the proposed regulations that came out in February, we would have been able to serve only 80. Under the new regulations that are to become final, we can serve 312. So there is a reduction there of 208 children that we will not be able to serve, which is a 40-percent reduction.

And if we apply the same tests to our other programs, such as the big sister programs, the big brothers, the Boys' Club, counseling to unmarried mothers, these are all activities in the Omaha community that will have to be completely eliminated insofar as Federal financial participation is concerned.

Senator CURTIS. May I ask, your problem is not dollarwise, a specific dollar limitation put on by the agency, but it is the regulations themselves, the terms, the definitions, of eligibility?

Mr. KOLEY. That is correct. It is the income standards test; namely, the 150 percent or the 233 percent test in the case of day care services that specifically make ineligible families that have the mentally retarded children.

Senator CURTIS. And prior to this current controversy in Nebraska, all of the mentally retarded were being helped without any income needs test, is that correct?

Mr. KOLEY. All families having retarded children in Nebraska under the current regulations were eligible to receive aid of some kind, but under the new regulations to become effective, at least 40 percent of those same people will not be able to continue to receive services.

Senator CURTIS. I would like to have the record show when Congress handled this matter last year, and after the conferees agreed upon the language that they did, that language was submitted to the appropriate officials in our State government at length by me, and they reported that so far as the language in the statute agreed upon by the Congress that they would be able to carry on their program for the mentally retarded the same as before without any restrictions.

Do you concur in that?

Mr. KOLEY. I certainly do, Senator. We feel quite strongly that the regulations do not carry out the intent of Congress and certainly do not carry out your specific intent in voting for this legislation.

Senator CURTIS. We have a vote on the Senate floor, and I do want to thank you for your appearance, and also those of your associates, and I will not take time to ask any more questions now. I thank you.

Mr. KOLEY. Thank you, sir.

The CHAIRMAN. I will have to go and vote myself. I will excuse Mr. Koley. Next I would like to invite the representatives of the National Association of State Human Resources Directors to come forward. I believe Dr. Charles Mary was scheduled to be the next witness, but since Dr. Mary is not here, Dr. Jacob Tanzer will be testifying in his place.

Doctor, I think I will vote and come back and then you may begin.

[Recess.]

Senator BENNETT. The chairman asked me to go forward with the hearings and he will be back as soon as he has voted. I had hoped to get back before he left, but I wasn't able. I have lost track of who was up and who was down.

Senator PACKWOOD. Could I introduce the next witness, Mr. Chairman? He is from Oregon.

Senator BENNETT. The chairman, for the record, asked me to say that on our list the next witness was to have been Dr. Charles Mary, representing the National Association of State Human Resources Directors. Dr. Mary is from the chairman's home State of Louisiana. I understand that he cannot be here, and that Dr. Jacob Tanzer will be testifying in his place.

Are you Dr. Tanzer?

STATEMENT OF JACOB TANZER ON BEHALF OF NATIONAL ASSOCIATION OF STATE HUMAN RESOURCE DIRECTORS

Mr. TANZER. I am Mr. Tanzer, but I am not a doctor.

Senator PACKWOOD. He is a lawyer, however, Mr. Chairman, and that is as good as a doctor.

Mr. TANZER. Lawyers have more fun.

Senator BENNETT. I am afraid I will have to correct the chairman's note then, because it says Mr. Tanzer is Dr. Tanzer. If you wish to introduce him, fine.

Senator PACKWOOD. Mr. Tanzer is from Oregon and he is here appearing not on behalf of just the State of Oregon or just the State of Louisiana, but for a good many States, as I understand it. Jacob Tanzer is an old acquaintance and friend of mine. I have known him for almost—well, for more years than I would like to admit. He was a lawyer of great repute in both the district attorney's office in Omaha County and the district attorney's office in the State of Oregon, and he used to be involved in a substantial amount of amateur theatrics, although I assume you will restrain yourself in that line in your testimony today. So it is my pleasure to introduce Mr. Jacob Tanzer.

Senator BENNETT. We would be very happy to hear your testimony.

Mr. TANZER. Thank you very much.

I do appear on behalf of the National Association of State Human Resource Directors, which is a newly formed organization of directors of broad social services agencies which includes the traditional welfare agencies but also includes health and manpower and vocational rehabilitation, corrections agencies, and other agencies of that nature.

This was formed with the idea of being able to pull the various kinds of resources of government together in order to more effectively do the job of helping people to reach independence. That is our task. There are 28 States which are members, large and small, in eastern and western and central America, and we represent a good cross section.

I should say on behalf of all of these I think that we have a broader view than traditional agencies. I should say we are perfectly willing to live within what we understand to be congressional intent in the passage of the Revenue Sharing Act, that is to live within the $2.5 billion and to be able to use the flexibility, which we understood the Congress intended, in order to accomplish the social services authorized by that act. But on the contrary, and in a random type survey of our membership a few weeks back, they made it clear that they would be able to spend only about one-half of that under the new more restrictive regulations, and that is, as I said, a rough estimate.

Similarly, we hear from sources within HEW that it is their intention to write the regulations to take up the slack between the $2.5 billion and about $1.2 billion. So it is their intention, really, to cut the ability of the States to spend those moneys to about one-half of what Congress intended.

Furthermore, the regulations we feel are probably not illegal, but are certainly contrary to what we understood to be the legislative intent in other respects as well. The States I think have moved very progressively and with different degrees in each State toward a system of community-based treatment, which has been described by many of the prior witnesses, and I don't want to repeat what you already heard, except to point out this process of decentralization from the great central hospitals and great central prisons and juvenile prisons, and essentially the move to the community-based treatment systems, for children, for mentally ill, for mentally retarded, for the handicapped, and primarily for children, but also for other groups, and this has been largely funded by the ability to use social services funds from the Government.

At least in Oregon, the case is there has been a diminishing of State funds in the running of the institutions. I speak for my own State and several others when I say this community-based services has been

based upon the Federal social services dollars and we see the new regulations as essentially an attempt in which HEW will withdraw its participation in this whole process. Essentially there is the withdrawal there of the stated goal to serve children.

In the February 16 proposed regulations, which drew so much fire—and nobody has mentioned it yet—those regulations endorsed the goal of for children "the achievement of potential for eventual independent living."

The new regulations strike that language. They delete that language. The new regulations, despite the language of the Revenue Sharing Act which says in part E under the exemption categories, there will be an exemption from the 9010 formula which exempts "services provided to a child who is under foster care, in a foster family home, or in a child care institution or while awaiting placement in such a home or institution." And contrary to that language, the HEW regulations define foster care not as foster care but as placement in foster care and thereby limit participation of those dollars only in placement. That is like calling a horse a cow and expecting people to milk it. It is simply ignoring reality, and I think it is in direct contradiction to the statute.

In addition, it says that you cannot purchase any services for foster children, in other words, the State with whatever services it might be would have to provide them and not the private agencies. So it bars use of those moneys for medical, mental health, or remedial care services.

Senator Curtis, you were asking about the use of these moneys for mentally retarded children, and you were asking about potential eligibility, that is, whether they were eligible or not. The regulations say you cannot use that money for mental health services or for remedial care services.

Senator BENNETT. Isn't there a difference in the definition between mental health and mentally retarded children?

Mr. TANZER. Well, I think that——

Senator BENNETT. Well excuse me, but I think there are two different categories there.

Mr. TANZER. Well, the only turn around they made in the May 1 regulations were to provide for day care, that is not treatment, but day care of retarded children of parents, whether or not those parents have a work problem. That is the only change.

And the language does specifically bar mental health, medical, or remedial care services. Now that is what we do for retarded children; namely, mental health and remedial work.

Now, it says no medical or vocational services. That is on the list of what you can't use Federal money for. They say they are targeting in on welfare problems. We say not so. We have always had the same programs and the same aim for welfare, that is, to bring people off of welfare. Now what they have really done is said you can't do anything else except those things which we have been doing. They are not targeting in on anything. What they are really doing is defaulting on everything else that these moneys have been used for, and of course we object to that.

That is made clear by their withdrawal of support for those programs designed to get people partially off of welfare. I am speaking now about handicapped people, mentally retarded people, and to a degree about older people, the aged. Under the definition of potentials it requires that you must have a problem that is work-related, which if

alleviated will allow you to come off of welfare, or, if not alleviated, will require you to go on to welfare within 6 months. We have handicapped people and mentally retarded people and we train them and teach them to the point where they can partially get off welfare. I am referring now to the fact they are not as productive in their work as you and I. They are in sheltered workshop situations, or something such as that, and thereby are contributing partially to their income, to their own maintenance, and I believe living in a high degree of dignity than they did in the old institutions or other living situations for them. The support of those programs is just taken out by the new definition of potential eligibility.

So we don't see this as a target at all. We don't see it as a focus at all. We see it as a withdrawal from responsibility. We urge and the 28 States and departments which we represent urge unanimously that the Congress in some manner allow the States flexibility to attack the problems of achieving greater human independence, greater human self-support, and greater human dignity in a way in which the newly developing programs have allowed us to do.

I might say, incidentally, we could do that job a lot better if we were organized better. We are bringing agencies that were apart together better. We are a decade ahead of the bureaucratic quagmire of HEW. We feel we have that capability and would like to get on with the job.

I thank you very much.

The CHAIRMAN. Mr. Tanzer, I think I made it clear when I had a chance to meet with the State human resource directors that I think we should make it clear what we believe to be a social service, which is generally speaking practically all of those things the States were providing as social services to their citizens, and then give the States the broadest possible latitude in deciding for themselves what priority they want to place on each of these various social services so that they could use that money as they thought it best could be used. My understanding is that these State human resource directors would generally find that acceptable; is that correct?

Mr. TANZER. I think so.

The CHAIRMAN. They understand that we had to put a lid on the open-ended situation we had before and the $2.5 billion ceiling is not what upsets them. What upsets them is the fact they don't have the discretion to use the money the way they think it ought to be used.

Mr. TANZER. Quite so; we understand that you have to have some kind of control on funding. We have no objection to that. As I indicated, we would be very happy to live within the $2.5 billion and in future years would probably be back suggesting increases for inflation or something of that nature. But we are happy to live with a fixed amount. I might say with a lid on there is less need for the Federal Government to restrict us. We are not going to abuse it.

The CHAIRMAN. That is right; if there is only a certain amount of money available, it is logical that you would plan to put your money where you could get the best results with it. That being the case, the low priority parts of the program would tend to get the ax anyway.

Mr. TANZER. That is right.

The CHAIRMAN. Any further questions?

Senator PACKWOOD. I want to make sure we understand your situation, because there may be some opposition testimony. What Chair-

man Long has said is if you were to get the $2.5 billion, with relatively few strings, social services would include just about 15 things.

The question is, do you think we could get more for our money and do a better job that way than with the proliferation of regulations just published?

Mr. TANZER. Absolutely, sir; I have no doubt about the purpose of regulations is to cut us back from the $2.5 billion. In other words—and I can't speak for all States, but I have spoken to representatives of States who are spending in excess of their per capita portion of the $2.5 billion and they say too that they recognize the need for the Federal Government to get a hold of that fund and, while they might be getting less than they would have, they still realize the need for it and they are willing to live with it.

[The statement of Dr. Charles Mary and Jacob Tanzer follows:]

PREPARED STATEMENT BY THE NATIONAL ASSOCIATION OF STATE HUMAN RESOURCE DIRECTORS, PRESENTED BY DR. CHARLES MARY, LOUISIANA, PRESIDENT, AND JACOB TANZER, OREGON, VICE PRESIDENT

PRINCIPAL POINTS

HEW's social services regulations are unlawful and unwise

1. The regulations are contrary to congressional intent that the states have maximum flexibility, within the $2.5 billion ceiling, to develop human service programs.
2. The regulations are unlawful in that they forbid use of social service funds for foster care services as provided by P.L. 92-512.
3. The regulations are unwise and fiscally unsound in precluding federal participation in programs which enable dependent people to be or become less dependent.
4. The regulations are unsound in that they encourage bureaucracy and discourage reliance on private resources by withdrawing federal dollars from purchase of foster care services.

STATEMENT

This statement is made on behalf of the newly formed National Association of State Human Resource Directors, an organization representing comprehensive social service agencies of 28 states. Besides traditional welfare assistance and service responsibilities, we are also charged with the responsibility for administration of health, manpower and correctional programs in a coordinated fashion. It is our responsibility to bring hitherto separate programs together and make them work to enable the citizens of our states to achieve economic and social independence.

The HEW regulations on social services published on May 1, 1973, represent one step forward and ten steps back as if to recreate the primitive state of social services in the early 1960's.

As to the step forward, the regulations represent an obvious attempt to put accountability and goal achievement into our social services system. We endorse that objective. There is not enough money in the state or federal budgets to do undefined good and to fill all needs. We must set social and economic goals for our citizens, assist them in achieving those goals, and be able to return to the legislature, the Congress and to the public with demonstrable results. So much for the applause.

We believe the new regulations are unlawful and unwise. They are accountancy-wise and program foolish.

The regulations are unlawful in that they are contrary to congressional intent that the states have maximum flexibility, within the $2.5 billion ceiling, to develop human service programs.

It appears from the statements of those who formulated the $2.5 billion lid on social services funding as a corollary to revenue sharing, that Congress intended to distribute funding at present levels to the states and to give to the states maximum flexibility in the expenditure of those funds. The states agree with that policy determination of Congress, but HEW prohibits the states from doing so.

Instead of $2.5 billion total, HEW has budgeted $1.8 billion. Inside sources at HEW inform us that the new regulations were intentionally designed by increment to make it impossible for the states to spend more than $1.2 billion, only one-half of what Congress intended.

With the spending lid to prevent excesses and abuses, the states should have maximum flexibility in determining priorities and formulating programs. It is the states, not the federal bureaucracy, which can best develop innovative and imaginative programs to enable people to become independent or as independent as their capabilities allow. The states are closer to the action than the money-distributing bureaucracy in Washington. It is the states who should have a freer hand in program development and the role of the federal bureaucracy should be general policy development and monitoring to insure against abuse.

Congress appears to have intended that the states have just such freedom to innovate within congressional policy. Through the development of human resource agencies such as those represented by our association, the states are forging way ahead of HEW in breaking down categorical and disciplinary barriers to interagency cooperation. The states are in a better position to pull together various resources toward a common goal than is the federal administration and particularly the fragmented Department of Health, Education and Welfare. The effect of the regulations is to inhibit our ability to pull our programs together toward common goals of client independence, and rather to pull us back to the organizational quagmire of the 1960's. We would rather lead HEW than have HEW retard our progress.

The regulations are unlawful in that the law mandates expenditure of social services funds for foster care to children and the regulations preclude foster care to children.

Congress intended the social services money be provided for residential care for children. In setting out the categories of expenditures which would be exempt from the 90/10-eligible former and potential formula, P.L. 92-512 specifically lists

"(E) services provided to a child who is under foster care in a foster family home . . . or in a child-care institution . . . or while awaiting placement in such a home or institution . . ."

The regulations bar the use of social services money for the foster care programs which the statute describes. § 221.9(b)(8) defines foster care services for children. The definition restricts the expenditures to foster care *placement* only. It expressly forbids the use of moneys for foster care services other than placement:

"Foster care services do not include activities of the foster care home or facility in providing care or supervision of the child during the period of placement of the child in the home or facility."

§ 221.53 sets out those expenditures for which social services funds cannot be used. Subsection (e) bars their use for "Vendor payments for foster care (they are assistance payments)". Subsection (g) bars use for education programs and educational services. Subsection (i) provides their use for medical, mental health or remedial care or services other than screening or family planning. Yet these are the basic services of residential care for a delinquent, disturbed or otherwise dependent child.

It is clear the HEW has systematically written regulations to accomplish the withdrawal of federal funding of any foster care services in flagrant contempt of the language of the statute which controls such spending.

It is no accident. The regulations constitute a deliberate withdrawal from responsibility to children. In the February 16 proposed regulations, § 221.8(a)(2) establishes the goal of "for children, the achievement of potential for eventual independent living." That goal is deleted from the May 1 final regulations. The withdrawal of responsibility from children is by calculation and design contrary to the intent, express and implied, of the Social Security Act and of all humane good sense.

The regulations are unwise in that they preclude the use of social services moneys to enable people to reach levels of independence of less than complete economic independence.

The regulations eliminate all goals except the elimination of persons from the welfare rolls. While HEW refers to those activities as targeting and focusing, that language is euphemistic obfuscation. The moneys have been used for that purpose all along. HEW is simply discontinuing its support of other programs with other humane goals.

We think it is important to provide services to low income elderly people to enable them to stay in their homes instead of going to nursing homes.

We think it is important to subsidize sheltered workshops which allow physically and mentally handicapped to help earn part of their income even if they do not achieve full economic independence. It is cheaper than welfare and it promotes human dignity.

We think it is important that we enable people to live at their highest functioning level, even though that level may not be full independence. In every such case it also makes good fiscal sense. The regulations tie the hands of the state agencies in trying to serve these people. HEW's dreadful decision will condemn tens of thousands of our citizenry to institutions when we believe that they should be living in the community with greater dignity and lower costs, unless we rob other programs to fill HEW's default on responsibility.

It does no good to save money on social services in order to spend out greater sums in maintenance programs such as welfare. The new regulations contradict that basic truth.

The regulations are unwise in that they preclude reliance upon the private sector for the provision of social services.

Many states have moved satisfactorily away from reliance upon state-operated institutions and toward purchase-of-care and purchase-of-service arrangements with small community-operated residential and in-home services. The arrangement has proved to be more effective both in terms of the changes wrought in children's lives and in terms of public awareness and involvement in the processes of social service.

That federal-state-private partnership recognizes that the children with whom we deal are the problem of us all, state, federal and private. They replace bureaucracy with citizen involvement, sluggishness with vigor, and routine with imagination. While states are at various levels of program development, we are confident that purchase-of-care and service from non-institutional community-based operations is the way of the future.

The regulations destroy the state's ability to contract for such services. The regulations cited above which preclude use of the money for vendor payments, mental health services, remedial services, educational services and vocational services, all indicate a federal thrust back to the large centralized state agencies, removed from the community, with their often regressive effects on children and other clients.[1] We reject HEW's priority thrust as archaic, bureaucratic, costly and ineffective.

CONCLUSION

We ask that Congress act promptly to require that the administration of DHEW obey the law as to foster care services.

We ask that Congress act promptly to restore federal support to programs designed to enable children to achieve their potential for eventual independent living.

We ask that Congress act promptly to restore federal support of programs to enable aged, crippled, mentally retarded and other dependent citizens to live at the highest level of independence, dignity and self-determination which their capabilities allow.

We ask that Congress act promptly to assure that the states have sufficient flexibility as to allow the development of innovative, effective programs for human development.

We ask that Congress act promptly to assure the states sufficient flexibility to maintain their lead of HEW in the coordination of hitherto fragmented social services.

Respectfully submitted.

The CHAIRMAN. The next witness will be Mr. Willie I. Hancock, executive director, Planned Parenthood of Toledo, Ohio, on behalf of Planned Parenthood-World Population.

[1] HEW points to the modification of the private donations regulations as a concession to public-private arrangements. The argument is fallacious. Even HEW cannot build a stool with one leg. Other regulations still forbid the money's use for the services for children and others for which the arrangements were made.

STATEMENT OF WILLIE HANCOCK, EXECUTIVE DIRECTOR, PLANNED PARENTHOOD LEAGUE OF TOLEDO, OHIO, ON BEHALF OF PLANNED PARENTHOOD-WORLD POPULATION

Mr. HANCOCK. Mr. Chairman and members of the committee, my name is Willie Hancock, executive director of the Planned Parenthood League in Toledo, Ohio. I appear here today as the spokesman for Planned Parenthood-World Population, a private organization which has been providing family planning services for more than 50 years and which today has 192 affiliates across the Nation.

I very much appreciate this opportunity to present our views on those sections of the new social services regulations that affect the provision of services under title IV–A of the Social Security Act. Over the past 6 years, this committee has consistently and effectively supported the development of family planning services for the poor and disadvantaged. The first DHEW family planning project grant program under title V of the Social Security Act was approved by this committee and this committee is also responsible for the original 1967 amendments that made title IV–A a source of additional Federal support for family planning services. More recently, the Congress under your leadership included a provision in the Social Security Amendments of 1972 (P.L. 92–603) which significantly strengthened the family planning provisions of title IV–A and title XIX (medicaid). Federal matching funds for family planning services under both titles were raised to 90 percent and language was included in both titles to encourage States to provide voluntary family planning services to sexually active minors. The law does not specify which of the two financing mechanisms are to receive preference, but it seems clear from your committee report that you intended DHEW to fully employ both programs to reach and provide services to a broad grouping of low-income individuals. Title IV–A was amended to require the States to offer and promptly provide family planning services to all current applicants for and recipients of AFDC assistance, and a 1-percent penalty on the Federal share of State AFDC payments was added to insure State compliance with this provision. Moreover, the committee's report on the 1972 amendments, which contains the only legislative history on the family planning provisions of the law, indicates that the States are also obligated to provide family planning services to past and potential recipients. The report on page 297 states that only "the difficulties of enforcing or monitoring the mandatory provision of family planning services to former and potential recipients" have deterred the committee from extending the statutory penalty to the States which fail to provide services to these groups.

Mr. Chairman, I can tell you that planned parenthood affiliates and other health providers involved in the provision of family planning services to the poor welcomed the 1972 amendments. The Federal family planning project grant programs mainly under title X of the Public Health Service Act, have been of termendous help in establishing family planning programs in many areas of the country, but despite a constant and growing demand for these services, there have been no additional funds in the past 2 years to expand and develop new programs. Moreover, the administration has announced that there will be no future increases in project grant support and that

support for family planning services will have to depend increasingly and perhaps totally on third-party payment sources, title IV–A and XIX. However, as noted in your report, the States had prior to 1972 made little progress in providing family planning services and we, with you, expected and hoped that the 1972 amendments would encourage States to increase their commitment to this program. But when DHEW issued these new social service regulations, our hopes for title IV–A all but vanished. Quite simply, these regulations make it all but impossible for States to finance family planning services under title IV–A for anyone except current welfare recipients.

Let me illustrate the situation by referring to my own program in Toledo. Last August, we signed a contract with the Lucas County Welfare Department under which we agreed to furnish family planning services to current, past, and potential welfare recipients. The county was able to do so because matching funds had been donated by three nonprofit corporations. Under our program, a patient from a four-member family with a net income of $3,960 is eligible as a potential recipient. This income ceiling is not adequate to cover all those in our community who need free contraceptive services. We had hoped that in time we could persuade our welfare agency that a wise policy as recommended by this committee would be to make family planning services widely available as a way of reducing future dependency.

Our present procedures for determining eligibility are quite simple. We interview patients when they come into the clinic and ascertain whether they are on welfare, have been on welfare or have an income that would permit them to qualify under the income standard as a potential recipient. If a patient in our judgment is IV–A eligible, we provide the service and bill the welfare department for the cost. Welfare then accepts or rejects our decision, but the patient gets the service and we usually get our money. At present, we are serving about 125 patients each month under our title IV–A contract. Seventy percent of these patients are current welfare recipients and the remaining 30 percent are past or potential recipients.

This is what we are doing now but after July 1, I do not see how we will be able to receive any title IV–A reimbursement for potential recipients and our whole title IV–A program, if it exists at all, will operate in a much different way. The new regulations state that the welfare agency will have to determine the eligibility status of current and potential recipients before they can receive a specific service such as family planning. This means that our walk-in patients, which your report indicates should promptly be served would be forced to go to the welfare department and undergo a certification process much like that required of persons applying for regular welfare payments. I can tell you that few low-income persons on or off welfare will want to undergo such a process which is time-consuming, complicated, and perhaps expensive. A trip to the welfare department can involve transportation and babysitting expenses, as well as a loss in wages. The welfare department will have to utilize a gross income standard that is no higher than 150 percent of the States' AFDC payment standard which is only $3,600 in Ohio and $360 less than the net figure now employed and which we believe to be far too low.

Secondly, potential recipients cannot have resources or assets greater than those that would qualify them to receive AFDC assistance.

In Ohio this means that a potential recipient cannot have more than $300 in liquid assets, life insurance, with a cash value worth more than $500, or an automobile used for transportation that is worth more than $500.

Finally, the potential recipient must "have a specific problem or problems which are susceptible to correction or amelioration through provision of services and which will lead to dependence on financial assistance under title IV–A within 6 months if not corrected or ameliorated." In our case, the specific problem to be avoided is the birth of an unwanted baby. Mr. Chairman, DHEW and everyone else knows that it takes 9 months for a woman to have a baby. If she is poor and single, she will be eligible for welfare as soon as she has had that baby without ever having qualified for family planning services as a potential recipient under these regulations. That is absolute nonsense and I just do not know how DHEW can justify such a restriction when title III of the Revenue Sharing Act specifically authorizes the provision of family planning services to potential welfare recipients and the legislative history of the 1972 Social Security Amendments clearly indicates that title IV–A is to be used to provide family planning services to sexually active minors and other childless low-income women.

Although we have not had this particular problem in my program, I understand from other planned parenthood affiliates and public health departments with family planning programs that their States have received an interpretation from DHEWs social rehabilitation services (SRS) regional offices and from the Washington SRS headquarters that potential recipients of public assistance can qualify for title IV–A social service only if they have the same social characteristics as AFDC families. An essential prerequisite for AFDC eligibility is, of course, a dependent child; thus, under this interpretation, no single woman or childless couple can meet the eligibility criteria for IV–A services, and the States are unable to meet the intent of this committee, as I understand it. As long as group eligibility was authorized under the regulations, states which had received this interpretation could choose to cover single, childless, sexually-active persons as a part of a low-income group, but the new requirement that eligibility for all social services must be determined on an individual basis makes this exclusion of childless, single, sexually active young women much more salient.

Soon after DHEW proposed these new regulations in February, the President of our organization, Dr. Alan F. Guttmacher, provided DHEW with a point-by-point analysis of how the new regulations would make the family planning provisions of title IV–A practically meaningless as a means of preventing out-of-wedlock births and welfare dependency. The final regulations, however, were issued without taking into account these criticisms. Unless Congress exerts its influence, these regulations will take effect in July and, therefore, the potential for support of family planning services under this program will be lost and the small progress that has been made will be undone. This will happen in spite of the fact that when Secretary Weinberger appeared here last week, he told the committee that $31 million would be spent for IV–A family planning services in fiscal year 1974 and $73 million for medicaid family planning services.

While I believe that Mr. Weinberger's figures are in excess of the already speculative figures which were contained in the administration's budget and, therefore, may be in error, neither set of projections can be documented with any level of accuracy or accountability. Any one with any experience with these two programs would characterize them as totally fanciful.

DHEW is actually engaged in a cruel, bureaucratic "shell game." It is currently refusing to support expansion of the family planning project grant program and rationalizes its opposition by maintaining that large scale support for family planning services is now available under the 1972 Social Security Amendments. This, at the very time when DHEW has practically foreclosed the possibility of using title IV–A for family planning purposes and family planning providers are left with medicaid as the only realistic source of third-party funds for family planning services. In Ohio, and in 24 other States, welfare recipients are the only people that qualify for medicaid. The remaining States that have medicaid programs cover "medically needy persons" as well as current recipients. The medically needy, however, must qualify under income ceilings which are even lower than those under the new IV–A income criteria. The medically needy must also have the social or physical characteristics for one of the four welfare programs. For family planning purposes, this means that families and individuals must qualify under the AFDC program. As mentioned earlier, the existence of a dependent child is a basic requirement for AFDC eligibility.

Except in those 23 States which cover unemployed fathers under AFDC, the dependent child must be deprived of the support of one parent. In short, single and married adults who have not had children do not qualify as medically needy under medicaid regardless of their economic condition. There is an optional provision under medicaid which enables States to extend medicaid benefits to all impoverished individuals under 21 but only 13 States have exercised that option. It is, therefore, quite apparent that the basic eligibility provisions of this program severely limit its potential to finance family planning services for low-income adults or minors before they are on the welfare rolls.

There are additional State-imposed administrative limitations that relate to the kinds of health agencies that can receive medicaid reimbursement. Ohio's medicaid program, for example, does not currently reimburse clinics except for those operated by the public health department and even than periodic examinations are excluded. Therefore, Planned Parenthood and other clinic providers are not reimbursed for the services they provide. Private physicians in Ohio have little incentive to provide family planning services since they are reimbursed for only 60 percent of their usual, customary and reasonable fees for this service.

As a medical program, medicaid is not designed to finance the counseling and outreach activities which are quite important to a comprehensive family planning services program. Our program in Toledo is successful because we can operate an active outreach and educational service in the low-income community and we finance these activities with our title IV–A funds and our basic DHEW project grant. Our services are well accepted and we want to provide services to additional low-income families and individuals, but we need money.

The law makes title IV–A a reasonable, practical source of State funds for comprehensive family planning services, and our State is now willing to provide the matching funds but these social service regulations are an insurmountable obstacle.

We ask your help in changing these regulations and respectfully suggest that the following modifications be made:

First, that the time period used to establish the eligibility status of potential recipients for family planning services be extended to 1 year. This is because the problem to be avoided is an unwanted pregnancy.

Second, that family planning provider agencies be enabled to do a preliminary determination of patient eligibility by taking into account both the patient's income and life circumstances.

Thirdly, that the income eligibility standards contained in the regulations for day care services be extended to family planning services. We believe that the same justification exists for the provision of family planning services as a tool in the prevention of dependency as exists in the provision of day care services. Studies have shown that families with incomes below $8,000 have a substantially higher fertility rate than those with incomes above that level. Application of the day care standard would enable the IV–A planning programs in most States to serve families with incomes close to that range.

Fourth, we urge that the committee request and obtain from DHEW an unequivocal declaration of whether or not unmarried persons and sexually active minors, who are not already part of an AFDC family, may qualify as potential recipients under the title IV–A program. Should the Department's response be less than satisfactory, we urge that your committee take the necessary legislative steps to insure that its intent in adopting the 1972 amendments is carried out.

In closing, Mr. Chairman, I would like to add that it would be of great importance for the committee to secure and review the budget projection of DHEW for both the title IV–A and title XIX family planning programs. The committee should insist that documentary evidence of detailed data on which these projections are based be submitted by SRS. The special matching arrangements for family planning established by the 1972 amendments, if they are to be utilized by the States, would require that they segregate family planning service expenditures to secure the more desirable matching rate. In this case, there should be no difficulty obtaining adequate fiscal documentation from the States and, therefore, verifying SRS estimates. If, on the contrary, the States fail to utilize the better matching arrangements because, for bureaucratic or other reasons, they are unable to or unwilling to set separate accounts for family planning services, then SRS and this committee should be appraised of the fact and the expenditure projections revised accordingly.

Thank you very much.

The CHAIRMAN. If we look specifically at the problem that this committee has tried to help solve for girls in their teens who are sexually active, it is desirable that these girls should have available to them family planning services. Now, if those are low-income families from which those girls come, then the probability of those children becoming welfare clients is very substantial. If they are sexually active and know nothing about family planning, the probabilities are that young women in that situation will find themselves pregnant and

many of them will have to become welfare clients. In some cases, they may be able to marry the father of the child, but in a great number of those cases they won't. But if they do, it is not a very good way to start a marriage, because the young woman is pregnant. It would be fare more desirable for society's benefit that those young people, if they are sexually active, should know something about family planning and would have the services available to them.

Now, in doing so, the savings for the Government by needless welfare expenditures greatly exceeds whatever the cost might be to provide the family planning services to the young people, is that not correct?

Mr. HANCOCK. Yes, sir, I would certainly agree. On the average it costs only about $66 a year to furnish comprehensive family planning services to a woman. For the life of me I cannot understand why DHEW has imposed this 6-month provision which ignores biological reality and has the practical effect of limiting family planning services to those women who are already on welfare. I see these regulations as a vehicle to actually place a woman on welfare before she qualifies for the services.

The CHAIRMAN. Well, I don't see why there should be any restriction in that regard that would have anything to do with the time period. In other words, any female of a low-income family who is sexually active is a potential welfare client. If she is sexually active, there is a distinct possibility that she is going to be a mother soon, and when she becomes a mother, there is a strong possibility that the Government will have to support the child. So if you are only thinking in terms of Government economy, it is a poor investment to fail to provide the family planning services. And if you are thinking in a broader sense of the happiness and the successful lives of young people, it would seem to me even more compelling that the services should be provided.

What you would hope to do would be that she could postpone pregnancy until she is married and in a position to bring the child into a family. Now, that is what you are trying to achieve, and what this regulation seems to impede, I take it?

Mr. HANCOCK. Yes, sir; that is absolutely correct. DHEW in these regulations fails to recognize that family planning is a preventive medical and social service that should be made available to low-income families before they are on welfare. Even without the 6-months provision, and the income ceilings, the limits on family resources and the AFDC social characteristics requirement makes eligibility for supposedly preventive services very much like that required for actual welfare money payments. It doesn't make sense. DHEW is making it impossible for a single girl or a low-income couple to qualify for family planning services under title IV–A.

The CHAIRMAN. Well, frankly I don't believe that they even thought about that aspect of the problem when they drafted the regulations, otherwise they wouldn't have drafted it that way, I am sure. Thank you.

Senator PACKWOOD. Just a couple of questions, Mr. Chairman.

Mr. Hancock, you touched upon this in your statement, that the HEW budget for 1974 talks about $25 million for family planning under title IV–A and $43 million under title XIX. First, I am not sure how they got those figures. But do you see any likelihood of that being a realistic expenditure based upon your experience?

Mr. HANCOCK. No, both amounts are totally unrealistic. As I indicated in my statement, the basic medical eligibility criteria make it impossible for this program to finance services for any significant number of persons beyond those already on welfare. I might say that only about 16 percent of the women who need subsidized family planning services are welfare recipients.

In addition, family planning provider agencies are often unable to qualify for reimbursement under the administrative policies of State medicaid agencies. Although we have had a medicaid program in Ohio since 1966, Planned Parenthood can receive reimbursement only for the cost of supplies, and the program is of little practical use to us. Our situation is not unique. A recent national survey of some 460 major family planning provider agencies indicated that less than 27 percent of these agencies were receiving medicaid reimbursement.

As far as title IV–A is concerned, States have only recently begun to utilize this program to finance family planning services. We can identify only 16 States where one or more family planning providers are actually receiving title IV–A funds and in a number of these States only one or two agencies have contracts with the welfare department. For example, in Ohio there are 14 Planned Parenthood affiliates but only two of these receive title IV–A funds and Planned Parenthood is the biggest provider of family planning services for low-income persons in the State. These regulations, of course, just about eliminate any hope that additional providers will receive title IV–A funds and there will be a real cutback in the programs that already exist. This sad situation is made even worse by the administration's refusal to expand the family planning project grant program. There has been no increase in this program in 2 years and DHEW has been telling us to secure third-party funds by DHEW's own social service regulations make that impossible.

Senator PACKWOOD. The chairman has talked about coincidences. Would you say there is almost a deliberate attempt to write these regulations to limit family planning services?

Mr. HANCOCK. From where I sit, I see these regulations as definitely limiting family planning services. Apparently they are trying to cut expenditures, but if family planning services are not available, you cause people to move on to the welfare rolls. These regulations are an exercise in cutting off your nose to spite your face.

Senator PACKWOOD. What do you think of the philosophy the chairman suggested—and I have indicated—of removing most of the regulatory restraints from this money and giving the States social services revenue-sharing grants and letting them spend it in broad categories as they want?

Mr. HANCOCK. I listened to those statements earlier this morning and I kind of shuddered because I was thinking about our difficulties with medicaid. State welfare agencies have generally been reluctant to give priority status to family planning services.

Senator PACKWOOD. Well, title 19, medicaid, would not be touched.

Mr. HANCOCK. I would say that the States need strong guidance in setting priorities for social services. In comparison with other programs that have benefited from title IV–A, States have tended to ignore family planning services.

Senator PACKWOOD. Well, the reason I asked is that most of the people who have testified have been involved at the State level and

the distribution of these funds and to a man they have indicated—and to a woman as well—that they would be responsive to having a $2.5 billion ceiling and getting rid of the regulations and letting them spend the money the way they want. They feel they will get more for their money.

I noted the fear has been expressed here by a number of agencies particularly concerned with project grants that they will not fare as well. How would you at Planned Parenthood feel would fare at the hands of the States, and specifically Ohio, if you want to use that as an example?

Mr. HANCOCK. It seems to me that when Congress, in the revenue-sharing law, limited social services expenditures for past and potential recipients to family planning and four other services it made a wise decision. Our experience indicates that it is difficult for family planning to compete with older, established programs. If we were thrown into a hopper with various other programs, I don't believe we would come out with an equal share.

Senator PACKWOOD. But you would go into a hopper with all other kinds of programs with the new ceilings isn't that correct?

Mr. HANCOCK. That is the situation that existed before the revenue-sharing provisions were enacted. If social services funds are going to be limited, I believe it is important to give priority status to family planning services.

Senator PACKWOOD. What you are saying is you like the law you have and don't want it changed?

Mr. HANCOCK. I would agree with that 100 percent. When you get to the State level you get into a bureaucracy that has limited experience with family planning services and has not placed as much emphasis on family planning as there should be.

Senator PACKWOOD. I have to stop to vote. We're just going to take a recess for 2 or 3 minutes until the chairman gets back.

[Recess.]

The CHAIRMAN. Well, we are finally through voting on the bill.

I believe we have asked you all the questions we had in mind, Mr. Hancock. Thank you for appearing.

Senator FANNIN. Thank you very much.

The CHAIRMAN. The next witness is William R. Hutton, executive director on behalf of National Council of Senior Citizens, accompanied by Randolph T. Danstedt, Assistant to the President.

STATEMENT OF WILLIAM R. HUTTON, EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF SENIOR CITIZENS, ACCOMPANIED BY RUDOLPH T. DANSTEDT, ASSISTANT TO THE PRESIDENT

Mr. HUTTON. Thank you very much. If I may, sir, with your permission, I would like to submit my statement for the record and perhaps just for a few minutes we might deal with some of the highlights as we see them and take any questions that you may ask.

Frankly, Mr. Chairman, we believe that since 1956 a modest program of services to older people—services in the form of senior centers, nutrition programs, day care, foster care, legal services, transportation, educational services—have been developed and initiated as the beginnings of a program of alternatives to nursing home

care and they have begun to offer assurances to older people that perhaps their later years will be years of dignity and security.

There is a chance that these things will continue to improve—and we were somewhat encouraged by the attitude of the White House Conference on Aging—that these decentral services might be further expanded and developed. We felt that they were creeping forward, a little too slowly, but they were getting there.

When that conference of some 3,400 delegates—Republicans, Democrats, people from all walks of life, all over the country—essentially endorsed the declaration on services presented to the conference by these National Council of Senior Citizens in its "Platform for the 1970's for Older Americans," we were really encouraged that things were moving ahead. That declaration read that "A wide and adequate range of facilities and services appropriately designed to meet the needs of older people to consultation with older people must be developed and financed." Our hope was appreciably reinforced when the President, President Nixon, pledged "We plan to give special emphasis to services that will help people to live decent and dignified lives in their homes; these services being home health care, homemaker and nutrition services, home-delivered mails, and transportation assistance."

Mr. Chairman, over the past several years, we have been moving in the welfare field toward removing the impediments in the poor laws that kept many needy older people out of the welfare system. In the new supplementary security income program, for example, we have eliminated lien and recovery and relative responsibility for instance. So over the last several years, a substantial number of States will have moved toward using the declaration process for eligibility under which we largely take the word of the older person as to the nature of his resources. Over the past several years, there has been no evidence that older people have abused the old age assistance program or that the programs of services for the elderly have been part of the plot, in the words of Secretary Weinberger in his statement before this committee last Tuesday whereby—and I quote—he said, "The States and localities have used the social services, moneys, to refinance programs which they had traditionally supported entirely out of State funds."

As a matter of fact, we can make a strong case that the States, except in a few instances, have over the years been very laggard in the development of services for older people.

In a great majority of States, and probably in all States, the application of the rule that no services shall be provided to individuals or couples with income above 150 percent of the assistance standard would take away from hundreds and thousands of elderly, the services they are now obtaining under the present practice of providing the elderly with modest incomes, these services.

The regulations also establish case-by-case investigations—a procedure which, as far as the elderly are concerned, has the effect of making these programs welfare oriented, that is, most discouraging to many older persons. This regulation thus reverses the growing practice of treating older persons with respect who, because of their age and need for these services, are entitled to them.

Now discarded are the group eligibility procedures under which an elderly resident of public and subsidized housing and low income areas

were presumed to be eligible for services. Although we succeeded in eliminating the pauper's oath approach in the supplemental security income program, the administration seems determined to restore this in the services area. We believe that these regulations look backward and essentially say under their new federalism approach as expressed in revenue sharing—"Don't look to your Federal Government to provide leadership in the solution of social problems."

This administration argues that the local level of government knows best what the services are that are needed and how they should be administered. This may well be, Mr. Chairman, as far as our streets and sewers and maintaining fire services, and police services, but we question sometimes their knowledge and sometimes their capacity to deal with the needs of people unless there is effective Federal assistance and leadership. However, the real issue is that we cannot afford to relieve our national Government of the primary responsibility for national problems, no matter who administers the program.

The National Council of Senior Citizens, Mr. Chairman, condemned the original set of social services regulations. We found them so discriminatory with respect to meeting the services, needs, of the elderly, that we urged that the regulations affecting the adult categories be rescinded. We argue further that with the initiation of the supplementary social security income program, on January 1, 1974, with for the first time a universal floor of income for the elderly then relatively progressive eligibility conditions, the legislation for the adult titles should be written jointly by the Community Services Administration of the Social and Rehabilitation Services and the Social Security Administration. This must be in full cognizance of these very substantially enlarged population of older people who will be eligible for supplementary security income, taking into fullest account the characteristics and needs of the 4 million elderly who have never been on welfare, but who may be eligible for supplementary security income as well as the 2 million OAA recipients.

Mr. Chairman, I wonder if you or your committee have heard recently what is the intent of this administration with regard to the implementation of SSI on January 1, 1974? We are very much concerned.

Anyway, we are forced, Mr. Chairman, to argue still for the rescinding of the regulations affecting the adult titles and urge that in their rewriting the Community Services Administration and the Social Security Administration be involved.

And in this rewriting we recommend: first, that there be a recommitment to the basic importance of self-help, self-care, and independent living services for the elderly in the spirit of the White House Conference on Aging, and the President's commitment to social services in December, 1971.

Second, that related to the above, there be recognized the absolutely essential role of the Federal Government in the provision of leadership, standard setting, and the allocation of resources including the monitoring of such resources.

Third, that all persons at or below the BLS intermediate level of income for an elderly couple or individual be eligible for services. If this requires an amendment to the law, the NCSC is prepared to advocate and support such an amendment.

Fourth, since we are not dealing with money grants for individuals but essential preventive services, eligibility conditions and procedures that are flexible and considerate should be employed such as: No. 1, the use of the declaration; No. 2, presumptive eligibility for the elderly living in low income areas or residents of public or subsidized housing; No. 3, eligibility redeterminations should be no more frequent than annually; No. 4 and not every 3 months or 6 months; No. 5, we recommend that in this rewrite an approved State plan must provide a core program of services, including information and referral services, and at least three of the defined services.

We recommend further that over a period of 5 years, a State be required to offer the full range of defined services, chore services, day care services, educational services, foster care services, health related services, home-delivered or congregate meals, home-maker services, housing improvement services, protective services, and transportation services. Finally, Mr. Chairman, we appreciate this opportunity to appear before this committee. We know you have had a long day and many witnesses and the shortne s of our testimony is not to be construed as the measure of our desire to see these things rescinded and some effort made to give a fair break to the older people.

Thank you.

The CHAIRMAN. Well, thank you very much. You asked about the administration's intent about the supplemental security income program. My understanding is that they intend it should go into effect on January 1. We may need to act before that time, since quite a few of the States are likely at that date to simply take themselves out of the business of making cash payments to aged people. Assuming that to be the case, there are quite a few States in which there would be a major reduction in the amount of money some of the old people are receiving under State programs that are more generous than the SSI. I personally think that the answer to that is for us to provide what I call a grandfather clause to say that everybody would receive at least as much after SSI goes into effect as they had been receiving under any State program, so that nobody gets hurt. The last thing that any of us on this committee wants is for any aged person to be any worse off than before. As a matter of fact, we ought to try to see that they ought to get an increase, at least a little bit for the cost of living increase, so that the program will not start out doing any less for them than they were receiving under the State law.

In other words, if the State wants to get out of making welfare payments, we ought to offer them the chance to get out without the aged people suffering. I think that it may be very well appropriate in connection with this matter for us to add an amendment to assure that none of the aged people take a cut in their income as a result of the SSI going into effect. We could simply provide that they would be entitled to receive the amount they were receiving under the State programs, as a minimum.

Mr. HUTTON. I want to thank you for that statement. I think it does little good to think about holding the States harmless. It is poor people who need to be held harmless in this situation.

The CHAIRMAN. A dependent aged person needs to be held harmless even more than the State needs to be held harmless.

I understand what their needs are, sir, and the fact is that when you reduce their income by even $5 or $10, that can be almost a disaster to some people because that is all they have to rely on.

Mr. HUTTON. Yes, it would be very much a disaster.

Senator FANNIN. Thank you, Mr. Chairman. I would agree with the chairman, it is not the intent, I don't feel, of the members of this committee to in any way place a greater burden upon our elderly citizens. I feel that the inflation has robbed the elderly people who are on fixed incomes. They have certainly been robbed of a percentage of the revenue that is given to them or that they receive and a cost of living increase is in order. I am very much disturbed as to what is happening and it seems to be continuing in that regard.

The elderly have been victims to a reaction to the mishandling of some of the other programs. We realize that when we are passing legislation and taking into consideration what is happening in the social services area, many times we act on the overall rather than the specific. It is regrettable that that does take place. I do feel that you have made very clear the problems that exist and what will happen if some attention is not given to this program.

I commend you for a very fine statement. We appreciate your being here and I feel that the requests that you have made will be given full consideration.

Mr. HUTTON. Thank you, Senator.

[The statement of William R. Hutton follows:]

STATEMENT OF WILLIAM R. HUTTON, EXECUTIVE DIRECTOR, ON BEHALF OF THE NATIONAL COUNCIL OF SENIOR CITIZENS

Mr. Chairman and members of the Finance Committee, I am William R. Hutton, Executive Director of the National Council of Senior Citizens and I am accompanied by Mr. Rudolph T. Danstedt, Assistant to the President of the Council. I welcome this opportunity to present some of our deep concerns about the Social Services Regulations which the Department of Health, Education, and Welfare is proposing.

These regulations are part of a general approach on the part of the Nixon Administration to cut back on long established services for low-income individuals and families, the elderly and disabled. Sometimes these cutbacks occur in the form of revenue sharing—in other instances, they are through impoundment of funds directly or indirectly through regulations, or, in the instance of housing, community development, by the imposing of a moratorium pending a study.

We in the National Council of Senior Citizens see all these cutbacks and reversals in the provision of services to people as a clear indication that this administration appears to be abandoning the responsibility expected for decades of the federal government to provide a nation leadership and funds directed toward the solution of social problems, and the provision of constructive and helpful services to people.

In 1956, a modest but important amendment was made to the Social Security Act, which encouraged the states through federal matching to provide services to the elderly on Assistance, and other older persons in danger of becoming dependent, that would help them to attain or retain the capacity for self-help and self-care.

SLOW EVOLUTION OF SERVICES TO THE ELDERLY

Over the intervening sixteen years, this concept of services to older persons—those who are on Assistance and those who might become dependent—have been slowly and gradually enlarged under the Services amendments to the Social Security Act—to the point where at the beginning of 1972 it was estimated that somewhere in the order of $400–500 million were being provided by the federal government on a 75 percent matching basis to the States and localities, to assure a wide range of programs and services to older people.

Paralleling this social services development under the Social Security Act were modest though significant services programs under the Office of Economic Opportunity, the Model Cities program under the Department of Housing & Urban Development, and the Older Americans Act. We have no estimate on the amount of money involved in these activities, but it probably never exceeded at any one time over $100 million.

Thus, there has been developed slowly and we believe cautiously and circumspectly, a modest program of services to older people—services in the form of senior centers, nutrition programs, day-care, foster-care, homemaker-care, transportation, educational services and legal services—services which separately, but most frequently in combination, have initiated the beginnings of a program of alternatives to nursing home care and have begun to offer the assurance to older people that their latter years shall be years of dignity and security.

PROMISES OF THE WHITE HOUSE CONFERENCE ON THE AGING AND THE PRESIDENT

We were greatly encouraged by the White House Conference on Aging that these essential services might be further expanded and developed when the Conference essentially endorsed a declaration on services, presented to the Conference by the National Council of Senior Citizens in its "Platform For The Seventies For All Older Americans." This declaration read: "A wide and adequate range of facilities and services appropriately designed to meet the needs of older people through consultation with older people must be developed and financed."

Our hope was appreciably reinforced when President Nixon pledged: "We plan to give special emphasis to services that will help people to live decent and dignified lives in their own homes—these services being home health-care, homemaker and nutrition services, home delivered meals and transportation assistance."

We underline again that the services that have been developed over this decade and a half, that we referred to in the recommendation of the White House Conference on Aging, and to whose achievement the President pledged himself, were not designed exclusively and solely directed toward people on welfare, but, as the 1956 amendment indicated, to include also those in danger of becoming dependent.

THE DEVELOPMENT OF A MODEST BUT SOLID PROGRAM OF SERVICES

Over the past several years particularly, we have been moving in the welfare field toward removing the impediments in the poor law that kept many needy older people out of the welfare system. In the Supplementary Security Income program, for example, we have eliminated lien and recovery and relative responsibility, and, over the last several years a substantial number of states have moved toward using the declaration process for eligibility, under which we largely took the word of the older person as to the nature of his resources.

Over these several years there has been no evidence that older people have abused the Old Age Assistance program, or that the programs of services for the elderly have been part of the plot, in the words of Secretary Weinberger in his statement before this Committee last Tuesday whereby "the states and localities have used the social services monies to refinance programs which they had traditionally supported entirely out of state funds."

As a matter of fact, we can make a strong case that the states, except in a few instances, have over the years been laggard in the development of services for older people. Despite the increase in federal matching for services—from 50 per cent to 75 per cent in 1962 and a reaffirmation of the availability of services to those "likely to become dependent," federal social services expenditures increased only modestly between 1962 and 1969 when the Nixon Administration took over.

The 1967 amendments to the Social Security Act placed further emphasis on the importance of services, which, together with the impact of the demonstration programs for the elderly under the Older Americans Act and the vigorous leadership exercised by State and local Commissions on the Aging and organized groups of senior citizens, began to produce substantial, but, in our judgment, solid and essential programs of services for older Americans.

Organized were information and referral centers, home health-aide services designed to keep the enfeebled still functioning in the community, nutrition and meals on wheels programs, protective and friendly visiting services, recreational activities and transportation services. These services were far from universal, and, except for a relatively few communities with exceptional leadership, were not organized across the spectrum of desirable and necessary services.

Unfortunately, there are no national statistics on how many elderly persons have been served by these programs, but a reasonably intelligent estimate might indicate that this was in the order of 2–3 million individuals—less than 10 per cent of our senior population.

These services programs were administered so as to make them primarily available to low or modest income elderly, and, to avoid any form of the means test, the programs were frequently located in low-income areas or related to public housing or subsidized housing projects and every elderly person was presumed

eligible. Every effort was exercised to assure that the elderly persons would not associate the services with welfare, including encouraging recipients, when able and where appropriate to pay a modest fee.

IN ACTION ON AND REACTION TO "RUNAWAY" SOCIAL SERVICES COSTS

In all the hullabaloo about the "runaway" Social Services program—this so-called "runaway" began and was abetted in the HEW Secretaryships of Messrs. Finch and Richardson and the OMB Directorship of Mr. Weinberger. We have seen no evidence that service dollars for the elderly have been used as a kind of revenue sharing for relief of the states and localities of their tax burdens.

It seems very odd to us that for four years, and not until after the 1972 Presidential election, was this administration apparently able to produce a set of regulations for the social services—and then, when they do, these regulations look very much like a process of impoundment of funds by regulations.

We call it impoundment purposely because the effects of holding eligibility for services to the elderly down to persons "who are expected to become recipients within six months and who have incomes within 150% of their state's public assistance standard" is to seriously reduce the number of older persons who are presently eligible for services.

Promises that the $2.5-billion authorized will be appropriated if asked for by the States is so much rhetoric when the admission barriers to the services program are so narrowed.

THE 150 PERCENT LIMIT AND SIX MONTH TEST

We object first to the income limit of 150% of the State's assistance standard and the six month test as to possible dependency on welfare. The White House Conference on Aging endorsed as its key recommendation—the adoption *now* as the minimum standard of income adequacy of the Intermediate BLS budget for an elderly couple—$4,500 a year in the Spring of 1970 and 75 per cent of the couple's standard for a single person.

Translated to 1973—this is $5,200 for a couple and $3,900 for an individual.

The National Council of Senior Citizens holds that any elderly couple with an income of less than $5,200 a year—about 40% of all elderly couples are below this minimum standard of income—does not have the resources to pay for essential social services, which, if available, could and would enable them to maintain independent living. In the great majority of states and probably in all states the application of the rule that no services shall be provided to individuals or couples with income above 150% of the assistance standard would take away from hundreds of thousands of elderly the helpful services they are now obtaining under the present practice of providing to the elderly with modest or low incomes an essential ounce of prevention.

The regulations also establish case by case investigations—a procedure which as far as the elderly are concerned has the effect of making these programs welfare-oriented and thus anathema to many elderly persons. This regulation thus reverses the growing practice of treating old persons with respect, who, because of their age and need for these services are entitled to them.

Discarded are the group eligibility procedures, under which an elderly resident of public and subsidized housing and low-income areas were presumed eligible for services. Although we succeeded in eliminating the pauper's oath approach in the Supplementary Security Income program, the administration seems determined to restore this approach in the services area.

As we indicated earlier, we object to the requirement that if the person is not on assistance his condition must be such that he is expected to become an assistance recipient within six months if a requested service is to be offered him.

In the National Council of Senior Citizens' "Platform For The Seventies For All Older Americans," which we distributed widely at the White House Conference on Aging, we hald that a wide and adequate range of facilities and services appropriately designed to meet the needs of older people, through consultation with older people, must be developed and financed. We held further that our public policy must be one to keep the older person functioning at his maximum physical or mental capacity in the community—not separated from it in an institution.

We held that these services are essentially preventative and thus, like our public health services, ought to be made available either free or partially subsidized.

An annual per capita investment of $50 for the 20 million elderly persons could, under strong and effective federal guidelines and leadership, produce an integrated system of services to the elderly that would permit hundreds of thousands of older persons to stay out of institutions and to continue to live independently in the community at substantial money savings, but, more importantly, add dignity and security to their later years.

NEW FEDERALISM—LOOKING BACKWARDS

These regulations look in the opposite direction and essentially say, under this Administration's New Federalism, as expressed in its revenue sharing approach, don't look to your federal government to provide leadership in the solution of social problems. This administration argues that the local level of government knows best what services are needed and how they should be administered. This may well be so far as streets, sewers, police, etc. are involved, but we question their knowledge and capacity to deal with the needs of people unless there is effective federal guidance and leadership.

However, debating the level of government at which a program is administered can be non-productive and a misleading ploy. Good programs, theoretically, can be administered at any level of government. So can bad ones. The real issue is that we cannot afford to divest our national government of the primary responsibility for national problems, no matter who administers a program.

Only the National government has the constitutional authority, the financial (and potential) resources, the administrative talent and the statesmanship to deal with these problems on a national scale.

We must ensure that our national government does not erode its responsibility to be the leader for national social policy—to be responsible for solving national social problems.

As further evidence of federal withdrawal from a leadership role is the regulation with respect to services for seniors with its requirement that a state need provide only one of the defined services to receive approval of its state. This regulation is both illusory and inadequate. In the first place, the state is not required to provide information and referral services essential to helping an older person find the services most appropriate to his need. Most importantly, if an older person is to be helped to maintain independent living, a combination of several services may well be required.

In the instance, for example that of providing a viable alternative to nursing home care, home-health services, chore or homemaker services, home delivered meals and possibly transportation services might all be required.

In the National Council of Senior Citizens' comments on these Regulations, we recommended that an approved State plan must provide a core program of services, including information and referral services, and, at least three of the defined services—chore services, day-care services, educational services, foster-care services, health-related services, home delivered or congregate meals, homemaker services, housing improvement services, protective services and transportation services.

REVIEW OF THE REVISED REGULATIONS

The National Council of Senior Citizens commented on the original set of social services regulations. We found them so discriminatory with respect to meeting the services needs of the elderly that we urged that the regulations affecting the adult categories be rescinded.

We argued further that with the initiation of the Supplementary Security Income program on January 1, 1974, with for the first time a universal floor of income for the elderly and relatively progressive eligibility conditions, the legislation for the adult titles should be written jointly by the Community Services Administration of the Social and Rehabilitation Services and the Social Security Administration, in full cognizance of the very substantially enlarged population of older people who will be eligible for SS1, taking into fullest account the characteristics and needs of the 4 million elderly who have never been on welfare, but may be eligible for SS1 as well as the 2 million OAA recipients.

On reviewing the revised regulations, we found little improvement, except for the permission to use donated private funds, although even that conversion could be decidedly circumscribed by the sort of "stronger administrative procedures" for monitoring the application of donated funds the Administration indicates it will propose.

We are thus constrained to argue still for the rescinding of the regulations affecting the adult titles, and urge that in their re-writing, the Community Services Administration and the Social Security Administration be involved:

In this re-writing we recommend:

First

That there be a recommitment to the basic importance of self-help, self-care and independent living services for the elderly in the spirit of the White House Conference on Aging, and the President's commitment to social services in December, 1971.

Second

That related to the above there be recognized the absolutely essential role of the federal government in the provision of leadership, standard-setting and the allocation of resources including the monitoring of such resources.

Third

That all persons at or below the BLS Intermediate level of income for an elderly couple or individual be eligible for services.

If this requires an amendment to the law the NCSC is prepared to advocate and support such an amendment.

Fourth

Since we are not dealing with money grants for individuals but essential preventative services, eligibility conditions and procedures that are flexible and considerate should be employed, such as:

1. The use of the declaration.
2. Presumptive eligibility for the elderly living in low income areas or residents or public or subsidized housing.
3. Eligibility redeterminations should be no more frequent than annually.

Fifth

We recommend that in this re-write an approved State plan must provide a core program of services, including information and referral services, and, at least three of the defined services.

We recommend further that over a period of five years a State be required to offer the full range of defined services—chore services, day-care services, educational services, foster-care services, health-related services, home delivered or congregate meals, home-maker services, housing improvement services, protective services and transportation services.

We appreciate this opportunity to appear before this committee. We want and we are sure this committee wants a forward looking and constructive program of services for the elderly. This cannot be achieved under these proposed regulations.

The CHAIRMAN. Our next witness will be Dr. Ellen Winston, president, National Council for Homemaker-Home Health Aide Services. We are pleased to welcome you before the committee, Dr. Winston. You may proceed.

STATEMENT OF DR. ELLEN WINSTON, PRESIDENT, NATIONAL COUNCIL FOR HOMEMAKER-HOME HEALTH AIDE SERVICES

Dr. WINSTON. I am requesting that the prepared testimony be incorporated in full in the record of this hearing and that I be permitted to comment briefly on some of these points.

Our statement deals specifically with homemaker-home health aide services. Homemaker service is a service that is basic to both the health and social welfare fields. It is well demonstrated that it may be needed at some time in life by any individual or family regardless of economic status although we are focusing today primarily on recipients of financial aid both present and former and potential recipients.

Homemaker services are essential in periods of stress or special problems of individuals or families. They may be provided and are being provided today under public auspices, under private nonprofit auspices, and by commercial agencies.

Former regulations of the Department of Health, Education, and Welfare issued on November 26, 1970, mandated the provision of homemaker services statewide for the aged, blind, and disabled; and in separate regulations for the WIN program. We believe that this provision should be restored and extended to other families with children. Also, former regulations by the Department of Health, Education, and Welfare required that homemaker services meet standards of some national standard setting agency, such as the National Council for Homemaker-Home Health Aide Services.

With the full cooperation of various parts of the Department of Health, Education, and Welfare such national standards were promptly developed. Agencies which apply and meet these standards are now being approved and we have approved agencies in all parts of the country.

We know from nursing home and day care experience how dangerous it is not to require standards for quality care to vulnerable individuals. We believe that the provision with respect to agencies meeting national standards should be restored and effectively enforced for protection of the persons served.

From the point of view of the best interests of individuals and their families, first priority should be given to home care whenever possible as contrasted with much more expensive institutional or group care. Yet the present regulations will have the effect of reducing the already grossly inadequate amount of homemaker services and of encouraging institutional care for children and adults.

The new regulations will provide for help to people to get into medical institutions but not to get out. A Florida study showed that 20 percent of the nursing home residents did not need to be there. If a small amount of care could be available, they would have been able to remain in their own homes. For a similar study in Massachusetts the proportion was 40 percent.

If for no other reasons, homemaker services meeting national standards should be mandated for economic reasons. I would like to quote from the American Medical Association news release of April 1973. It tells the story of a 72-year-old woman, Mrs. L.

It states that:

> Mrs. L. was admitted to the nursing home on October 2d, two days after neighbors learned she had lived for a week on water, a half loaf of bread, and a box of cereal. Various infirmities kept her from shopping for groceries and even from preparing meals and she had nobody to do it for her.
>
> The kindly neighbors watched as Mrs. L. was helped down the stairs and into a car to take her to an institution, thereby helping their taxes go up. Her care would cost about $400 a month or about three or four times what it would cost to have a part time homemaker-health aide do her shopping and help with the meals and do her housekeeping. Such help was all Mrs. L. needed and all she wanted.

Further evidence that homemaker care makes sense comes from Washington, D.C., and San Francisco. The Department of Human Resources here in Washington indicates that when their Department purchased homemaker-home health aide services from the Homemaker Care Services of the National Capital area, a voluntary nonprofit agency approved by the National Council, and also from an agency which did not meet the standards of the National Council, the average cost per case for the services from the nonapproved agency was twice as high as the cost when provided by the approved agency, even though the cost per hour of the approved agency was higher.

Information from the San Francisco Department of Social Services shows the same trend. When good evaluation of the home situation is provided along with properly trained and supervised staff, the cost is substantially below that of an agency which does not meet national standards.

Of the first 20 agencies approved by the National Council under its national standards the cost per hour for the services ranged from $2.42 to $7.50 and averaged $4.33 per hour. Yet even where the cost per hour was over $7, the average monthly cost per case amounted to less than $160, which, of course, is less than 2 days of hospital care.

To help implement the objectives of quality in home care, we believe that homemaker services for families and adults should be added to those few exempted services under section 1130 of the Social Security Act.

We now have approximately 30,000 homemakers and home health aides in the United States. To provide as much service as they do in England relative to our population we need 300,000 such persons. This offers great potential for employment for poor women, whose only marketable skills are in the care of children, improving the home, care of the sick, the mentally or physically disabled, the old.

Many agencies have recruited well over half of their homemakers from the AFDC caseloads. The present regulations will restrict this employment potential. It will force other families, where a family member could work if there was some help at home, to resort to public assistance in lieu of a job.

We are just now geared up to greatly expanding this valuable health and social welfare service. We already see the tragic cutbacks by States, some of which were reported this morning, as they struggle to meet the new regulations. We urge restoration of the regulations of November 1970, with respect to homemaker services for the aged, the blind, and the disabled and their extension to families with children.

Thank you.

The CHAIRMAN. Thank you for your statement, Mrs. Winston. I am pleased to hear that this is an area in which we could put to work some of those mothers who are unable to find employment and who would prefer jobs doing something useful, because it is a frustrating experience to simply live on a welfare check.

Now in this area, I believe you said that we could provide about 300,000 jobs and that these jobs are particularly well-suited for people whose only experience and whose only skill relates to the home?

Dr. WINSTON. Right.

The CHAIRMAN. I believe you have some experience as a public welfare administrator before you moved to your present station, didn't you?

Dr. WINSTON. Yes, sir.

The CHAIRMAN. What was that experience?

Dr. WINSTON. I was for about 18 years the State Commissioner of Public Welfare in North Carolina where I carried out demonstrations on homemaker services for families with children living in rural areas and then, and really what was the first program in the country, for homemaker services for the aged. Then I was, of course, for 4 years in the Department of Health, Education, and Welfare where we continued to promote the development of these basic services.

The CHAIRMAN. Well you certainly know whereof you speak because you have had a lot of experience with this.

You made a very fine statement. Senator Fannin?

Senator FANNIN. Well, thank you. I know that the chairman has sponsored legislation that would accomplish much of what you refer to in your statement, Mrs. Winston, especially the statement about the employment of mothers, which could be utilized to take care of the elderly, and the dependent, and the ill.

I am wondering in your work how many States do you operate in?

Dr. WINSTON. Well, actually the national council provides leadership for all of the States and we have just completed five regional meetings in which we had representatives at the several meetings from all of the States in the country. We are presently involved in an approval program whereby we approve agencies that meet the standards which were established partly at least in response to the earlier Federal requirement. The approved agencies to date range all of the way from Maine to California and from Texas to North Carolina.

Senator FANNIN. But your work is handled from your home office in New York?

Dr. WINSTON. Yes, the home office is in New York.

Senator FANNIN. You do not have branch offices in other areas?

Dr. WINSTON. No, sir, we are not that well financed. We would like to have branch offices. We do, of course, work very closely with State departments of social services, and increasingly with State health departments, for the development of services, because actually to meet the need, we must have programs under both public health and public welfare auspices. Our most rapidly growing area of homemaker services until the present regulations was in the public social welfare area. We also need private nonprofit agencies. We have some very fine ones, including the one here in the District of Columbia. Increasingly we are seeing commercial agencies come into this field.

We had no commercial agencies back in 1966 when we did our first survey and we found that we had about 800 agencies offering services. Now out of some 3,000 agencies providing services, between 200 and 300 are commercial agencies.

With this variety of auspices and with the distribution throughout the country and with services to people who are financially dependent or who are physically dependent, the whole gamut of services has resulted in a tremendous need for some kind of overall national standards.

We are underwriting standards for the assistance programs with the new legislation. We have many areas in which we have accepted national standards. One of the good examples of course is the hospital accreditation program. So this all fits into a pattern that we well understand and that we have developed over the years.

Senator FANNIN. Thank you kindly.

The CHAIRMAN. Would you mind just giving me from your experience what you regard as a typical situation both with regard to the homemaker and home health aide? What do they do for this aged person and what kind of experience does the homemaker and home health aide need in order to do that work successfully?

Dr. WINSTON. Let's start with the homemaker or home health aide. Actually it is one and the same thing, but we refer to them as home health aides in the medicaid program. There the focus is more on the personal care needs of the individual along with other activities. We use the term homemaker when it is really a social welfare situation.

As I indicated, we recruit a great many of our homemakers from the AFDC caseload. These are women who have demonstrated their ability to take care of children. They keep clean houses, they have had family experience in looking after illness, and so on. Our standards require a minimum of 40 hours of specialized training, which covers the various areas of homemaking to make sure that the homemakers are pretty well adapted to other situations besides their own homes. We have a continuing program of inservice training.

Now we do believe in professional supervision. These people are paraprofessionals. Some of them who have worked successfully in the field become supervisors themselves of the homemaker role but always there is somewhere in the picture a social worker or a nurse or a home economist. It is the overall evaluation of the case which helps to determine that you put in the right kind of services and the right amount. That is basically the reason that the actual case cost of our approved agencies is lower than the case cost for the nonapprovable agencies, because the nonapprovable agencies don't have specialized training and they do not provide supervision and so on.

Now what does a homemaker do? Let's take a typical case of an older person living alone, perhaps a little feeble, not able to get out very much. The homemaker might go in for half a day twice a week and be responsible for the grocery shopping, for the general cleaning up, and do a little cooking in advance, do a little washing or take the wash out to the laundry and various things that a healthy older person would do for himself. She would help the older person learn ways in which to take care of himself on the days that the homemaker doesn't come in; and, of course, at the same time the homemaker breaks the monotony and helps keep the person from becoming too isolated. Often homemakers take older persons on little trips. They keep many of them from having to go into institutional or group care.

I was interested last week when I was in London for an international conference on this service to hear a paper in which it was pointed out that recently there had been a controlled study in which there were two groups of older people who had congested heart conditions. One group got homemaker-health care services and the other group did not. Of the group that got the services, only 8 had to go into a hospital over a period of time but for the other group who did not get the services, more than 20 had to go in. For the smaller group, they were in the hospital a total of only 23 days. For the other group, they were in the hospital for over 200 days. The differentials as to costs are just fantastic.

Increasingly we are emphasizing with families with children the use of the homemaker to help improve the level of living. One of the great problems of our very poor is that they do not know how to do any better. So we found homemakers to teach mothers how to take care of their children and to help them develop routines so that the children get off to school on time in the morning, are decently washed, and so on. And the homemaker does various things that just make for good daily living.

The homemaker comes in under agency auspices. She may be wearing a uniform or a little badge. She comes with the support of an agency behind her and there is really remarkable change in family situations.

If you have the time, I would like to tell you my favorite story. We sent a homemaker into a family with several children where the family had never sat down together to a meal. After a few days when the children saw the homemaker turn the corner of their block, they would run and settle themselves around the table because they looked forward with such great anticipation to this new routine and to the decent food that was coming into their home as a result of having homemaker services.

We are also beginning to use homemaker services to keep delinquent children out of institutions. We put the children on probation, have the homemaker go in and help the mother make a decent, orderly home for the child; and so you protect the child.

We also can get a great many people out of hospitals faster if there is a homemaker to go in. In fact, in Finland everytime there is a new baby born, they send a homemaker into the home. Their infant mortality rate is a lot lower than ours. So the uses for this service is almost as broad as the whole gamut of family living.

The CHAIRMAN. Well, thank you very much for a very fine statement here. I think you have convinced those of us who heard you and I think your testimony pretty well convinces us that you made a good case.

Dr. WINSTON. Thank you for giving me the opportunity to appear.

[The statement of Dr. Winston follows:]

PREPARED TESTIMONY OF DR. ELLEN WINSTON, ON BEHALF OF THE NATIONAL COUNCIL FOR HOMEMAKER-HOME HEALTH AIDE SERVICES, INC.

My name is Ellen Winston. I am speaking in my capacity as the president of the National Council for Homemaker-Home Health Aide Services, Inc., which is a national, non-profit, tax-exempt 501(c)(3) organization with offices located at 67 Irving Place, New York, N.Y. 10003. The National Council is a membership organization. Its members number 265 agencies, 46 organizations and 194 individuals.

While the National Council strongly objects to many aspects of the amended regulations and believes that the only sound approach is to withdraw those regulations and return to the regulations published in part on January 28, 1969, and in part on November 26, 1970, we are limiting our comments to those portions of the regulations of February 16, 1973, as revised and reissued on May 1, 1973, which relate directly to homemaker-home health aide services.

We are pleased to note that changes were made from the proposed regulations in regard to private funds and in-kind contributions being considered as the State's share in claiming Federal reimbursement. This form of financial cooperation is an appropriate and creative arrangement in a public-voluntary partnership where the purpose is the provision of social services.

We are concerned, however, that the requirement that agencies meet nationally recognized basic standards for these vital services known as homemaker or homemaker-home health aide services, must be maintained. In the regulations in effect now agencies providing these services must have standards which are in substantial conformity with those of the National Council for Homemaker-Home Health Aide Services. This requirement is sound and should be reinstated in the regulations published May 1, 1973.

Federally recognized basic standards for homemaker-home health aide services are of vital importance for many reasons, but especially because as of this date, there are no licensing laws for homemaker-home aide services in any state. In short, homemaker-home health aide services could be provided across the country without reference to broadly recognized standards of any kind, except for those specified in the Medicare program for home health aides. Fifty states cannot gear up overnight to write standards for homemaker-home health aide services and develop and implement a system for assuring that these standards will be maintained. Furthermore, with an increasingly mobile population it grows ever more important to have one set of basic standards rather than fifty different sets.

Hopefully the state would then develop state standards as high or preferably higher than the basic national standards.

Although homemaker-home health aide services are not under one administration like the Security Income Administration will be January 1, 1974, the principle in regard to basic standards being set forth for these services is similar to the principle back of this assistance payments program. It sets one standard nationwide below which the recipients of this payment program must not fall. The same should be true of homemaker-home health aide services. The states then each may make determinations about their own assistance payments (or standards for homemaker-home health aide services) over and above the basic Federal standards.

A sound set of basic national standards for homemaker-home health aide services has been developed by the National Council for Homemaker-Home Health Aide Services. The Council has also developed a sound system for assuring that agencies meet these basic standards. Both the setting of the standards and the approval (accreditation) system were undertaken with the backing and participation of the Department of Health, Education, and Welfare.

The National Council for Homemaker-Home Health Aide Services is the national voluntary body whose purpose is the development of quality homemaker-home health aide services across the country. The National Council's standards and the approval (accreditation) program built upon these standards each were developed by groups broadly representative of homemaker-home health aide agencies across the nation and by related public and voluntary national, state and local health and welfare interests. The approval program is based on fourteen standards, which establish for the first time a basic floor of standards under the service. For the Federal Government to remove itself at this time from responsibility for standards in connection with homemaker-home health aide services would be a tragedy for the thousands of consumers and potential consumers of these vital services. Unless basic national standards such as those of the National Council for Homemaker-Home Health Aide Services are recognized, a situation will develop which will be much worse than that resulting from the poor and unchecked standards in the nursing home field especially when one recognizes that homemaker-home health aide services are given in the home and are developing rapidly under a wide variety of auspices including public voluntary nonprofit and for-profit agencies.

In 1973 it is estimated that there are some 3,000 administrative units of the service of which some 275 are proprietary. Of the 800 units which existed in 1966, there were almost no proprietary agencies at all.

Additional compelling evidence for requiring standards is that homemaker-home health aide services which meet basic national standards cost less.

We have information from the Department of Human Resources, Washington, D.C., which indicates that when the department purchased homemaker-home health aide services from the Homemaker Health Aide Service of the National Capital Area, a voluntary non-profit agency approved by the National Council and from an agency whose standards were not approved by the National Council, the average costs per case for the service by the non-approved agency was just twice as high as that provided by the approved agency, even though the cost per hour of the approved agency was higher.

Information from the San Francisco, California, Department of Social Services shows exactly the same trend. Obviously fewer units of care are utilized when good evaluation of the home situation is provided along with properly trained and supervised staff. Of interest too is the fact that of the first twenty agencies approved by the National Council, the per hour cost for the services ranged from $2.42 to $7.50 and averaged $4.33 per hour. Yet even where the service cost per hour was over $7.00, the average monthly cost per case amounted to less than $160.

There are ample precedents for the Federal Government's use of non-governmental bodies to help assure quality control of a given program of service. For example, in the Federal Register dated February 14, 1973, the Office of Education of the Department of Health, Education, and Welfare lists nationally recognized accrediting associations and agencies for the purpose of determining eligibility for Federal assistance. Among the national voluntary organizations listed are these: Committee on Accreditation, Council on Social Work Education (graduate professional schools); Professional and Practical Nurse, Board of Review, National League for Nursing, Inc. (professional and practical nurse programs).

The National Council for Homemaker-Home Health Aide Services provides a service similar to these groups, except that the homemaker-home health aide is

regarded as a paraprofessional or allied worker, rather than as a professional person. For this and other reasons the Council approves the total service rather than the aide.

For years the Joint Commission on Accreditation of Hospitals has been recognized as one mechanism for deciding which agencies in the health care field would be eligible to receive Medicare dollars.

Assuming that a requirement exists for a basic floor of standards under homemaker-home health aide services, they are one of the most useful of all health and welfare services currently under development. They are sound from a human as well as from an economic standpoint. Therefore, they should continue to be mandated for the aged, blind and disabled and the mandate should be extended to all families with children as well as for families involved with the WIN program. Neither of these mandates are included in the May 1, 1973 regulations.

There is no service extant today better able to achieve some of the goals set forth by the Department in these regulations, goals such as self-support and self sufficiency, and yet the regulations seriously reduce the possibility of homemaker-home health aide services being utilized to reach this end. For example, the still prohibitively tight eligibility requirements in the May 1 regulations are a case in point. These regulations would limit Federal financial participation for potential assistance recipients to six months service and former recipients to three months service instead of five and two years respectively. Cutting off homemaker-home health aide service particularly from the aged, blind and disabled, will in many instances result in dependency and higher costs to the community as people are forced to apply for welfare to maintain eligibility for the service or to enter homes for the aged, nursing homes and even hospitals when they are no longer able to obtain the help needed to remain in their homes or other places of residence.

We submit further that the recently passed restrictive law with regard to social services including homemaker-home health aide services being available to former and potential recipients up to a limit of ten percent of Federally funded expenditures, must also be amended. Homemaker-home health aide services should be one of the services exempted from the Federal ceiling on matching funds available for social services. Without waiting for a change in the law however, the regulations should be changed so that even within the restrictive law as many needy people as possible in the former and potential categories may remain in their own homes and in an independent status. The proposed checking and rechecking will cause administrative costs to skyrocket and a much too large percentage of each dollar spent will go for administration rather than for service.

An additional significant point is that many homemaker-home health aides are former welfare recipients. If agencies have to cut back their staff because of lack of funds, many homemaker-home health aides will have no alternative but themselves go back on the welfare roles; if programs are expanded new positions would be created for additional welfare recipients and other persons.

The National Council for Homemaker-Home Health Aide Services earnestly requests that these regulations be drastically revised to include the above points.

The CHAIRMAN. We will then meet again tomorrow at 9:45 a.m., for a committee picture and at that time we ought to have a quorum so, we can vote on some of the nominations.

We will then resume our hearings on social services at 10 a.m., tomorrow.

[Whereupon at 4 p.m., the committee recessed to reconvene at 10 a.m., Wednesday, March 16, 1973.].

SOCIAL SERVICES REGULATIONS

WEDNESDAY, MAY 10, 1978

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

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

Present: Senators Long and Curtis.

The CHAIRMAN. The committee will come to order.

I have a letter here that was signed by 81 Members of the House of Representatives. It was requested by Representative Reid that I read this letter for the record.

"Dear Mr. Chairman, we want to indicate our concern about the revised regulations for the social services program issued by the Department of Health, Education, and Welfare on May 1.

"After reviewing these latest regulations together with the earlier version published on February 16, it appears to us that HEW has lost sight of the original objective of the social services program—the prevention of welfare dependency.

"The new regulations, in effect, convert social services from a program intended to keep people off welfare to one which is targeted almost exclusively on welfare recipients.

"In some areas, the regulations are actually counterproductive. Welfare dependency, in fact, will be encouraged rather than discouraged. A good case in point is the new income eligibility standards. The May 1 regulations state that with the exception of day care, potential welfare recipients will be eligible for services only if their gross income does not exceed 150 percent of their State's welfare payment standard. This means that in every State, many welfare recipients with outside earnings will be eligible for services while nonrecipients at the same income level will be ineligible. The accompanying chart documents this point.

"Clearly, HEW will have difficulty justifying an arrangement in which a nonrecipient finds that he cannot qualify for free day care service, for example, while his welfare recipient neighbor with an equal if not higher income can obtain the free service.

"What HEW is really telling people through these new regulations is that you can do much better for yourself if you stay on welfare so why bother trying to make it on your own.

"The new assets requirement will also tend to discourage economic independence. Under the revised regulations, potential recipients will have to meet the same assets test used for cash assistance recipients. In most States, this means that low income homeowners, farmers, and people with modest savings will be effectively cut off from the

program. Here again, we will be penalizing those people who are struggling to maintain their self-sufficiency at poverty level incomes.

"We are also concerned about the extremely restrictive definition of services eligible for Federal reimbursement. Funding will be cut off for a wide range of programs, including education, mental health, medical treatment, and nutritional services.

"A number of States have used social service funds to establish drug treatment and alcoholism control centers. By treating an individual's drug problem, a community agency is doing much to keep this person off the welfare rolls. Yet, drug treatment programs will no longer be fundable under the new regulations.

"Many older people have maintained their independence and avoided institutionalization with the aid of programs such as 'meals on wheels'. But many of these efforts, as well, will now be terminated as a result of the new regulations.

"These new federally imposed restrictions run counter to efforts underway throughout the Federal Government to give States more flexibility in dealing with their own locally identified needs. For some reason, the objectives of the New Federalism have been abandoned when it comes to social services.

"Clearly, additional revisions of the May 1 regulations are necessary if the social service program is to meet the major goal laid out for it by Congress—the prevention of welfare dependency. If the necessary adjustments are not made on an administrative level, we urge the Finance Committee to consider legislative action to deal with the concerns we have just outlined.

"We would appreciate having this letter made part of your committee's official hearing record on social service regulations.

"With best wishes.

"Sincerely,

"OGDEN R. REID.
"DONALD M. FRASER."

There are 79 other cosigners to this letter and I will include the list in the record.

[The list of cosigners follows:]

Bella S. Abzug.
Joseph P. Addabbo.
Thomas L. Ashley.
Herman Badillo.
John A. Blatnik.
Jonathan B. Bingham.
Edward P. Boland.
John Brademas.
Frank J. Brasco.
George E. Brown, Jr.
Yvonne Brathwaite Burke.
Shirley Chisholm.
William Clay.
John Conyers, Jr.
James C. Corman.
Dominick V. Daniels.
Ronald V. Dellums.
Frank E. Denholm.
Ron de Lugo.
Charles C. Diggs, Jr.
Robert F. Drinan.
Bob Eckhardt.
Don Edwards.
Joshua Eilberg.
Dante B. Fascell.
Walter E. Fauntroy.
Richard H. Fulton.
Henry B. Gonzalez.
William J. Green.
Gilbert Gude.
Michael Harrington.
Augustus F. Hawkins.
Henry Helstoski.
Elizabeth Holtzman.
Barbara Jordan.
Robert W. Kastenmeier.

Edward I. Koch.
Robert L. Leggett.
Spark M. Matsunaga.
Lloyd Meeds.
Ralph H. Metcalfe.
Patsy T. Mink.
Parren J. Mitchell.
Joe Moakley.
William S. Moorhead.
Joe M. Murphy.
Claude Pepper.
Bertram L. Podell.
Richardson Preyer.
Charles B. Rangel.
Thomas M. Rees.
Donald W. Riegle.
Peter W. Rodino Jr.
Fred B. Rooney.
Benjamin S. Rosenthal.
Dan Rostenkowski.
Edward R. Roybal.
Paul S. Sarbanes.
Patricia Schroeder.
John F. Seiberling.
B. F. Sisk.
James V. Stanton.
Fortney H. Stark.
Louis Stokes.
W. S. Stuckey Jr.
Gerry E. Studds.
James W. Symington.
Frank Thompson Jr.
Robert O. Tiernan.
Lionel Van Deerlin.
Charles A. Vanik.
Antonio Borja Won Pat.
Sidney R. Yates.
Andrew Young.
Brock Adams.
John H. Dent.
Ken Hechler.
Ella T. Grasso.
James J. Howard.

The CHAIRMAN. Now I will call Congresswoman Shirley Chisholm, if she is here. She is not here.

Then I will call next the Honorable Steven A. Minter, commissioner, Massachusetts Department of Public Welfare, on behalf of the American Public Welfare Association.

STATEMENT OF STEVEN A. MINTER, COMMISSIONER, MASSACHUSETTS DEPARTMENT OF PUBLIC WELFARE, IN BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION, ACCOMPANIED BY GARLAND L. BONIN, COMMISSIONER, LOUISIANA DEPARTMENT OF PUBLIC WELFARE; AND RICHARD SCHRADER, CHIEF, DIVISION OF SOCIAL SERVICES, NEBRASKA DEPARTMENT OF PUBLIC WELFARE

Mr. MINTER. Thank you, Senator Long. I like being well escorted.

I am Steven Minter, commissioner of the Massachusetts Department of Public Welfare, and appearing this morning on behalf of the National Council of State Public Welfare Administrators.

Accompanying me is Commissioner Garland Bonin, of the Department of Public Welfare, State of Louisiana, and on my right, Mr. Richard Schrader, Chief of the Division of Social Services, Nebraska Department of Public Welfare. We propose to rather quickly try to summarize the viewpoint of the State administrators.

You stated in announcing these hearings that portions of the proposed regulations issued on February 16 go well beyond last year's legislative action or intent. We are here this morning to say we certainly concur in that view.

We appear today to discuss our views of these regulations from the perspective of those persons who are directly responsible at the State

level for administering a Federal-State program. We have grave concerns about the direction of social services as a consequence of these regulations, but also with the legislative consistency of the regulations as adopted by HEW with the 1972 revenue-sharing amendment enacted by Congress.

These regulations severely restrict social service programs, eliminate entire groups of people who were formerly eligible to receive services, and create formidable administrative burdens for State agencies. The Federal law as you well know for years has declared that social services should be provided to families and individuals to help them achieve personal independence or self-support and to strengthen family life. These regulations that have been adopted will preclude the targeting of social services to those stated goals. Legislative history clearly shows, we feel, that there is deep congressional commitment to social services. Congress did authorize the $2.5 billion, with funds allotted to the States on the basis of population. Will regulations as adopted by HEW clearly preclude the spending of that money? Mr. Weinberger in his testimony suggested that the States in fiscal year 1973 would be able to spend in the neighborhood of $2.1 billion. The National Council of State Administrators have taken a look at this. We estimate, estimated back in February, that that figure would be closer to $1.5 billion. We hold to that position in view of the kinds of regulations that have been finally adopted even though there appear to be some new amendments. And we feel now that we have to appeal to the Congress through the Finance Committee to act if we are going to have a continued social service program.

We are proposing for the committee's consideration the following legislative actions.

1. Revision of the regulations to permit the full spending of the $2.5 billion allotted for social services. We wish to have that done, obviously, with accountability and documentation procedures, but the present regulations do not permit the States to even utilize the money which has been allocated;

2. Inclusion of the elderly as an exempt category under the 90–10 service provision of the 1972 Revenue Sharing Act. Or, as I think it may become apparent, the elimination of the 90–10 provision all together;

3. Restoration of the 2-year and 5-year definitions with respect to former and potential recipients; elimination of resources as an eligibility criterion for services; and designation of the Bureau of Labor Statistics minimum living standard as the income level for determining eligibility for services. Or if not that, some other equivalent standard;

4. Insistence on adding back in as a goal strengthening or maintaining family life;

5. Allowing the States maximum flexibility in providing day care services; and

6. Elimination of some of the burdensome requirements around single State agency responsibility.

What I would like to do is just to quickly suggest to you the kind of means test we are now going to have to have for persons who require services, and the complications.

First of all, when someone comes into an agency to request services, we are going to have to run them through a test that says what kind of services specifically they are requesting and is it authorized under the regulations?

Then we are going to have to go and look at the budget book to determine whether we can furnish the services under the 90–10 ratio. If they pass that test, then we move on to determine whether or not the service which has been requested can meet the self-sufficiency or self-support goal.

There will be a number of persons eliminated there because only current recipients under the present definitions are eligible for self-sufficiency services.

If they pass that test, we then look at their income and we must determine whether their income is 150 percent or less of the State's public assistance standard. And for those persons who are fortunate to get through that hurdle, we will then have to look at what are their resources and if their resources are anything more than what a public service assistance recipient's eligibility standard is at the present time, they are out.

In short, we have now set up in the service system a means test of four different steps that one has to go through to be eligible to get services. Clearly I think on examination these regulations indicate that it is much easier to run through the public assistance eligibility system and get on public assistance and get your services than to try and come in as somebody who is just trying to stay off welfare.

We trust that the committee will take a solid look at these.

Furthermore, we want to point out that the action taken, in the final promulgation of the regulations, and even in the proposed regulations, eliminates virtually services to the mentally retarded, drug addicts and alcoholics, a substantial portion of the services that we have been receiving in terms of foster care and day care, and we think this is contrary to the actions taken with the amendment to the Revenue Sharing Act.

There is another point that I think the State administrators would like to get across that I believe is not too well known by a great many persons, and that is the fact that HEW has not just waited to take steps to tighten up and eliminate many of the services which we are providing through these proposed and then finally adopted regulations. The new regulations are not the only means that HEW has devised to do that. On December 20 of last year HEW issued a memorandum under the signature of the then SRS Administrator, John Twiname, outlining new guidelines for claiming Federal financial participation in social service expenditures. That memorandum, which contains many of the elements included in the final social service regulations, has been used in the last 4 months to disallow millions of dollars in social service claims from the States, claims that were made for past years as well as for expenditures in fiscal year 1973.

This December 20 memorandum in addition to imposing new requirements actually superseded several provisions of regulations in effect when it was issued, and is in many instances directly contradictory to the existing regulations and established interpretations thereof. Despite the magnitude of its implications, this memorandum was issued without prior consultation with the States and without the customary and required notice and comment procedures. It was in fact issued to HEW regional offices for distribution to the States. I think the State of Louisiana can give a very cogent example, and I am sure Mr. Bonin would like to do that.

We raise this issue with your committee because it is clearly in our view related to the larger question of arbitrary Federal budget cutting by purely administrative means.

The Council is gratified at the interest that this committee has shown in the administration and funding of social service programs. Our major concern is that we have a $2.5 billion ceiling. It is limited as to what any particular State can do. We would like to see the kind of flexibility that makes it possible to develop a good social services program within those constraints.

I would now like to ask Mr. Richard Schrader if he would take a few minutes to elaborate particularly on just one of the service areas that has been eliminated to give you an example of the complexity and the way people are going to be hurt.

Mr. SCHRADER. My name is Richard Schrader. I am chief of the division of social services for the Nebraska State Welfare Department. I am representing Mr. Lawrence L. Graham, State director of public welfare.

In Nebraska we feel programs for the mentally retarded should not be subject to a means test. Mr. Graham recommends these services be funded through sources other than the social security titles such as the Developmental and Disabilities Act, Public Law 19-517. Of course, sufficient moneys would need to be appropriated through this act to fully fund the mental retardation programs.

The main impact of the May 1 social services regulations in Nebraska is that the social services specifically exempted from the 90-10 ratio of actual to potential welfare recipients by the Revenue Sharing Act turn out not to be exempt categories of services in light of the May 1 social services regulations. There is still a means test for these categories.

In Nebraska the most striking example of the impact is in our community based mental retardation programs where we estimate that under the May 1 regulations up to 80 percent of the mentally retarded children served will still not be eligible for services due to this means test.

The regulations refer to 150 percent to 233⅓ percent span of eligibility for day care services for potential recipients. This income restriction means in Nebraska that at about $8,500 yearly income for a family of four, the family would begin to pay full cost of care for the child in developmental day care centers. With the income eligibility alone, 67 percent of the families with mentally retarded children will not be eligible. According to the regulations, however, you must still consider the family's resources. In Nebraska the resource limit would be $1,550 for a family of four. Many of the families will have resources, including an automobile, which will make them ineligible on this basis. Considering resources we estimate 80 percent of the families and children in the mental retardation centers will be ineligible. This is virtually no change from the February 16 draft regulations as they relate to mentally retarded children.

The most immediate problem of serving mentally retarded children under age 13 in our State could be alleviated by inserting a clear statement in the regulations that mentally retarded children as well as adults be grandfathered in for the period July 1, 1973, to December 31, 1973. This would provide these programs more time to evaluate alternative sources of funding.

Many other programs are also affected but the impact appears greatest in services to the mentally retarded in our State. We have prepared a more detailed summary of the total State impact which will be filed with the committee.

Mr. MINTER. Senator, that completes our testimony. We would be very happy to answer any questions that you might have.

The CHAIRMAN. I think that you have made a good case and I believe that most of us feel that the answer lies in terms of letting each State have their share of the funds and leaving them the maximum possible discretion in deciding how the funds are to be used.

Now, I would like to ask Mr. Schrader: do you have a means test for social services, and what is the maximum income allowable?

Mr. SCHRADER. Yes, Senator. Under these regulations we can serve children in developmental day care centers as potential welfare recipients from 150 percent to 233⅓ percent of our standard of need for assistance payments. In Nebraska for a family of four that is about $5,500 at the 150-percent level and $8,500 maximum income.

In addition to that, as we mentioned, we have the resource limitation of $1,550 total resources for a family of four. This resource test and the income limitation did not exist under the former regulations.

The CHAIRMAN. So they would have to meet the same resource limitation that exists for public welfare recipients and they would have a somewhat more liberal income test.

Thank you very much, gentlemen. I find a great deal of agreement with what you have testified to here and I think that that will be true of the majority of the committee when we start voting on this issue.

Mr. MINTER. Thank you, Senator.

[The statement of Mr. Minter follows:]

PREPARED STATEMENT OF STEVEN A. MINTER ON BEHALF OF THE NATIONAL COUNCIL OF STATE WELFARE ADMINISTRATORS

I am Steven A. Minter, Commissioner of the Massachusetts Department of Public Welfare. I appreciate the opportunity to appear before this Committee on behalf of the National Council of State Welfare Administrators.

The Social Services Regulations which were promulgated by the Department of Health, Education, and Welfare (P.L. 92-512) have aroused great concern among state and local welfare administrators, private service agencies, recipients of services and others in the social welfare areas.

It is appropriate, and at the same time significant, that the Senate Finance Committee has undertaken these hearings to scrutinize the regulations to determine if Congressional intent has been followed in the drafting of the regulations. The Chairman of this Committee stated in announcing these hearings that portions of the proposed regulations issued on February 16 "go well beyond last year's legislative action or intent." We concur in this view, with regard to the final regulations as well as those published on February 16.

The National Council of State Welfare Administrators appears before you today to discuss our views of the Social Services Regulations from the perspective of those who are directly responsible at the state level for administering a federal-state program. We have grave concerns about the direction of social services as a consequence of the regulations; our concern lies not only with the effect the regulations will have on the programs, but also with the legislative consistency of these regulations with the 1972 Revenue Sharing Amendments enacted by Congress. We will demonstrate to you today the ways in which these regulations severely restrict social services programs, eliminate entire groups of people who formerly were eligible to receive services, and create formidable administrative burdens for state agencies.

The federal law has for years declared that social services should be provided to families and individuals to help them achieve personal independence or self-support, and to strengthen family life. These regulations will preclude the targeting

of social services to these stated goals. Legislative history clearly shows a deep Congressional commitment to social services; Congress does authorize $2.5 billion, with funds allotted to the states on the basis of population. These regulations will preclude the possibility of spending $2.5 billion.

HEW has heard objections to the Social Services Regulations from every state in the nation; at least HEW has been told. It is not clear that the Department chooses to listen. A total of 208,000 comments on the proposed regulations was submitted to HEW, the overwhelming majority of which were negative.

The Council of State Welfare Administrators must now appeal to Congress to act if we are to have a social services program as prescribed in the Social Security Act and Amendments thereto.

We are proposing for your Committee's consideration the following legislative actions:

1. Revision of the regulations to permit the full spending of the $2.5 billion allotted for social services. These regulations clearly negate the possibility of full spending of the $2.5 billion.

2. Inclusion of the elderly at an exempt category under the 90-10 service provision of the 1972 Revenue Sharing Act, to assure their eligibility for services.

3. Restoration of the two-year and five-year definitions with respect to former and potential recipients; elimination of resources as an eligibility criterion for services; and designation of the Bureau of Labor Statistics' minimum living standard as the income level for determining eligibility for services.

4. Insistence on "strengthening family life" as a social services goal.

5. Allowing the states maximum flexibility in providing day care services.

6. Elimination of requirement that single state agency determine eligibility. * * *

As part of the ceiling on social services spending, Congress devised a so-called "90-10" formula which requires that 90 percent of a state's social services moneys be spent on current recipients of public assistance, with the remaining 10 percent available to non-welfare recipients. Six service areas were exempted from the "90-10" provision: foster care, day care, family planning, mental retardation, and services to drug addicts and alcoholics.

Beginning with this set of particulars, HEW has used the amendments as a basis for limiting the entire scope of the social services program. We believe it is ironic that Secretary Caspar Weinberger emphasized before this committee in his testimony of May 8 that the Social Services Regulations contain many "administrative simplifications" and will allow the state greater flexibility in operating their programs. In spite of HEW's relaxation of some administrative requirements in the final set of regulations, the rules will undoubtedly place additional staff and paperwork burdens on state and local agencies that administer social services.

The following areas represent the major concerns of the National Council of State Welfare Administrators:

Eligibility. The regulations state that services may be provided to former welfare recipients for a period of three months after actual receipt of assistance, and may be provided to persons who demonstrate the potential for becoming welfare recipients within six months. Previously, a former recipient was eligible for services for two years, and a potential recipient was considered eligible for five years.

Congress recognized, in enactment of the 1962 Social Security Amendments, that there was a vital need to focus our attention and resources on rehabilitating current welfare recipients as well as those likely to become welfare recipients, rather than depending solely on a check-dispensing system. Mindful that this program is intended to ameliorate or correct the conditions which lead to financial dependency and family instability, it is clear that the requirement for the types of protective and preventive services that are needed by these groups of citizens, services such as family planning, home management and chore services, is not likely to be of short-term nature. It is true that the services may be continued for longer periods of time after a redetermination every six months. This, however, seems unnecessarily burdensome in light of the objectives of such aid.

Eligibility for the elderly will begin at the age of 64 and one-half years. All aged applicants and recipients must furthermore meet the self-sufficiency goal requirement. Furthermore, the elderly are not included as an exempted category in the "90-10" formula. These three factors will have the practical effect of restricting services to the aged to current welfare recipients. The National Council of State Welfare Administrators believes the elderly should be eligible for services before joining the assistance rolls; we therefore urge that the elderly be included as category exempt from the limitations governing potential recipients and that the eligibility definitions of former and potential recipients in effect in January 1973 be reinstated.

Also with respect to eligibility, the regulations contain onerous provisions which mandate that an individual's or family's resources must be taken into account in determining eligibility, and income may not exceed 150 per cent of the state's financial assistance payments standard.

The combined effect of these two provisions is to restrict delivery of services to the poorest of the poor, and to eliminate the possibility of aiding by means of services those working poor families who are not receiving welfare benefits but have special problems which may be threatening them with welfare dependency. The regulations impose in effect the same resource limitation on services as for financial assistance, while services under the statute are supposed to be available to those likely to become recipients; thus Congressional intent is clearly violated. To consider resources, for example, savings and the value of assets outside of home ownership such as life insurance policies, has the effect of reducing a person or family to welfare status before they would become eligible. The 150 per cent limitation is equally disastrous, especially for those states in which welfare payment levels are very low. For example, a family of four in Maryland, with an come of $7,000 was heretofore eligible. Under the new regulations, the income for a family of four may not exceed $3,600 in considering eligibility for social services. And in the state of Alabama, the same family of four could not have an income of more than $1,764.

The Council believes that the income limitation will result in far greater inequality of service delivery from state to state than has existed under the present rules whereby income limitations as stipulated in an approved State Plan were used to measure eligibility.

The Council urges that the consideration of resources, an entirely new requirement, be eliminated, and that the Bureau of Labor Statistics' minimum standard of living (or its equivalent) be established as the maximum income level in determining eligibility. Using that standard, as applied to a family of four persons, the maximum would be $7,515 in Maryland and $6,267 in Alabama.

Goals. By limiting the objectives of social services to two goals—self-support and self-sufficiency—in the new regulations, a whole range of preventive and rehabilitative services aimed at bolstering family stability have been eliminated. And for former and potential recipients, the goal of self-support must be established before services are allowed. Application of the self-support goal creates a system in which two means tests, specifically as income test plus potential for self support, are being utilized to determine eligibility for services, while in public assistance eligibility determinations there is a single means test. We urge Congress to act to insure that the goal which was specifically written into the 1962 Amendments of "maintaining and strengthening family life" is given equal priority with self-support and self-sufficiency as objectives of social services.

Mentally Retarded. The only specific service program for the mentally retarded in these new regulations is the statement which says day care may be provided, when appropriate, to persons who are mentally retarded. This means the elimination of services such as counseling, diagnosis, training sheltered workshops and community residence programs which previously were allowable to meet the special needs of the retarded. The regulations require that services be aimed toward self-support or self-sufficiency, yet the definition of mentally retarded in the regulations circumscribes the group to be served so that only the most severely handicapped will be eligible. Consider the definition: "Mentally retarded individual means an individual, not psychotic, who, according to a licensed physician's opinion, is so mentally retarded from infancy or before reaching 18 years of age that he is incapable of managing himself and his affairs independently, with ordinary prudence, or of being taught to do so, and who requires supervision, control, and care, for his own welfare, or for the welfare of others, or for the welfare of the community." In other words, persons capable of being rehabilitated may not be served.

Drug Addicts and Alcoholics. Despite the fact that Congress singled out drug addicts and alcoholics as an exception to the "90-10" formula, services as defined in the regulations seem to exclude various types of services that these people need and previously received, such as detoxification, intervention and community residential programs.

Foster Care. The expenses related to foster care that are allowable for federal financial participation are of particular concern. Cost of parent counseling, placement of children and review and supervision of that placement will be eligible for federal reimbursement, but the cost of services provided to the child in foster care will fall entirely to the state. Recruitment of foster parents and home-finding activities also will not be subject to federal reimbursement. The illogic of such fiscal hair-splitting is obvious.

Day Care. For those families which qualify and whose income does not exceed 150 percent of the state's financial assistance payments standard, day care services will be eligible for federal reimbursement. The only other eligible families are those whose income is within 233 percent of that standard. In other words, families within the 150 and 233 percent level will be eligible to receive day care services but will be subject to fees based on a sliding scale as developed by the states.

This would mean that in the state of Massachusetts, for example, a mother with 3 children with an income of 233⅓ percent or $8,083 would have to pay a total of $1,476 for day care for her 3 children. This represents 17% of her total income and is based on the Headstart Fee Schedule which includes the cost of only a half-day of child care per child.

For reasons that were discussed more fully in our remarks on eligibility, State Welfare Administrators believe the imposition of these fees on poor families to be excessively harsh. Day care is absolutely necessary as a service to enable some poor families to remain self-sustaining and independent of cash assistance. We believe families in these income brackets cannot afford in most instances to pay a fee for day care. We recommend that Congress take action to allow states the maximum flexibility in providing day care services.

It is important to emphasize that the restrictive provisions with respect to the mentally retarded, drug addicts and alcoholics, foster care, and day care strike at the heart of those very services which Congress, in the 1972 Social Services Amendments to the Revenue Sharing Amendments, emphasized as being most essential and which Congress expressly exempted from the "90-10" limitation.

Other services which the states were free to provide with federal reimbursement, and which are eliminated entirely under the new regulations, are information and referral (for anything other than employment-related matters), services to meet special needs and social group services. Until now the states could submit for HEW approval other optional services that they wished to provide.

The removal of these options, together with the detailed restrictions outlined above, make it plain, we believe, that flexibility for the states in providing services with federal matching moneys simply was not a consideration in the drafting of these new regulations. We continue to believe that the intent of the Administration was to reduce insofar as possible below $2.5 billion the amount that the states would spend for social services. Mr. Weinberger told your Committee last week that HEW estimates an expenditure of $2.1 billion in Fiscal Year 1973 for social services.

According to Council estimates gathered from the states, our estimate is nearer to $1.5 billion. The issue of allowing states to spend money authorized by the Congress is not a new one. We urge this Committee and the Congress to assure that spending for social services is actually made available to the limit considered prudent by the legislative branch, as set in the Revenue Sharing Act.

Turning to the administrative requirements under the new regulations, there are two issues which cause considerable concern among state officials. The single state agency responsible for providing social services, in most instances the state welfare agency, is mandated to determine eligibility for services, to authorize the type, duration and goal of all services provided. We dispute both the necessity and feasibility of this requirement. In purchase of service agreements, for example, it is traditional for the public or private agency which actually provides the service to be responsible for eligibility determinations and service plans, with the single state agency acting as a monitoring and quality control force.

We see no need to alter present practice, and, in fact, we dispute the ability of any single state agency to satisfactorily comply with the burden imposed by the new requirement. State welfare directors strongly favor legislation which states that: "No regulation promulgated by the Secretary shall have the effect of prohibiting the single state agency from delegating to other state or local public or private agencies or organizations the actual determination of eligibility and authorization of approved services."

Another administrative requirement states that all individuals and families now receiving services must be redetermined by October 1. This is a massive undertaking for all the states, the necessity for which has not been established.

We trust that the Committee will agree that HEW has taken numerous steps in these regulations that would cripple the social services program as we know it. We believe this is not what Congress intended last Fall, and we also believe that Congress did not intend the $2.5 billion social services ceiling to become a vehicle for using social services as an HEW budget-cutting mechanism.

The new regulations are not the only means that HEW has devised to do exactly that. On December 20, 1972, the Department of Health, Education and Welfare

issued a memorandum under the signature of then SRS Administrator John Twiname outlining new guidelines for claiming federal financial participation in social services expenditures. That memorandum, which contains many of the elements included in the final Social Services Regulations, has been used in the last four months to disallow millions of dollars in social services claims from the states—claims that were made for past years as well as for expenditures in the present fiscal year.

The Twiname Memorandum, in addition to imposing new requirements, supersedes several provisions of regulations in effect when it was issued and is in many instances directly contradictory to existing regulations and established interpretations thereof. Despite the magnitude of its implications, the memorandum was issued without prior consultation with the states and without following the customary and required notice and comment procedures. It was, in fact, issued to HEW Regional Offices for distribution to the states.

The manner in which the Twiname Memorandum guidelines have been applied is alarming. In the case of at least one state—Louisiana—the Department honored a claim for federal reimbursement of social services expenditures and, months later, demanded that nearly all the federal money approved be returned to HEW on the basis of the December memorandum.

We raise this issue with your Committee because it is clearly, in our view, related to the larger question of arbitrary federal budget-cutting by purely administrative means.

The National Council of State Welfare Administrators is gratified for the interest that the Committee has shown in the administration and funding of social services programs. We look forward to working with you in the future in our joint endeavor to provide needed services to deserving individuals within the ability of federal and state governments to do so.

The CHAIRMAN. Congresswoman Chisholm is now here. We are happy to have you with us today, Mrs. Chisholm. We will be happy to hear your views.

STATEMENT OF HON. SHIRLEY CHISHOLM, A REPRESENTATIVE IN CONGRESS FROM THE 12TH CONGRESSIONAL DISTRICT OF THE STATE OF NEW YORK

Mrs. CHISHOLM. Good morning. Thank you, Mr. Chairman, and committee members.

Gentlemen, my testimony today is more extensive than time allows, so I am going to condense my verbal testimony and concentrate on the technical problems presented by the proposed regulations.

One of the principal problems is that HEW defines current welfare recipients as "those with the greatest need." It is true that the Congress indicated that the bulk of the social services moneys—90 percent—should go to current recipients, but they also specifically and consciously exempted certain kinds of programs—foster care, drug and alcohol abuse, day care, family planning, and programs for the retarded—from the 90–10 rule. The effect of the proposed income formula and the proposed 3 month/6 month definitions of eligibility is to deny help to past and potential recipients and to invalidate and negate the intent of the exemptions mandated by Congress.

By focusing only on current welfare recipients, HEW is establishing a disincentive to work and is ignoring the very real needs of the working poor.

As is pointed out in the list of statistics on page 2 of my testimony, the majority of the poor are not on welfare, but these low-income female headed households who are doing their darndest not to become dependent upon public assistance will be denied help precisely because they are not welfare recipients. And the working poor need help

just as badly as those currently on the welfare rolls and are in many respects most deserving of our help because they are doing their level best not to become dependent upon public assistance.

Ironically, this is precisely the central point of the administration's family assistance proposal.

I would like at this moment to deal with several technical points with regard to the income formula. The problem with the original proposal of 133⅓ percent was not only that it was inadequate but also that it was inequitable. The inequities remain despite the fact that the formula has been raised to 150 percent. In fact the formula merely compounds the inequities.

For example, if you live in Alabama, you lose your eligibility for free child care if your income exceeds $1,740, but in Connecticut, you remain eligible for free child care with an income of $6,084. Even allowing for cost-of-living variables this formula discriminates against those living in our poorer—which tend to be our Southern—States.

Free services ought to be available for low income families no matter what States they reside in. In fact, the legislative history of the day care and child development bill makes it clear that Congress believes this is just and right. In the Senate version of the day care bill, Congress approved free child care services up to the Bureau of Labor Statistics lower living standard budget, which at that time was $6,000. On the House side, the Erlenborn substitute provided for free services up to $4,320.

Under the proposed 150-percent formula, 21 States would not provide free services at the level suggested in the Erlenborn amendment. As is indicated in the attached table that I will be submitting, the payment standard is not even equal to the needs standard established by 20 of the States—24 States, if the States marked ** are counted. Additionally, in 18 of the States, the payment level—or the actual amount of the stipend the recipient receives—is lower than the payment standard.

It would be far more equitable if the formula were based not on the payment standard but upon the needs standard. At the very least there ought to be an income floor for free services to protect those residing in our poorer States.

Another area in which I believe it would be useful for this committee to spell out some recommendations is with respect to income disregards. The proposed regulations do not specify whether the income limits are to be applied to gross income or to net income after deducting work expenses, but replies of HEW officials to questions in this area seem to indicate that the administration seems to be leaning toward the use of gross income figures.

As is the case with the income formula itself, this approach will bring about some inequities. First, there is the amount taken out in social security taxes. Second, some States have a State income tax while others do not. Rents are exorbitant in a city such as New York because of the terrible shortage of housing, while in a suburb this might be less of a problem. In rural areas of this Nation, transportation is absolutely essential because of the distances involved. Allowances for deductions for transportation costs would be a necessity for a person who does not own or have access to a car. In some instances union membership is a prerequisite for employment; in others special clothing is required.

In all of the above situations, the citizen has virtually no control over these expenditures. They are really automatic and cannot be regarded as disposable income. There will also be considerable variation in the above costs according to one's place of residence. For these reasons it would be both inequitable and unfair to use a gross income figure in assessing the eligibility for services.

While we are on the subject of finances, I think it important for the committee to secure from HEW some clearer definition of the expected administrative costs which the new monitoring system will entail. The rechecking of individual eligibility for services every 6 months is going to increase overhead costs, but HEW has indicated that they will not reimburse the States for this increased expense. While one can understand that careful monitoring is necessary to insure that public moneys are correctly spent, it must also be remembered that enforcement mechanisms cost money.

Which brings us to the next point. Under the new regulations, the reimbursement of the cost of enforcing existing State and Federal day care regulations would not be allowed. As one who has spent many years in the field, I am deeply concerned about the impact of this proposed change upon the quality of our child care programs. Without frequent inspection and aggressive enforcement, abuses will rapidly mount. We have all seen how many of our facilities for the mentally retarded and mentally disturbed have been turned into virtual snake pits. The same could quickly happen to our child care programs if the States are not allowed to utilize Federal money for this expense. There are some who will say that the States should come up with the funds for enforcement themselves, but the reality of the situation is that with the tremendous pressure for the expansion of services enforcement will have a low budget priority at the local level.

The quality of our programs is threatened in another way by the new guidelines which drop the old requirement for an AFDC Advisory Committee, the required recipient participation in the Advisory Committee on Day Care Services, and the lack of a mandated fair hearing procedure.

Conclusively, as a professional in this field myself for over 20 years, I believe strongly in the role of specialists, but I also believe that parents can make equally important contributions. Having heard since I've been on the Hill nearly every Member of this Congress make a speech or speeches criticizing bureaucrats and advocating the importance of input, participation and control at the local level, I believe there is strong support for reinstating and reaffirming recipient participation as outlined in the existing regulations.

Before we leave the subject of day care, I would like to make one final comment. Under the proposed regulations, HEW has proposed that recipients of services would pay for services on a sliding fee schedule between 150-percent and 233⅓-percent level. When HEW in a similar situation established a fee schedule for the Head Start program, the fees were so high that it was like sending your child to private school.

I would like to suggest, Mr. Chairman, that you recommend that HEW consider the fee schedules devised by the House-Senate conferees when we were considering the day care and comprehensive child development bill. The fee schedule had bipartisan support and although it would have to be revised to take into account the increase

in the BLS standard (Bureau of Labor Statistics lower living standard budget for an urban family of four), it provides a useful indication of Congress view of an appropriate fee schedule.

In my testimony I have detailed fee schedules. Although I have concentrated my remarks upon the impact the new regulations would have upon child care programs, there are others as deeply affected.

One of the most serious effects is on the education programs which are now currently funded by title IV A funds. Not only would Federal funds be disallowed for the few college programs which have been established to help welfare recipients to become independent wage earners: They would also eliminate education programs at the secondary level.

In New York City our welfare education plan, which is run with title IV A money by the board of education, has some 7,200 students currently acquiring eighth grade and high school equivalency certificates, as well as learning English as a second language, job orientation and referral, preparation for civil service exams, consumer education, health education, and family planning. They have been advised that under the new regulations, they would not be eligible for title IV A funds. All of the people in the program are welfare recipients. And without this education they could not even qualify for entry into the WIN program.

Some basic education is necessary in America today for even the most unskilled job, and today's job market frequently calls for much more in the way of education and training. So to shut down this kind of education program is just foolish and totally contradictory to the intent of the social services legislation which is to help people get off and stay off public assistance.

I realize that these hearings today are focusing on the HEW regulations but in closing I sincerely hope that this committee might consider some amendments to the social service legislation at some future date.

First, I hope that Chairman Long will again introduce his amendment to exempt child care and family planning from the social services ceiling. These programs are clearly related to the ability of welfare mothers to remove themselves from the welfare rolls. We ought to be encouraging States to expand child care and family planning services, and removal of the ceiling would accomplish this.

Secondly, I would hope that Congress would add at least two additional exemptions to the five existing exemptions from the 90-10 rule. I believe that the handicapped ought to be equally as eligible for exemptions as the retarded because their problems are so similar. For the retarded and handicapped, the need for services is not related so much to their income as to their disability.

In conclusion, the addition of senior citizens to the exemption list would be helpful because it would enhance the continued expansion of ambulatory care services for the elderly which in the long run is less costly to the public as well as the person being assisted.

I have attempted to kind of summarize my testimony which I have submitted in depth with statistics and figures to prove the points I have raised this morning.

The CHAIRMAN. Thank you very much for your statement, Mrs. Chisholm. I regret that what the Congress agreed to in this area has never really had a chance because we really had in mind in the

compromise between the Senate and the House last year that the two and a half billion dollars would be available, and as you know, these regulations apparently were drafted with the purpose in mind of saving about one-third of that money by making it so difficult to use the social services money that the Federal Government wouldn't spend all of its part.

One of the welfare administrators told me that he was discussing one of the programs and the proposed regulations with someone down at the department who had been drafting it and he said, now, there's not one State in the entire 50 that can comply with that regulation, and this person working on the regulation said, well, that is right, but if they comply, the money is there.

What good does that do you? So it is so complicated and so difficult to comply with that the purpose of it was that it shouldn't be—it wouldn't be there.

It is sort of like the illustration that Mr. Woodcock gave about some of these health insurance policies that would protect you in the event you are run over by a buffalo at noontime in downtown Detroit. It is not likely to happen.

But we now have a chance to take a good look at this, and at least we are capable of doing so, and propose the proper answer. I think we can both agree that the States ought to have the maximum possible discretion in using their share of the money the way they think it would do the most good for their people.

Mrs. CHISHOLM. Mr. Chairman, may I just interject one brief comment, and that is that we have heard a great deal of comment in our country with respect to the work ethic and even the most poor citizen in this country wants to make a productive contribution to this land. But we have to be very careful that we don't cut off our nose to spite our faces because of the 25-odd million working poor people in this country, approximately 40 percent of the families are headed by women and 50 percent of the families in the black communities are headed by black women and those persons want to be productive citizens. They do not want welfare but they want to be able to have child care centers where their children can be catered to intellectually, physically and emotionally so they can go out and work and get off the public assistance rolls and help the middle-class citizens in this country feel that the poor want to work. Because of the increasing taxes all over this Nation, the turning back of school bond issues and what have you, this is a clear indication if you can read the stars on the horizon of our Nation that the middle-class persons in this country are becoming quite upset over constantly having to pay additional taxes to carry people who, by virtue of circumstances beyond their own control, are not able to move out into the main stream of society.

So all I would like to leave with this committee is that it is to be hoped that in terms of looking at money, looking at budget, and I know we have to be very cognizant of budget figures, but we also must address ourselves to the real humanitarian needs and the fact that there are people in this country that do not want to get on welfare and if they do get off welfare they want to stay off welfare.

So it is to be hoped that in looking over the charts and statistics and detailed information I placed in the Congressional Record on April 19 that perhaps we might be able to make a few reversals, Mr. Chairman.

The CHAIRMAN. Thank you very much for your statement.

Senator CURTIS. May I ask a question?

First, let me say that you are the first "Woman of the Year" who has availed herself of this podium to testify. We welcome you. I was present the other night.

Your chart at the back, the tables, on your paper you list Nebraska as having an annual payments standard for a family of four of $3,684, their payment level at $2,712.

I think my recollection is that this is correct. The State used to pay the full amount of their standard and HEW found fault with it and said we weren't in compliance. We would have all of our money shut off. We would have to raise our standard. But it didn't make any difference whether we paid it or not. That is how that happened.

We thank you for your testimony.

Mrs. CHISHOLM. Thank you.

[Congresswoman Chisholm's prepared statement follows:]

TESTIMONY OF HON. SHIRLEY CHISHOLM, A U.S. CONGRESSWOMAN FROM THE STATE OF NEW YORK

SUMMARY

Mrs. Chisholm will discuss the fee schedule, income disallows, the 90-10 rule, needs standard versus payment standard, administrative costs, parent and recipient advisory participation, a fair hearing procedure, enforcement costs, and the eligibility of education programs.

STATEMENT

New social services regulations

Mr. Chairman, I want to thank you and the other members of this Committee for allowing me to testify today. As one who represents a constituency which is profoundly affected by these regulations, I am very concerned about the impact of the proposed changes upon their lives. As a former day care teacher, director, and consultant with 19 years of experience in the field, I am critical of the impact upon the quality of our Social Services programs. And finally as a Legislator, I am outraged at the attempt by H.E.W. bureaucrats to usurp the powers of Congress by writing regulations which both exceed and thwart the will and intent of Congress.

On this last point I would like to note that in conversations with both members of my staff and with constituents, H.E.W. personnel have indicated that they plan to implement them *as is* on July 1st. I'm not sure what H.E.W. thinks the purpose of these hearings is, but perhaps the Senate Finance Committee should make a point of the fact that you are not sitting here listening to testimony for your health, and that you do believe that there ought to be further revisions before the guidelines are implemented.

In their defense of the guidelines proposed in February and the revisions made in May, H.E.W. has said that they are attempting "to target on those with the greatest need." Unfortunately, their definition of "those with the greatest need" seems to be *current* welfare recipients.

It is true that the Congress indicated that the bulk of the Social Services moneys (90%) should go to current recipients, but they also specifically and consciously exempted certain kinds of programs—foster care, drug and alcohol abuse, day care, family planning, and programs for the retarded—from the 90-10 rule. The effect of the proposed income formula and the proposed 3 month/6 month definitions of eligibility is to deny help to past and potential recipients and to invalidate and negate the intent of the exemptions mandated by Congress.

By focusing only on current welfare recipients, H.E.W. is establishing a disincentive to work and is ignoring the very real needs of the working poor.

As is pointed out in the list of statistics on page 2 of my testimony. (see notes)

According to the 1970 Census, there are still some 25.5 million poor in the nation;

Only 21.5% of these families are on welfare;

Over 40% of these poverty families are headed by women;

Over 50% of all poor Black families are headed by women;

The number of female headed families is growing. In 1960 25% of all marriages ended in divorce or annulment. By 1970 the figure was up to 35%;

Among women as heads of households, 215,000 worked sometime during the year, but fewer than 10% worked full time year around. It is mainly their duties at home that kept them out of work;

Of those who worked, over half are employed as service workers or maids. And more than half of the women who headed families worked as maids in 1970, and this is a group whose average income was under the federal poverty line. (The median income for domestics is $1,800.);

Among married women in 1970, 8 million earned between $4,000 and $7,000, and two-thirds of them were married to men who earned less than $10,000;

The median income—all males, $6,420;

The median income—minorit, males, $3,891;

The median income—all females, $2,132; and

The median income—minority females, $1,084.

The working poor need help just as badly as those currently on the welfare rolls and are in many respects most deserving of our help because they are doing their level best not to become dependent upon public assistance. Ironically, this was precisely the central point of the Administration's Family Assistance proposal.

I would like at this moment to deal with several technical points with regard to the income formula. The problem with the original proposal of 133⅓% was not only that it was inadequate but also that it was inequitable. The inequities remain despite the fact that the formula has been raised to 150%. In fact the formula merely compounds the inequities.

For example, if you live in Alabama, you lose your eligibility for free child care if your income exceeds $1,746, but in Connecticut, you remain eligible for free child care with an income of $6,084. Even allowing for cost of living variables this formula discriminates against those living in our poorer—which tend to be our Southern—States.

Free Services ought to be available for low income families no matter what States they reside in. In fact the legislative history of the Day Care and Child Development bill makes it clear that Congress believes this is just and right. In the Senate version of the Day Care bill, Congress approved free Child Care Services up to the Bureau of Labor Statistics Lower Living Standard Budget, which at that time was $6,000. On the House side, the Erlenborn substitute provided for free Services up to $4,320.

Under the proposed 150% formula, 21 States would not provide free Services at the level suggested in the Erlenborn amendment. As is indicated in the attached table 1, that I will be submitting, the Payment Standard is not even equal to the Needs Standard established by 20 of the States (24 States, if the states marked** are counted). Additionally in 18 of the States, the Payment Level—or the actual amount of the stipend the recipient receives—is lower than the Payment Standard.

It would be far more equitable if the formula were based not on the Payment Standard but upon the Needs Standard. At the very least there ought to be an income floor for free Services to protect those residing in our poorer States.

Another area in which I believe it would be useful for this Committee to spell out some recommendations is with respect to income disregards. The proposed regulations do not specify whether the income limits are to be applied to gross income or to net income after deducting work expenses, but replies of H.E.W. officials to questions in this area seem to indicate that the Administration seems to be leaning toward the use of gross income figures.

As in the case with the income formula itself, this approach will bring about some inequities. First, there is the amount taken out in Social Security taxes. Secondly, some States have a State income tax while others do not. Rents are exorbitant in a city such as New York because of the terrible shortage of housing, while in a suburb this might be less of a problem. In rural areas of this nation transportation is absolutely essential because of the distances involved. Allowances for deductions for transportation costs would be a necessity for a person who does not own or have access to a car. In some instances union membership is a prerequisite for employment; in others special clothing is required.

In all of the above situations, the citizen has virtually no control over these expenditures. They are really automatic and cannot be regarded as disposable income. There will also be considerable variation in the above costs according to one's place of residence. For these reasons it would be both inequitable and unfair to use a gross income figure in assessing the eligibility for Services.

While we are on the subject of finances, I think it important for the Committee to secure from H.E.W. some clearer definition of the expected administrative costs which the new monitoring system will entail. The rechecking of individual eligibility for Services every 6 months is going to increase overhead costs, but H.E.W. has indicated that they will not reimburse the States for this increased

expense. While one can understand that careful monitoring is necessary to ensure that public monies are correctly spent, it must also be remembered that enforcement mechanisms cost money.

Which brings us to the next point. Under the new regulations, the reimbursement of the cost of enforcing existing State and Federal Day Care Regulations would not be allowed. As one who has spent many years in the field, I am deeply concerned about the impact of this proposed change upon the quality of our child care programs. Without frequent inspection and aggressive enforcement, abuses will rapidly mount. We have all seen how many of our facilities for the mentally retarded and mentally disturbed have been turned into virtual snake pits. The same could quickly happen to our child care programs if the States should come up with the funds for enforcement themselves, but the reality of the situation is that with the tremendous pressure for the expansion of services enforcement will have a low budget priority at the local level.

The quality of our programs is threatened in another way by the new guidelines which drop the old requirement for AFDC Advisory Committee, the required recipient participation in the Advisory Committee on Day Care Services, and the lack of a mandated fair hearing procedure.

As a professional in the field myself, I believe strongly in the role of specialists, but I also believe that parents can make equally important contributions. Having heard since I've been on the Hill nearly every member of this Congress make a speech or speeches criticizing bureaucrats and advocating the importance of input, participation and control at the local level, I believe there is strong support for reinstating and reaffirming recipient participation as outlined in the existing regulations.

Before we leave the subject of Day Care, I would like to make one final comment. Under the proposed regulations, H.E.W. has proposed that recipients of Services would pay for Services on a sliding fee schedule between 150% and 233⅓% level. When H.E.W. in a similar situation established a fee schedule for the Head Start program, the fees were so high that it was like sending your child to private school.

I would like to suggest, Mr. Chairman, that you recommend that H.E.W. consider the fee schedules devised by the House-Senate Conferees when we were considering the Day Care and Comprehensive Child Development Bill. The Fee Schedule had bipartisan support and although it would have to be revised to take into account the increase in the BLS Standard (Bureau of Labor Statistics Lower Living Standard budget for an urban family of four), it provides a useful indication of Congress' view of an appropriate fee schedule. It allowed free child care for any family earning up to $4,320. Families earning from $4,320 to $5,916 would pay 10% of the increase over $4,320 or $159 plus 15% of the increase over $5,916. At the $6,960 level, the cost would be $317 and the Secretary of H.E.W. would set the fees above that income level. (See page 18, Section 516(8) (A) and (B) Conference Report 92-682 Economic Opportunity Amendments of 1971, U.S. House of Representatives, November 29, 1971.)

Although I have concentrated my remarks upon the impact the new regulations would have upon Child Care programs, there are others as deeply affected.

One of the most serious effects is on the education programs which are now currently funded by Title IV-A funds. Not only would federal funds be disallowed for the few college programs which have been established to help welfare recipients to become independent wage earners; they would also eliminate education programs at the secondary level.

In New York City our Welfare Education Plan, which is run with Title IV-A money by the Board of Education, has some 7,200 students currently acquiring 8th Grade and High School equivalency certificates, as well as learning English as a second language, Job Orientation and Referral, preparation for Civil Service exams, Consumer Education, Health Education, and Family Planning. They have been advised that under the new regulations, they would not be eligible for Title IV-A funds. All of the people in the program are welfare recipients. And without this education they could not even qualify for entry into the WIN program.

Some basic education is necessary in America today for even the most unskilled job, and today's job market frequently calls for much more in the way of education and training. So to shut down this kind of education program is just foolish and totally contradictory to the intent of the Social Services legislation which is to help people get off and stay off public assistance.

For those of you who are interested in further details about the New York Welfare Education Plan, written testimony is being submitted to the Committee by the Project Director James N. Warren.

I realize that these hearings today are focusing on the H.E.W. Regulations, but in closing I hope this Committee might consider some amenements to the Social Service Legislation at some future date.

First, I hope that Chairman Long will again introduce his amendment to exempt Child Care and Family Planning from the Social Services Ceiling. These programs are clearly related to the ability of welfare mothers to remove themselves from the welfare rolls. We ought to be encouraging States to expand Child Care and Family Planning Services, and removal of the ceiling would accomplish this.

Secondly, I would hope that Congress would add at least two additional exemptions to the five existing exemptions from the 90-10 Rule. I believe that the handicapped ought to be equally as eligible for exemptions as the retarded because their problems are so similar. For the retarded and handicapped, the need for Services is not related so much to their income as to their disability.

In conclusion, the addition of Senior Citizens to the exemption list would be helpful because it would enhance the continued expansion of ambulatory care services for the elderly which in the long run is less costly to the public as well as the person being assisted.

SOCIAL SERVICES TABLES

State (for an AFDC family of 4)	Annual payment standard	Payment level July 1972, figures	Needs standard July 1972, figures	150 percent	233⅓ percent
Alabama	$1,164	$1,164	$2,760	$1,746	$2,716
Alaska	4,800	4,500	4,800	7,200	11,200
Arizona	3,784	2,208	3,384	5,070	7,896
Arkansas	2,748	1,332	(1)	4,122	6,412
California	[2] 3,768	3,360	(1)	5,652	8,792
Colorado	2,904	2,904	2,904	4,356	6,776
Connecticut	4,056	4,056	4,056	6,084	9,464
Delaware	3,444	1,824	3,444	5,167	8,039
District of Columbia	2,868	2,868	3,816	4,302	6,692
Florida	2,676	1,728	2,676	4,014	6,244
Georgia	2,724	1,788	2,724	4,086	6,356
Hawaii	4,008	4,008	4,008	6,012	9,352
Idaho	3,384	3,384	3,768	5,076	7,896
Illinois	3,264	3,264	3,264	4,896	7,616
Indiana	4,356	2,460	4,356	6,534	10,164
Iowa [3]	3,600	2,916	(1)	5,700	8,400
Kansas	3,864	3,864	4,116	5,796	9,016
Kentucky [3]	2,808	2,052	2,808	4,412	6,552
Louisiana	1,296	1,296	2,316	1,944	3,024
Maine	4,188	2,016	4,188	6,282	9,772
Maryland	2,400	2,400	3,732	3,600	5,600
Massachusetts	4,188	4,188	4,188	6,282	9,772
Michigan	4,332	4,332	4,332	6,498	10,108
Minnesota	4,068	4,068	4,068	6,102	9,492
Mississippi	3,324	720	3,324	4,986	7,756
Missouri	3,636	1,560	3,636	5,454	8,484
Montana	2,472	2,472	2,700	3,708	5,768
Nebraska [3]	3,684	2,712	3,684	5,526	8,596
Nevada	2,112	2,112	3,846	3,168	4,928
New Hampshire	3,528	3,528	3,528	5,292	8,232
New Jersey	3,888	3,888	3,888	5,832	9,072
New Mexico	2,436	2,148	2,436	3,654	5,684
New York [3]	4,032	3,756	4,032	6,048	9,408
North Carolina	1,906	1,906	2,208	2,859	4,447
North Dakota	3,600	3,600	3,600	5,400	8,400
Ohio	2,400	2,400	3,096	3,600	5,600
Oklahoma	2,268	2,268	2,684	3,402	5,292
Oregon	3,204	3,204	3,996	4,806	7,476
Pennsylvania	3,756	3,756	3,756	5,634	8,764
Rhode Island	3,156	3,156	3,156	4,734	7,364
South Carolina	2,496	1,248	2,496	3,744	5,824
South Dakota	3,420	3,420	3,600	5,130	7,980
Tennessee	2,604	1,584	2,604	3,906	6,076
Texas	1,776	1,776	2,364	2,664	4,144
Utah	2,820	2,820	3,864	4,230	6,580
Vermont	4,020	4,020	4,020	6,030	9,380
Virginia	3,132	3,132	3,348	4,698	7,308
Washington	3,528	3,528	3,672	5,292	8,232
West Virginia [4]	1,656	1,656	3,180	2,484	5,796

See footnotes at end of table, p. 278.

SOCIAL SERVICES TABLES—Continued

State (for an AFDC family of 4)	Annual payment standard	Payment level July 1972, figures	Needs standard July 1972, figures	150 percent	233⅓ percent
Wisconsin	3,624	3,624	3,744	5,436	8,456
Wyoming	3,120	3,120	3,396	4,680	7,279
American Samoa					
Guam					
Puerto Rico	1,584			3,276	3,696
Trust Territory Virgin Islands	1,992			2,988	4,648

[1] Figure is probably the same as the payment standard.
[2] There was some question as to whether or not this is the accurate figure for the payment standard.
[3] In these instances in the States of Iowa, Kentucky, Nebraska, and New York there seems to be a question as to the accuracy of the HEW payment standard figures. Iowa's standard is 81 percent of need which would be $2,916, Kentucky's is 73.1 percent of need which would put it at $2,052, Nebraska's would be $3,348 and New York's at 90 percent of need would be $3,629.
[4] 1971 data.

The CHAIRMAN. The next witness will be the Honorable Jule Sugarman, administrator, New York City Human Resources Administration. We are pleased to have you before the committee, Mr. Sugarman. Some of us have read with considerable interest your efforts to make some innovative changes in the welfare program in New York and we are very interested to know how you have been making out.

STATEMENT OF JULE SUGARMAN, ADMINISTRATOR, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION, ACCOMPANIED BY MISS HARRIET DRONSKA, ASSISTANT ADMINISTRATOR FOR RESOURCES PLANNING

Mr. SUGARMAN. Thank you very much. I would like also to introduce Miss Harriet Dronska, our assistant administrator for resources planning.

Let me take just a moment in response to the chairman's observation to bring you up to date on progress in the city on the public assistance side.

We are now some 53,000 people below the peak number of public assistance recipients in the city. For the last 5 months we have averaged about a 10,000-person reduction every month.

Now, that number sort of pales in comparison to the reductions in California, but on the other hand, about half of our reduction has come in the ADC category, whereas most of California's has occurred at the ADCU, unemployed father category or their equivalent of general public assistance. I think we are well on our way to bringing what was a very difficult, and a very massive system under control.

As the committee may be aware through the visits of some of its staff members, we have brought quite a different group of people into the organization to work with our social services staff. I have added nearly 500 people from the business community, people trained at business management and business administration. They are literally working a revolution within the agency.

I must say they could not do that without the effective participation of the present social services staff. The blending of talents between the management group and the social services staff I think has produced admirable results.

The CHAIRMAN. You say you have managed to reduce the number of recipients by 53,000?

Mr. SUGARMAN. That is correct.

Senator CURTIS. 53,000?

Mr. SUGARMAN. 53,000.

Senator CURTIS. Over how long a period of time?

Mr. SUGARMAN. That is within the last 6 months. That represents a decline of about 4.5 percent in the caseload.

The CHAIRMAN. We on this committee—and I speak for the majority—have been wanting to give you more latitude to offer people work rather than a welfare payment. We think the efforts you have been trying to make along that line represent the direction that we will have to move if we are ever to emerge from the welfare maze. We recognize that you have a severe problem there in New York because for a long time you had high welfare payments, and with the payments that high it is sort of hard to find some of these people who have never worked before a work opportunity that pays as much as they make on welfare. Isn't that part of your problem?

Mr. SUGARMAN. I think we do indeed have high levels of payments. The costs, of course, of living in New York City are also extraordinarily high. One of the greatest disappointments to me, Senator, is that the amendments which were proposed by this committee in 1971, which authorized the use of public assistance funds to create employment opportunities, have not been utilized by this administration. I have no question that we could put 50,000 or more ADC recipients to work if we could create the jobs which are appropriate to their level of skills, and if we could provide the child care.

Now, we have done, I think, very well on child care, partly in response to the injunctions of this committee which has repeatedly expressed its concern. The numbers of day care slots in the city funded by us have risen in the last 2 years from 13,000 to nearly 40,000. However, in the process of expanding child care services, we have gotten ourselves into a terrible financial bind because we relied on the commitments made by the Federal Government that they would help finance these costs.

In the current fiscal year, we will spend $124 million for day care in the city of New York. That is nearly two-thirds of all of the money which we allotted under the social services limitation. This is part of our general problem which we are here to address today.

The CHAIRMAN. One of the things I would like to do, if we could, would be to provide States with some money to put people to work doing something useful. I have in mind providing jobs for people who are on welfare today. In some cases you could provide a job for the father provided that he will help support the family and that would take the family off welfare, and when we do that we ought to try to provide a way to permit a State to have the benefit of anything they save on their welfare rolls, to use the savings to provide further work opportunities for people who are on the welfare rolls.

Unfortunately, we sometimes fail to look at the whole picture and say, we will provide you some money to put somebody to work. When you put somebody to work and save money on welfare, you are losing on one end what you are gaining on the other, so that the program can't proceed ahead the way it would if that State had the benefit of

whatever it can save on one end against the job opportunities it can provide on the other.

Mr. SUGARMAN. Senator, let me mention three things that we are now doing in New York which I think are relevant to what you are saying.

We have a demonstration welfare employment project in which Emergency Employment Act funds are being combined with welfare funds to create jobs. We have about 1,000 ADC recipients that are in this program. These recipients have turned out to be first rate, quality employees. Despite the fact that they are not in the civil service system, because we can't get them into the civil service system as yet, they are doing a fine job. These employees are much desired by the city agencies. They are off relief in terms of getting a welfare check. They now get a salary check. And from my point of view it is a very salutary development.

Unfortunately, this program is going to come to an end because Emergency Employment Act money is being abolished by the President. The termination of EEA funding will mean that of these 1,000 welfare recipients, a great majority will end up right back where they were a year ago—back on the welfare rolls.

Second, we have been doing something very interesting with drug addicts. This subject has been of great concern to the city. With the cooperation of the Vera Institute of Justice, we have developed a supportive work project in which by the end of the year, assuming HEW will give us approval, we will have 3,000 ex-drug addict recipients working. They are methadone stabilized, under methadone treatments. Rather than simply leaving these addicts on welfare and methadone treatment we are going to put them into actual jobs, jobs ranging from cleaning of city facilities to minor renovation work to working in some of our worst hotels to try to get them in shape to house low-income families, and other very productive kinds of tasks. These persons will be paid relatively low wages but they are adequate subsistence wages.

Now, on that point of the adequacy of wages, I think that while I fully support the concept that this committee has been interested in, you particularly, Senator, that there should be employment for people, I am disturbed by some of the wages which have been proposed. I think that the wage rates that were, for example, considered as a part of H.R. 1 simply are not realistic for a city like New York. The welfare level is not a realistic one either, but this in my judgment would be even more difficult. I think we need to reexamine the question of wage rates.

Finally, let me tell you about an employment program that we have in our home relief program. This is not a federally supported program. We now are about to put into effect a system under which any employable home relief recipient will not be eligible for public assistance but will be eligible for a job. He has his choice. If he wants a job, fine, we will give it to him. If he doesn't want a job, we will not give him public assistance.

Now, those jobs will be in both the public agencies and in the voluntary agencies. We will guarantee employment up to at least half time, which means that they will, in all cases, get a little more money than they would if on the public assistance rolls, and they will be doing productive work for that.

There will be about 11,000 people so employed under the work relief program. I think the principles of this are the same principles that we would like to see established in the ADC category and we would be pleased to be helpful in any way we can to work with the committee in devising such programs.

The CHAIRMAN. For your information, Mr. Sugarman, I am not wedded to any particular answer to this problem. It would be all right with me to pay a minimum wage to the welfare recipients if we could put them on some kind of work. However we do it, we need answers and I am satisfied that we are not going to get anywhere just by loading more and more people on the rolls doing nothing. What we are going to have to do is find something for the people to do and we should be trying to make it more rewarding for people to work than not to work. Those things to me are simple commonsense and if you don't work at moving in that direction you will never solve the problem.

The idea is to try to provide a work opportunity for people and to try to make the work sufficiently rewarding so that the people will take the job, in the last analysis we can't just let people starve. If they won't do anything to help themselves we are still going to have to do something to provide them some minimal level of income. But hopefully we can provide enough encouragement for people that they will go into some kind of useful employment with some opportunity, I would hope, to better their condition thereafter.

I applaud your efforts and I really think that from where we stand at this moment, the answer will have to move more in terms of having some pilot tests—maybe you will be running one of them. I think we are going to be needing some latitude and some tests to see which method seems to work the best, and once we can zero in on it, then I think that we should implement it. But as long as we don't have an answer that appears to work, I don't see any point in pouring additional billions into something that is unproven and has not worked out at least on some test basis.

Mr. SUGARMAN. Again, I think that if the President and the administration would simply use the authority which this committee has already provided to them to deal with the problem of employment, we would be miles ahead.

The CHAIRMAN. Some of the welfare administrators have told me that they are going to ask us to repeal the work incentive program and substitute something that we had before, the community work and training program. What is your thought about that?

Mr. SUGARMAN. Well, I think that reorganizations seldom make a difference in the basic substance of the problem. The State employment service in New York City, tries very hard to do a job. I do not find them as unsympathetic as some people view them to the needs of welfare recipients. But the end result, the bottom line of what they do, is that they place less than 4 percent of the people we send them into any sort of job. And even those that they place remain in those jobs sometimes as little as a few days or a couple of weeks.

The process is sort of an empty one. I think if I were running that service in my own agency it probably wouldn't be much better unless we had the capacity to really develop employment.

You know, the city of New York has lost something like 250,000 jobs within the city over the last 3 years and the overwhelming

proportion of those jobs are the low skilled kind of job that is the most likely spot to place a welfare recipient. Until we can do something to change that fact, I think neither the employment service nor the welfare department is going to make a major change.

The CHAIRMAN. Thank you very much. I will be happy to hear your statement.

Mr. SUGARMAN. Fine. I think it might be useful, Mr. Chairman, and Senator Curtis, to clarify for the committee the pattern of social service expenditures in New York City. I know that this, too, has been of concern to you.

First of all, I think you should know that the city has traditionally gone well beyond what was required by law in terms of making local tax moneys available for social service programs. In the last year before the ceiling limitation was imposed, the city provided about 25 percent of all of the money spent to draw down the Federal matching funds, rather than the 12½ percent that is legally required. So between the city and State we were financing about 60 percent of all social services expenditures.

With the imposition of the ceiling limitation, the Federal share has now dropped from 40 percent to 27 percent of our total social services expenditures. So that a program which is described as being at the 75 percent reimbursement level in terms of our aggregate expenditures is really only at the 27 percent level.

Now, we recognize that Congress had a serious problem in terms of trying to place some budgetary control on the total expenditures in this area. We don't quarrel with that need or the fact that it was done. We are very unhappy with the fact that that full $2½ billion can't be spent, (a) because there are some States that don't need it and there is no provision for reallocation, something which we think, as Commissioner Minter testified is a very important thing to do; and (b) because of the new regulations, which are now the subject of this hearing.

I would say to you that in New York City, despite the regulations, we probably will still have enough qualifying services that we will use up our full entitlement. So while I want to be very critical of some of the regulations today, I must say unless the total dollars available change. They probably won't affect our financial situation directly.

You have heard so much testimony already and you have so much more ahead of you that I don't want to repeat too much. There are a couple of points, though, that I would like to emphasize.

No. 1 is really a fact which results from a congressional action rather than HEW regulations, and that is the limitation on services to senior citizens. The requirement is that 90 percent must currently be public assistance recipients. In New York City I would estimate that there are over 100,000 older citizens who are legally entitled to public assistance, who simply are too proud to apply for that public assistance. Most of them have some social security benefit but it is not at the level of public assistance. These senior citizens would rather scrimp, save, and do without than take advantage of public assistance as such. And yet the effect of the Federal regulations is to say to these people, to slap them in the face by saying, because you won't come in here and ask for money, you are not going to get any services.

Senator CURTIS. May I ask a question right at that point?

Mr. SUGARMAN. Sure.

Senator CURTIS. Is the regulation drawn so that it is limited to those on public assistance or does it go to the point as being eligible for public assistance?

Mr. SUGARMAN. The law says that 90 percent must be eligible for public assistance rather than actually receiving it. But our senior citizens are not willing to come in and subject themselves to that kind of means test.

Senator CURTIS. Can a person be eligible and still not apply?

Mr. SUGARMAN. Yes.

Senator CURTIS. Why can't you make a finding of eligibility without somebody applying?

Mr. SUGARMAN. Because we have to go through the same process of determining eligibility for services under the HEW regulations.

Senator CURTIS. They still wouldn't have to apply for welfare.

Mr. SUGARMAN. Well, they would consider that as applying for welfare. They would have to submit information, they would have to reveal all sources of income, all bank accounts, all personal property that they own. Everything that you ask of a public assistance recipient under the HEW regulations we would also have to be asked of this older person who only wants services; no money, just service, and there is an indignity to this that the senior citizens are just not willing to accept.

The CHAIRMAN. Would you have to go through the same procedure to acquire the services as you would have to go through to acquire the cash assistance?

Mr. SUGARMAN. Exactly. Let me say to you, Senator, on this point, if that older person in New York State has $25 in a bank account, they are not eligible for either public assistance or for services.

Senator CURTIS. That is your State law?

Mr. SUGARMAN. That is a State regulation and law, yes.

Senator CURTIS. We don't make any such requirements on the Federal level.

Mr. SUGARMAN. I recognize that but I think one of the things, I have recommended in my testimony, is that this committee needs to insist that the States adopt reasonable standards of assets. I suggest, for example, that a standard of assets that was equal to 6 months of public assistance benefit levels might be a reasonable asset standard. In the case of an older person in New York that would be about a $1,000 that they could have in assets.

The CHAIRMAN. Mr. Sugarman, assuming that the SSI is going to go into effect on January 1, 1974, I don't think that would make any difference because we are going to have a Federal program with a very liberal assets test, and then if the State is in a position to pay higher payments, for example if New York wants to supplement the Federal payment, they will be able to do so.

For your information I am going to propose as an amendment to this bill along the lines of a grandfather clause so that these aged people would receive at least as much as they have been receiving.

If we do that, States like New York would be completely relieved of this burden. For those new recipients coming on the rolls, they might want to supplement what those people are receiving but you would have a lot of money that you could reprogram especially for your aged.

Mr. SUGARMAN. Right.

The CHAIRMAN. And I would hope you would in large measure reprogram that and use it for them rather than put it into highways or something because you are interested in this program to help the aged and so am I.

Mr. SUGARMAN. That is exactly our position.

The CHAIRMAN. Meantime I think we had better just give you more flexibility to let you do what you think you ought to do about that matter.

Mr. SUGARMAN. That is right. Let me say that relief would be most welcome by the State and city. The average benefit level in New York for an older person is now about $50 over the standard Federal benefits of $130. In other words, we are averaging about $180 per person now. We are hopeful, of course, that the legislature will fully supplement that benefit level.

But as you suggest, the key is to get our Federal regulations revised here so that we can provide services to the people who need them and not subject them to the kind of means test that is involved here. It does require a change of legislation to do that, I believe.

The second point I want to make, (and I say this with some trepidation because remarks of this nature can often be misinterpreted), is that I believe what HEW is doing with these regulations is creating a sort of self-fulfilling prophesy that welfare recipients cheat, because the regulations are so tightly structured and so tightly knit that there is no way people will be able to take advantage of services provided by them without cheating.

To give you some specific examples, let's take that welfare mother whom we successfully removed from the welfare rolls. We found her a job, put her into a job which has decent income, not large, and as a part of her prudent financial management which we always encourage, she put $50 in her bank account to save for a rainy day.

The minute she does that under these regulations she is ineligible for day care for her children. And I think that the pressures on that woman who doesn't want to go back on the welfare rolls is so strong that she is going to lie. I think we are going to find when the auditors come around a year of 2 or 3 years from now, that we are going to have major scandals, not because people didn't want to be honest but because we create a situation in which they couldn't be honest.

I take this as a very serious matter having tried to root out fraud in New York City and to deal with it in an effective way. I just don't want to create the situation where we are going to force people to be fraudulent. That is why I suggest as a way out that we establish a reasonable minimum asset level. I suggest 6 months of the public assistance level. Perhaps some other figures are more appropriate. In New York City a 6 month asset level for a single individual would be about a $1,000. For a woman with three children it would be about $2,000. I think it is not unreasonable that a person should be permitted to accumulate that amount of money and still receive services.

There are many, many other questions on the regulations. I think that particularly in the day care area, which, as you know, has been a long standing interest on my part, other commissioners will be testifying before you tommorrow, so I will not duplicate what they will have to say.

Let me make one more observation about the social services program in New York City. Many people have the image that a social service program is a group of social service workers sitting around talking to people. The fact is that in New York City less than 15 percent of our total expenditures are for case work staff engaged in counselling and even a great portion of that is engaged in mandated activity which we are required by law to carry out. So it is quite an illusion to believe social services are simply counseling.

I am not denigrating counseling because I think it is needed. I just want to give some sense of balance as to where money is going.

We appreciate the opportunity to testify. Our official testimony has been submitted and I hope indeed that the chairman and his associates will proceed to do some of the things that they have already suggested in the earlier parts of the hearings and to see to it that that money which Congress wants spent does in fact become available to be spent.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Sugarman. We appreciate your testimony, and we invite you to come back on future occasions and give us the benefit of your advice as to how we can solve some of these perplexing problems.

[The prepared statement of Mr. Sugarman follows:]

PREPARED TESTIMONY OF JULE M. SUGARMAN, ADMINISTRATOR, ON BEHALF OF THE HUMAN RESOURCES ADMINISTRATION, CITY OF NEW YORK

Mr. Chairman and members of the committee: It is with great concern that I address you today. As you know on May 1, 1973, the Secretary of Health, Education, and Welfare had published in the Federal Register the final regulations governing social services under Titles I, IV, X, XIV and XVI of the Social Security Act.

In announcing the publication, Secretary Weinberger referred to the fact that these regulations governed a series of programs developed to: "get families off the welfare rolls and onto the job rolls—and keep them there". We in New York City fully subscribe to this goal. However, I regret to have to inform you that the final regulations, heralded by the Secretary, are going to accomplish just the opposite. I will fully discuss how these regulations are in effect designed to keep families on the welfare rolls and off the job rolls. In addition, they are also designed to disregard the basic needs of our aged, blind and disabled population by deemphasising programs which could be effective in keeping that population out of costly institutional care which will now have to be covered out of the open ended funding of Title XIX of the Social Security Act.

It appears to me that the single thrust of the regulations is geared to short range budgetary savings by restricting the definition of potential eligibility. Under these regulations the ceiling authorized by Congress under Revenue Sharing would not need full appropriation. This shortsighted maneuver however, does not address itself to the fact that these regulations will substantially increase the costs of categorical assistance and Medicaid payments. Obviously the action of the Secretary is fully in line with the President's proposed budget which, under the guise of inefficiency and inefficacy, seriously deemphasized domestic social programs legislated by Congress.

A total of 208,515 comments were received by HEW after publication of the proposed regulations. This is an unprecedented and unequaled number of comments on proposed regulatory material. I submit that the resulting changes in the regulations represent only a token gesture on the part of the Federal Government.

The amendment of the income definition for potential recipients offers little improvement since the resulting figure is only 78.5% of the Labor Department's minimum adequate level of $7,578 for a family of four in New York City. Raising the income level for the potentially eligible from 133⅓% to 150% of a State's financial assistance payment standard in the categories of Aid to Dependent

Children, and Disabled, Aged and Blind, or from $5,376 to $6,048 for a family of four in New York City, will mean approximately 50% instead of 43% of our current categorically related service caseload can receive federal reimbursement.

The raise in income eligibility for child day care up to 233⅓% of the State's financial assistance standard is somewhat better. However, both the 150% and 233⅓% standards are essentially meaningless because they continue to be coupled with a requirement that the families: "Do not have resources that exceed permissible levels for such financial assistance under the State Plan. . . ." In New York State the State Plan specifies that an applicant to be eligible for financial assistance *can not have any assets*, with the possible exception of a burial reserve fund permitted to those who are seriously ill! $10.00 in the bank will disqualify a family from any service whatsoever. How can we argue that the family should prudently manage their affairs if the result is to disqualify them from all service? I think what HEW is doing is creating a self-fulfilling prophecy that welfare recipients will cheat. The availability of child care to a working mother or the importance of a meals-on-wheels program to an older person is just too great for them to resist the temptation. These are neither dishonorable nor dishonest people. They are people who are trying to be decent citizens, but who because of the arbitrariness of government regulations cannot be so.

Consider the case of "Mrs. John Smith" and her two children aged 4 and 8. A widow of a U.S. Marine killed in the Vietnam combat, she and her children receive $2,868 per year in widow's benefits. To supplement her income, Mrs. Smith works in a department store earning $4,144 per annum, giving her a combined yearly income of $7,012. Mrs. Smith received insurance monies when her husband was killed, and this she carefully invested in U.S. Savings Bonds for her children's future education. Only $2,000 of those bonds remain. She is able to work only because she could obtain federally supported day care for her children.

Under the new regulations, as a resident of New York State, Mrs. Smith is no longer eligible for federally supported day care because she has invested in her children's educational future! Mrs. Smith now faces the decision of liquidating her bonds in order to meet eligibility requirements, lying about the bonds, or paying the full cost of day care which amounts to $4,225 per year leaving a bare $2,787 per year, or approximately $53.00 per week on which her family would have to pay for food, clothing, housing, medical care, and all other expenses.

Mrs. Smith's other possible alternative would be to make a "private" arrangement for child day care at a fee she could afford. That means that she would have to take a chance on the type of care that her children would get. A chance that may mean that her children could be abused and neglected, a chance no mother should be forced to take.

If Mrs. Smith removes her children from day care, quits her job, cashes in her bonds and applies for supplemental public assistance, she and her family then become eligible for Medicaid coverage, Food Stamps, and other necessary services in addition to her AFDC grant. She would cease paying City, State, and Federal taxes and would join those who are on the welfare rolls and those whom the Secretary of HEW is trying to get back to work.

Some have suggested a solution to this might be to have states change their assets definitions for public assistance applicants. That solution, however, has two basic problems: It is extremely doubtful that any state would be sympathetic to broadening eligibility for assistance and it is certain that broadening eligibility on the part of New York State for the federal categories of assistance would spur an increase in welfare rolls and swell the fiscal burden for the City, the State and the Federal governments.

We recommend that HEW's policy on assets be revised to state that the limitation on assets for services shall, in no case, be less than the level of public assistance to which a welfare-eligible family or individual would be entitled over a six-month period (exclusive of any burial expenses). For example, a senior citizen in New York would then be permitted to have assets of roughly $1,000 in New York City; a family of four approximately $2,000.

How ironic, that the current Administration with its thrust to return power to the States and deemphasize centralized "red tape" has published regulations which deny the right to States to establish income eligibility criteria for federally reimbursed services by insisting that these be tied to plans which the States have filed with HEW for assistance payments eligibility. Our examination of the Social Security Act does not indicate that the definition of a potential recipient has to be developed within the context of the State plan which defines eligibility for categorical financial assistance.

Although we welcome the changes made from the proposed regulations in the areas of inclusion of mentally retarded in child day care services, use of donated funds, placing redetermination of eligibility at six months instead of three months, reimbursement of foster care services provided to voluntarily placed eligible children, inclusion of Federal participation in cost of medical examination required for admission to child care facilities when not available under Medicaid, and provision of information and referral for employment purposes without regard to eligibility, we deplore the half way measure of grand-fathering in of the mentally retarded for services. In effect the Secretary has conceded to consider as eligible, under previous criteria, all of the mentally retarded who qualify up to December 31, 1973.

In New York City that means that after December of 1973, as in day care for children, parents needing services for a retarded child can obtain them with Federal reimbursement only if they are willing to exhaust all of their assets. As in day care, this is an unreasonable and deleterious constraint which ultimately will be more costly both socially and fiscally as more retardates are pushed into institutional settings.

There is a basic inconsistency in these regulations. Although they define redetermination of eligibility as mandatory every six months, they specify redetermination of eligibility for services of the current service caseload within three months of July 1, 1973. This means that in New York City alone we would have to reexamine 200,000 cases which, when calculated on the average time of 45 minutes per case to redetermine financial eligibility and reexamine the case plan, would mean an additional cost of $1.8 million, and a virtual cessation of service delivery as we concentrate staff resources on the redetermination effort.

In preparation for this testimony, I have reviewed the Congressional Record of Thursday, October 12, 1972 and Friday, October 13, 1972. I have also reread the Conference Report No. 92-1450 which accompanied H.R. 14370 (State Local Fiscal Assistance Act of 1972). I have also reviewed Senate Report No. 92-1050 (Part 1), prepared by the United States Senate Committee on Finance in relation to the Revenue Sharing Act of 1972. None of these documents suggest any legislative intent to alter substantively the authority of each State to request what that State considers an equitable, efficient and effective definition of eligibility for services. Nowhere is there the suggestion that group eligibility should be eliminated. The thrust of the legislative intent appears to be provide a fiscal limit to explosion of cost and to tighten program review to assure regulatory compliance and local maintenance of effort.

I unequivocally state that HEW has gone beyond legislative intent. I further submit that the Department has abrogated its leadership by failing to require that basic services be provided to the disabled, aged and blind. This is especially grievous since on January 1, 1974 the Social Security Administration will take over assistance payments in those categories and the States will have responsibility solely for services. Since the depression this country has looked to Washington for leadership in social services. Through the Administrations of Roosevelt, Truman, Eisenhower, Kennedy and Johnson, we have had it to a greater or lesser degree. Now we have nowhere to look as the current Administration concerns itself with immediate budgetary gains and fails to look at the ultimate predictable impact.

As a last point let me raise the issue of services to the aged. Here the problem is more directly related to Congressional action which specified that 90% of services to the aged must be provided to *current* welfare recipients. In New York City we serve the bulk of our ambulatory aged in day care centers for senior citizens. There we provide a program that offers a sense of belonging, social support and counseling, and at least one hot meal a day. The elderly who attend are proud and self-supporting to the greatest possible degree. They live the best they can on social security and small pension benefits and although eligible for welfare assistance often refuse to apply. These are people who have worked all their lives, paid taxes and helped build our country. Many of these are the Irish, the Poles, and Jews, the Italians, the Germans and other Europeans who came here to toil and to escape tyranny. There are over 200,000 of these elderly in New York City whose income does not exceed the poverty level of $1,757 for a single person per year or $2,215 for a couple. Of the 200,000 less than 40% are current public assistance recipients. These people will cease to use our services if they have to pass the means test mandated in the regulations. Some of them will, and indeed do, starve rather than disclose how poor they are. The elimination of group eligibility means that we cannot serve them if we insist on federal participation, or we can serve them and not claim any federal participation. Rather than not serve that population we have decided on the latter.

Gentleman, the only redress lies in Congressional action. Congress must move to limit the authority of the Secretary of Health, Education, and Welfare to impose by regulation certain additional restrictions upon the availability and use of Federal funds authorized for social services under the public assistance programs established by the Social Security Act.

I am suggesting legislation which at the least would provide for the following:

1. The authority of any State to define the categories of classes of individuals who are eligible to receive social services;

2. The authority of any State to include as social services comprehensive services for children, the elderly and disabled (including such programs for mentally retarded children and adults);

3. The authority of any State to submit a plan to the Secretary of HEW which will specify the procedure for redetermination of eligibility within a time frame not to exceed six months following July 1, 1973;

4. The authority of any State to submit for consideration to the Secretary of HEW a plan for group eligibility determination if such a request is based on valid program considerations;

5. The responsibility of HEW to provide de-facto substantive technical assistance to all States to promote and insure sound and efficient systems of accountability and program delivery so that social service expenditures are geared to removal from welfare rolls and maintenance on job rolls in AFDC categories and maintenance in the community instead of institutions in the DAB categories.

Thank you gentlemen for this opportunity to speak. I and those on whose behalf I appear here can do nothing else. We leave it in your hands.

The CHAIRMAN. Next we will hear from Elizabeth Wickenden, technical consultant on public social policy for the National Assembly for Social Policy and Development.

STATEMENT OF ELIZABETH WICKENDEN, TECHNICAL CONSULTANT ON PUBLIC SOCIAL POLICY FOR THE NATIONAL ASSEMBLY FOR SOCIAL POLICY AND DEVELOPMENT

Mrs. WICKENDEN. Actually I am testifying as requested by the committee for the national assembly and for 12 other volunteer organizations and I will give the list of those organizations to the reporter.

I also will not read my statement but will simply talk to you about what is in it.

The volunteer organizations are naturally very much concerned about these social service regulations because they couldn't possibly meet the demands that would occur through volunteer funds if this program were to go by the board, which it would under these regulations.

I have been coming to this committee for a long time and I remember well when the original service regulations, service provisions, were incorporated in the law and it was very much by intention that the provision was included that potential and former recipients could be included in order that these services should play the preventive role that they later came to do.

During this period it often seemed that people didn't really know what you were talking about when you talked about social services. People would say to us, well, this is a vague thing. We don't know what you mean. But I think one good thing that has come out of this new regulation is the fact that over 200,000 people were sufficiently impressed to write the administration about the first even more drastic regulations.

My principal points in my testimony, which I will file, surround the fact that the administration seems to be operating in a direction contrary to its own stated wishes, and I think it is very desirable that this committee and the Congress might give them a little technical aid in coming closer to achieve what they say they want to achieve.

I have suggested two ways in which they seem to be running counter to their own philosophy. In the first place, they made quite a point of wanting to reduce the assistance rolls, keep people off the assistance rolls. As most of your witnesses have pointed out in the testimony this morning, that would be impossible under the present eligibility restrictions.

Not only is it unfair to individuals; it is extremely unfair to States, as has been pointed out, because the poorer States that have the lower assistance standards would be doubly penalized in that they would also have lower standards under the 150 percent.

I think also that it is important to bear in mind that these regulations incorporate extremely unrealistic concepts of eligibility potential and former eligibility. They talk about a 3-month period for former eligibility and 6 months for potential eligibility as if these people were going to move out of the situations that they are in. If an old man becomes eligible at 65 for social security, goes off the assistance roles, but still needs to have a homemaker service in order to be able to stay out of a nursing home, he isn't going to get better in 3 months. At the end of 3 months he is still going to need that homemaker service.

Or if a woman is able to go to work and has very low earnings, as most of these people do, she is still going to have low earnings at the end of 3 months or 6 months.

In fact, I was discussing these regulations with former Secretary Wilbur Cohen and he suggested—said, why don't they have you submit a series of applications at the beginning. I hereby apply for now and I hereby apply for 3 months in the future and then I will be a potential recipient, and you have a kind of revolving door possibility here that in your first year you are a former recipient, then you are a potential recipient, and maybe you will ultimately become a WIN potential, because what could happen here is that a woman would be working at a job with a relatively low wage but still above the 150 percent, and she couldn't keep on working when the day care was removed. So she would then go and apply for public assistance and would volunteer for the WIN program, be referred to the Labor Department, placed in a job, and the Labor Department would then tell HEW give her day care and instead of having day care at 75 percent she would have day care at 90 percent.

I think what I am trying to say is that these people who drew these regulations seem not to have thought through their full implications, and that there should be some encouragement from this committee either in terms of modifying the requirements or at least postponing them that would give them a chance to set themselves straight.

The CHAIRMAN. Well, the supreme example of a frustrating regulation is that provision applied to family planning, as was pointed out yesterday. This says that the services are limited to "families of individuals who are likely to become applicants for or recipients of financial assistance under the State plan within 6 months."

Now, you would think that family planning would be something that you would want to provide to the mother before she became pregnant. But under the regulations she would have to be pregnant 3 months before she could get the family planning. So that is sort of like closing the stable door after the horse has been stolen, you might say.

Mrs. WICKENDEN. Yes, I think that this 3 months and 6 months is absolutely meaningless. Either they intend people to go off after 3 months or 6 months or it is a meaningless kind of recertification process that will take a great deal of time for the States and be very costly.

The CHAIRMAN. The only sense some of this makes to some of us on this committee is just that it was apparently drafted for the purpose of saving money.

Mrs. WICKENDEN. If you pass regulations that are impossible to administer, you save money, but it doesn't do your rationality much service.

The CHAIRMAN. Well, it doesn't make those of us in the Congress look very smart when they draft a regulation to implement our law so that the people who were to spend the money to benefit the poor are unable to spend. It doesn't make sense to create the kind of situation I described where they admitted to one administrator that there is not a State in the 50 that can comply with the regulations; but if they do comply, the money is there.

Now, that type of thinking doesn't make anyone in the Government look good. It makes Congress look bad. It makes the administration look bad. And for the life of me I don't understand why they want to do that.

Mrs. WICKENDEN. I think also you would want to take a very good look at the services as they have limited them under this regulation. For example, they changed the regulation to include legal services for employment purposes but they did not include what is probably the greatest need for legal services which is for domestic relations and support actions.

It seems to me that as you have said, the narrower you make your definition of service, the less chance you have of the States coming up with an ingenious new method of reducing the assistance rolls. So again I say these are counterproductive regulations.

The CHAIRMAN. Thank you very much for your testimony, Mrs. Wickenden. You made a very good statement.

[The statement of Mrs. Wickenden follows:]

PREPARED TESTIMONY BY ELIZABETH WICKENDEN, PROFESSOR OF URBAN STUDIES, THE CITY UNIVERSITY OF NEW YORK AND TECHNICAL CONSULTANT ON PUBLIC SOCIAL POLICY TO THE NATIONAL ASSEMBLY ON BEHALF OF THE NATIONAL ASSEMBLY FOR SOCIAL POLICY AND DEVELOPMENT

My name is Elizabeth Wickenden and I am Professor of Urban Studies at the Graduate School and University Center of The City University of New York. I appear today in behalf of The National Assembly for Social Policy and Development and a number of its associated organizations including The Family Service Association of America, the National YWCA, Florence Crittenton Association of America, Inc., National Jewish Welfare Board, United Church of Christ-Board of Homeland Ministries, Health and Welfare Division, and others. (Full listing at end of the testimony.)

It is a tribute to the high valuation placed on social services that over 200,000 communications were received by The Department of Health, Education, and

Welfare after the first highly restrictive version of assistance-financed social service regulations appeared in the Federal Register. The revised version of May 1 modified two of the most controversial aspects of these original regulations, virtually eliminating the prohibition against contributed funds and making modest changes in the eligibility restrictions. Nevertheless, it still appears to us to reflect a totally confused philosophy of purpose and administration. I would like to concentrate my testimony on two points where these regulations appear to be self-defeating: prevention of dependency and administrative complexity.

Prevention of dependency. When the Congress originally authorized the use of public assistance funds for the provision of services it rightfully conceived of such services as a means of preventing the necessity for individuals and families to seek cash or medical assistance or as assisting them to get off the assistance rolls. Those services which have developed most widely clearly perform this function: day care for children of working mothers; homemaker services that keep the elderly or disabled or families with a temporarily incapacitated mother functioning in their own homes; day centers or other activity program for the elderly; family planning services and family counselling that keeps families together—these are some of the services that not only assure a happier and more productive life for those they serve but save the tax-payer the substantially higher sums of cash assistance or institutionalization.

These regulations will have the effect of forcing many persons, including the working mother, the disabled and the elderly, to seek public assistance. For example, the level at which a working mother can hope to finance her own expenditures, including day care fees, far exceeds 150% of the AFDC standards in many states and even 233⅓% limit for fee-sharing would not be sufficient. In Louisiana, for example, a mother with one child would cease to be eligible for free care when her earnings reached $1134 a year and even subsidized fees would cease at $1704. The older person living on a modest social security benefit would be even worse off in seeking services since his eligibility would stop altogether at 150% of the adult assistance standard. Of even more widespread implication is the prohibition against persons with any assets, such as a savings account, an insurance policy or an owned home, beyond those permitted cash assistance recipients.

The dignity that should accompany eligibility for preventive services is further eroded by the elimination of parents from membership on day care advisory committees and the substitution of ill-defined "grievance procedures" for the well-established fair hearing requirement. If our purpose is to encourage persons to rely more on supportive services and less on cash assistance the procedures assuring fair treatment in the former should be at the very least equivalent to the latter.

COMPLEXITY OF ADMINISTRATION

The Nixon administration has placed special emphasis on its concept of the new federalism under which simplified federal requirements are supposed to give greater freedom of decision-making to state and local governments. But these regulations not only move in precisely the opposite direction but are so confusing that it is hard to see how untrained assistance workers can possibly make the necessary determinations. In fact there is such inconsistency between these regulations, the provisions of the General Revenue Sharing Act and the WIN regulations that one's head swims trying to sort out the many varying provisions.

Particularly confusing are the requirements relating to potential and former assistance recipients. By setting up six categories of service exempt from the 10% limitation of the General Revenue Sharing bill the Congress seems to have indicated the areas in which they favor greater latitude. Now, however, a further determination must be made that a candidate for services is within six months of potential dependency on assistance or within three months of the receipt of such assistance. Since most of these persons have continuing low earning power or a continuing modest income from social security this regulation involves either a pro-forma recertification procedure or an extremely cruel method of forcing people to choose between turning to public assistance or doing without a preventive service. It seems not to have been thought through. Moreover for AFDC mothers the relationship to the WIN program is totally confusing. A working mother might find herself successively deprived of subsidized day care by reason of her earnings, obliged to leave her job and turn to assistance, volunteering for the WIN program, being placed by the Labor Department in her old or a similar job and the Labor Department then requesting HEW to provide her with day care for which the Federal government would provide 90% of financing.

The regulations with respect to program content or standards are equally confusing. No standards with respect to group day care or homemaker services (now prescribed under present rulings) are stipulated but future modifications of present requirements for day care are said to be in the offing. Program content is limited arbitrarily with three types of service required in AFDC and one of seventeen allowable types of services required in the adult categories. Purchase of service agreements must be made under yet-to-be-promulgated federal requirements and individually approved by the HEW regional offices. These limitations not only rule out present programs that serve useful public interest purposes (for example, legal services dealing with domestic relations and support problems) but leaves no room for constructive local initiative. Moreover, the multiplicity of complex restrictions are so burdensome that many states will not be able to spend the allocation Congress spelled out for them in the General Revenue Sharing Act.

The welfare program seems to be taking on a truly Alice in Wonderland inconsistency of approach to human need and state administrative problems. We would strongly urge the Committee to seek further postponement of these regulations so that a more carefully thought-out plan and philosophy can be implemented.

[The preceding Testimony on Social Security Regulations by Elizabeth Wickenden was made in behalf of:]

The National Assembly for Social Policy and Development, Inc.
The Family Service Association of America
National YWCA of the USA
National Jewish Welfare Board
National Study Service
Florence Crittenton Association of America, Inc.
United Church of Christ—Board of Homeland Ministries, Health & Welfare Division
American Council for Nationalities Service
National Council on Crime and Delinquency
National Council for Homemaker-Home Health Aide Services
Community Service Society of New York
United Way of Dutchess County
United Way of Hamilton, Ohio
United Service Organizations, Inc.
Travelers Aid-International Social Service of America
Big Brothers of America
United Community Services of Metropolitan Boston
Council of Community Services, Nashville, Tennessee
United Way of Minneapolis Area
Metro United Way, Louisville, Kentucky
National Council of Jewish Women
United Community Services of Greater Portland (Maine)

INDIVIDUAL ENDORSEMENTS

Charles E. Conway, Executive Director, United Fund of S.E. Connecticut.
Margaret Berry, Executive Director, National Conference on Social Welfare.
Eli E. Cohen, Executive Secretary, National Committee on Employment of Youth.
Alexander F. Handel, Executive Director, National Accreditation Council.
Alfred Angster, Executive Director, Lutheran Welfare Services of Illinois.
Duane H. Blobaum, Executive Director, Lutheran Home Finding Society of Iowa.
The Rev. Arnold H. Bringewatt, Executive Director, Lutheran Family and Children's Services.
The Rev. Benjamin A. Gjenvick, Executive Director, Lutheran Social Services of Wisconsin and Upper Michigan.
Dr. Luthard O. Gjerde, Executive Director, Lutheran Social Service of Minnesota.
Louis H. Heider, Acting Executive Director, Lutheran Family and Social Service.

Leland C. Johnson, Executive Director, Lutheran Service Society of Colorado.
The Rev. R. G. Jordan, Executive Director, Lutheran Children's Friend Society of Wisconsin.
Arthur K. Marck, Executive Director, Lutheran Social Service of Iowa.
James Merrill, Executive Director, Lutheran Social Services of North Dakota.
The Rev. Reuben E. Spannaus, Executive Director, Lutheran Child and Family Services.
Don C. Randolph, Planning-Budget Director, United Community Service Springfield, Ill.
Charles W. Fleming, Executive Director, Richmond Area Community Council (Va.).
F. Arthur Grambling, Jr., Executive Director, United Way of Broome County, Binghamton, N.Y. 13902.

The CHAIRMAN. The next witness will be Mr. Faith Evans, the associate executive director of the National Welfare Rights Organization.

STATEMENT OF FAITH EVANS, ASSOCIATE EXECUTIVE DIRECTOR OF THE NATIONAL WELFARE RIGHTS ORGANIZATION, ACCOMPANIED BY MARK TILLMAN

The CHAIRMAN. We are pleased to have you, Mr. Evans.

Mr. EVANS. I would like to have you meet Mark Tillman, who is the grandson of Johnny Tillman, who is Director of the National Welfare Rights Organization.

I have prepared a written statement and I would just like to forego that to say, to explain to you Mark's present situation. He is now 3 years old. His grandmother formerly had to go on welfare when she got too sick to work and she moved from Arkansas to California. Mark's mother presently is employed in our office as a switchboard operator and she makes a salary of around $4,000.

Under these present regulations that HEW has promulgated, Mark will not be eligible for any free day care when they go into effect. Everybody's looking in the city of Washington, D.C. for a place to place Mark in a day care center. There is a great demand for them. There is great demand for Mark to get to some day care center which has some educational incentive before he goes to school because Mark comes out of the ghettos of Watts.

Mark and thousands of children like him are going to be denied a number of various kinds of services under the social services regulations. He is also going to be denied educational, preschool educational types of programs and things that were formerly available to people under the social services regulations.

Mark and thousands of children like him are going to be relegated to the ghettos. They are going to be locked into them. They are not going to have the advantage of past programs. They are not going to have—his mother is not going to have the advantage of having some incentive to go on and to stay off the welfare rolls.

Presently, Mark's mother gets up at 8 o'clock in the morning to come to work in our office. She has to bring Mark into that office with her. Because of our working conditions there, it is possible for her to do that, but there are thousands and thousands of mothers who are attempting to get off welfare and attempting to go to work or training programs where they can't take a Mark with them. They can't take children with them.

Mark is very aggressive. He asks questions continually all day. He goes to sleep at 3, 4, 5 o'clock in the afternoon, and so Mark needs a lot of attention in order to help him get over some of the problems that have been heaped on him primarily because his mother, his grandmother, and a number, thousands of other women and families like theirs have been locked into ghetto situations where they have no kind of incentives to get out of it.

Mark comes from one of the most violent portions of our society. Mark comes from urban area in our society where the moxie of the streets is taught to the Marks primarily because his mother would have to work in order to support him, primarily because she would have to leave Mark in some kind of family situation. She would have to leave him with a babysitter primarily, sometimes a babysitter who has to take care of her own children, maybe babysitters who are on welfare themselves; who are having problems with their children. There will not be family services available, counseling, just to help her get over the everyday problems of trying to work and raise—I myself am a father of four and probably a rare father who is left with two ages of twins and I had to go on welfare. I went to a training program from 11 to 7 in the evening. I had to find someplace to place Mark and I had to pay somebody to come in and stay with my children until I got in at 7 in the morning. Then I had to find someplace to place my children because I had to sleep. I had to rest. There were times I had to—I would like to have Mark go over to the playground or my children go to the playground and I had to find somebody who would take care of them, somebody I know who would help them and spend time with them.

Under these present regulations I will not be able to get those kinds of services. I will not be able to ask for a homemaker. I will not be able to find a counselor. I will not be able to deal with just the family problems and neither will thousands of other mothers or fathers who are heading families who are really striving to get off the welfare rolls. Nobody wants to stay on them. Nobody enjoys being on welfare. Nobody enjoys people coming searching under their beds and looking under his iceboxes and that kind of stuff.

I am presently told that of all the people on welfare, most of the individuals who are employable are attempting to work, are attempting to get training, are attempting to get out. In the city of New York when they instituted the WIN program, over half of the individuals who went to that program were individuals who volunteered and a large number of those individuals never got work; they never got training; they were put into a holding status; they never got day care. They never got the things that they needed in order to get off the welfare rolls.

I am asking this committee to read the presentation that I have submitted to you. I am asking you to try to do something about changing those regulations. I am trying to say to you that we in the National Welfare Rights Organization are trying to eliminate poverty and eliminate the problems that cause people to go on welfare and eliminate the problems that force individuals, almost force individuals, to starve in this country, almost force the Marks to be uneducated, almost force the Marks to go into prisons in this country, force the Marks to have all kinds of problems in the community, and force

the Marks to present problems to other citizens in the United States of America.

I am asking you to recognize that what we are talking about here are the Marks of the world, not necessarily myself but the Marks of the world, who I would like not have to testify here before another Senator Long 5 years or 10 years from now or 20 years from now primarily because somebody denied him just a few dollars or some incentive to get educated and to get into some kind of real advancement in this country.

The CHAIRMAN. Thank you very much for your statement, Mr. Evans. Mark is a good witness.

[The statement of Mr. Evans follows:]

PREPARED TESTIMONY OF MR. FAITH EVANS, ASSOCIATE EXECUTIVE DIRECTOR, OF THE NATIONAL WELFARE RIGHTS ORGANIZATION, ACCOMPANIED BY MARK TILLMAN, 3 YEARS OLD

ADVISORY COMMITTEE ON DAY CARE

The regulation is contrary to what our social service system has been in the past. It totally removes the parents from any control over the administration of services their children receive. The new regulation moves in a direction that even negate overall community participation. The Administration in the past has denounced lack of control that parents have over their children. Apparently, they are of the opinion that poor people should have no control over services provided.

Provisions are only made for a group of individuals who have an interest in day care. This committee has no definite function, administratively or operationally. The present regulation calls for a committee whose State/local duties must be defined structurally and functionally at least 90 days after the day care center implemented.

NWRO proposes that area Day Care Committees be established at the local level. Each area council would then have representatives on the State Council. The Committee (State and local) must be comprised of one-half recipients who are receiving day care services. The function of the Committee would be the overall operation of the Center—from budgetary matters to curriculum development. What we propose is a community controlled day care center that administers their own program.

GRIEVANCE SYSTEM

The grievance system under the social service regulations is bound to be inadequate, ineffective, and violative of the due process clause of the United States Constitution.

The regulations require only that a grievance system be established whereby a recipient may present his complaints concerning the *"operation* of the service program" (emphasis added). There is no provision at all for a hearing procedure either before or after a denial of services. This omission in the new social service regulations is an illegal attempt to cut costs at the expense of recipient rights. The land-mark *Goldberg* v. *Kelly* decision made it quite clear that "the interest of the eligible recipient in uninterrupted public assistance, coupled with the States interest that his payments not be erroneously terminated clearly outweighs the states competing concern to prevent any increase in its fiscal and administrative burdens."[1] Certainly the provision of services is no less important than monetary payments. Services to low-income families and to the elderly are vital services that help to secure for those people the promises that America has made to its citizens, that is at least an attempt to "promote the general welfare and secure the blessings of liberty to ourselves and our posterity" (U.S. Constitution).

MANDATORY SERVICES TO RECIPIENTS

Mandatory services to welfare recipients have been so reduced that they are now almost non-existent.

For recipients of aid to the Aged, Blind, or Disabled, NO services are mandatory at all. There is no federal pressure whatsoever to ensure that States provide

[1] 397 U.S. 254 at 266.

specific services to welfare recipients in these categories. The only federal requirement ordering States to provide services to these recipients is the requirement that an individual be provided with at least one of the optional services. The determination of the particular service in each case is up to the local or State agency. Should an individual desperately need a combination of services, the State does not have to provide them. The *optional* services are all of the following:

1. Day care services for adults.
2. Educational services (non-WIN).
3. Employment services.
4. Foster care for adults.
5. Health related services (not Medicaid or Medicare).
6. Home management and other functional educational services.
7. Information & referral.
8. Special services for the blind & handicapped.
9. Transportation services.

To give an example of the irony of this situation, it is possible that the State decides an individual should receive a health service, but no transportation will be provided to arrange for him to get to the service center.

Out of the 13 services which are now mandatory for AFDC recipients, only 3 will be mandatory as of July 1, 1973. All of the services which have been changed to optional services are basic support services which have enable people to become independent and self-sufficient. With such services no longer mandatory, and States either unable or unwilling to provide them, people will essentially have the rug pulled out from under their feet.

All of the following services have been changed from mandatory to optional:

1. Child care (except where an individual is working or training for a job, or the caretaker becomes incapacitated or dies and there is no one else to care for the child)
2. Emergency assistance.
3. Educational services.
4. Employment services (non-WIN).
5. Health related services.
6. Homemaker services & housing improvement.
7. Home management & other functional educational services.
8. Legal services.
9. Transportation services.

The only social services required in every State will be family planning, protective child services, and foster care services. It seems that this Administration would rather deal with child neglect by removing the child from the home than by providing child care services. These regulations in general are promoting removal of children from their families since services designed to help a mother so that she may keep her children with her have been designated "optional", in other words, not very important. However, services designed to remove the child from its home in the case of foster care and, when necessary protective services, as well as services to prevent children being born under family planning, are designated "mandatory", in other words, important. A disproportionately high rate of removal of children from poor families has been noted by several social scientists.[1] The American "welfare" system has an abominable tradition of a willingness to spend more money on children who are removed from their families. This negates any outlet for mothers attempting to better their situation by furthering their education and utilizing support services, including the vital one of child care.

Thousands of female-headed families will be deprived of social services in 1974 as a direct result of these regulations. Services which recipients were once receiving free of cost will now no longer be available to them, either because the States are unable or unwilling to provide them, or because the cost levied will be prohibitive for the recipient. These services are vital to recipients, potential recipients, and past recipients. Without them, in many instances, people will have little choice but to go back or remain on welfare rolls.

DETERMINATION AND REDETERMINATION OF ELIGIBILITY

The frequent eligibility determination has the effect of harassing recipients of services. The regulations require redetermination of eligibility every six months. This means that the dehumanizing process of applying for services, and being investigated and evaluated will become a constant menace to the recipients' right to privacy.

[1] Kay & Phillips: "Poverty and the Law of Child Custody", 54 *Cal. Law Review*, 717.

Recipients of public assistance and social services are justifiably paranoid when investigators come to evaluate and pass judgment on their living standard.

A disproportionally high rate of removal of children from poor families has been noted by several social scientists.[1] The reasons for removal have been the frequency of home visits by social workers and outsiders, differing moral values and attitudes by those assigned to evaluate the fitness of a home, and meager allowances for support. The new regulations can only bring more of the same and perhaps even accelerate the break-up of poor families. Cuts in services and allowances will make child support even more difficult. This, coupled with the unavailability of Child Care Services in many States will certainly lead to an increased need for protective services.

DEFINITION OF SERVICES

The definition of services proposed would eliminate Federal standards for Day Care. The elimination of such services would lead to the warehousing of poor children in facilities of considerably lower quality. In addition, these services will only be provided if—a child's caretaker will participate in work training, is presently working, or if protective services are required.

The new regulation then proceeds to state that there will be no educational or health related services available for recipients of day care services. NWRO is of the opinion that by H.E.W. negating the necessity for supplemental supportive services, there will be a prepetuation of the welfare cycle.

By removing Federal standards and ending supplemental services, we feel that we will be creating a ghetto that purports to serve poor people without adequate direction or resources.

We propose that supplemental supportive services be increased in Centers. We believe that Centers should act as a Community Health Center that not only cares for children physically, but corrects dietary deficiencies, emotional traumas, educational deprivation, etc. In addition, day care should act as an extended age Center after school. We are saying that day care services should not be limited to the young, old, and disabled, but should implement an entity which answers needs of the community that it purports to serve.

The CHAIRMAN. Next we will call for Mr. Cyril F. Brickfield, legislative counsel, American Association of Retired Persons.

STATEMENT OF CYRIL F. BRICKFIELD, LEGISLATIVE COUNSEL NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS, ACCOMPANIED BY JANE E. BLOOM, PUBLIC POLICY ASSOCIATE, NATIONAL COUNCIL ON AGING

Mr. BRICKFIELD. Thank you, Senator Long.

I am Cyril F. Brickfield and I am the legislative counsel, of the American Association of Retired Persons and the National Retired Teachers Association. These two organizations have a combined membership of over 5 million people.

I have a lengthy statement which I would like to submit for the record, Senator, and I also have a summary, which runs about five pages which I would like to read.

the CHAIRMAN. Fine. Do I have a copy of your written statement? That is, the rather lengthy one to which you made reference?

Mr. BRICKFIELD. I will read from the summary.

The CHAIRMAN. We will then print your full statement.

Mr. BRICKFIELD. Thank you very much, Senator.

Joining with me here at the table, Senator, is Mrs. Jane E. Bloom, who is the public policy associate of the National Council on the Aging, another very fine organization working on behalf of senior

[1] *Ibid*, p. 4.

citizens. The National Council on Aging is an association of groups directly concerned with the needs of older Americans and of professionals involved in the direct provision of care and services to older persons. I also have on my right my associate, Mr. Larry Lanè, and on my far right is John Martin, who is a former Commissioner on Aging in the U.S. Government and now a consultant for NRTA and HARP.

We welcome, Senator, this opportunity to join before you to emphasize the serious concern we share regarding the impending demise of services to older Americans under title I and title XVI of the Social Security Act. Our three organizations have joined forces today to stress to the members of this committee that we view the recent events affecting the social services program as one of the major issues of concern to older Americans.

At the outset, I wish to emphasize that our basic objection lies not so much with the finalized regulations, but rather with the legislative changes made last year by Public Law 92-512 to which the regulations must conform.

In our prepared text we offer to the members of this committee some background on the social services program, and we discuss the ramifications of the 1972 amendments. For further details we call your attention to a recent report of the Senate Special Committee on Aging entitled, "The Rise and Threatened Fall of Service Programs for the Elderly." * I know each member of this committee has a copy of that report.

We could not cite more eloquently and vividly the harm done by the 1972 amendments than the following excerpt from the Baltimore Sun, entitled, "Elderly Face Home Loss."

I have a copy of this excerpt from the Baltimore Sun, Mr. Chairman, and I would request permission to have that go into the record.

[The article referred to follows:]

[From the Baltimore Sun, April 26, 1973]

CUTBACK TO HURT ELDERLY—GOOD-BYE AIDE: GOOD-BYE HOME

(BY JEROME W. MONDESIRE)

Mary Atkinson, a 75-year-old victim of a stroke, is confined to a wheelchair. Her only source of income is a $115 monthly check from Social Security.

Since January, she has received free help from a home maintenance aide through the Department of Social Services.

The homemaker aide cooks her meals, does the grocery shopping and the laundry, helps her dress each morning and provides sorely needed companionship. Without this help she would have to be institutionalized.

IT ENDS TOMORROW

But tomorrow is the last day Mrs. Atkinson, of the 3000 block Garrison Avenue, will receive this help—because of drastic cutbacks in social service programs throughout the state mandated by new federal regulations.

More than 380 other citizens in similar circumstances also will lose homemaker aides next week.

"It's real bad and I'm scared," Mrs. Atkinson admitted wringing her partially crippled hands. "All I can do is hope and pray something will be done to replace my aide."

Mrs. Atkinson said she doesn't want to go to an "old age home if I can help it."

*The document, Senate Report 93-94, was made a part of the official files of the Committee.

"I'm happy in my own home, just like other people, but I know I can't make it without some help," she added.

The cut in Maryland's social service programs was mandated by a provision in the 1972 Federal Revenue Sharing Act which says that no more than 10 percent of the goverment's matching funds can be used for services to non-welfare clients.

More than 7,000 state residents who can receive supportive services but who do not get welfare payments will have to be dropped immediately, according to the social services administration.

The state social services agency now provides supportive services to about 26,000 persons annually, of whom 20 per cent do not receive welfare payments of any kind—which is 10 per cent above what the new federal standard allows.

Services to unwed mothers, semi-nursing home care and service to victims of child neglect and abuse also will be curtailed.

A spokesman for the state social services administration said the "department is not very optimistic" that state help could bail out those who will lose services.

"We are looking within our department to see what direction we might take," said Luther W. Starnes, public information officer.

"But at this point we don't know what's going to be done," he said.

Mr. Starnes explained that in addition to the present federal limitations the Department of Health, Education and Welfare has proposed "new regulations which will cut our ability to provide services even more drastically."

He said the proposed rules "narrow the number of persons who can receive services even further" and will be "superimposed" on present limitations. They are expected to be implemented next month.

"And there just isn't any state money available to pick up the slack," Mr. Starnes added.

According to the city social services department, about 250 persons utilize homemaker aides which includes welfare and non-welfare recipients. Almost half this caseload will have to be terminated, a department spokesman said.

"But most of these are elderly people who probably will be forced to turn to nursing homes, said Phillip Parker, city division chief for homemaker services.

"Private agencies won't be able to help all of them, thus leaving them alone just the way we found them," Mr. Parker said. "Companionship was just as important for some as was washing and cooking."

Besides helping the elderly, homemaker aides also provide assistance to families where the mother has died or is seriously ill. The program is designed to keep families out of institutions and at home.

Before the new regulations became effective, homemaker aides were available to persons with low incomes or those with pensions, as well as welfare clients. More than one-third of those who annually received this help were non-welfare recipients, according to state department figures.

Baltimore's homemaker program spent about $1 million last year. Seventy-five per cent of the money came from the federal government and the rest was a combination of state and local funds.

State officials also said yesterday that the homemaker program and others "had to be drastically reduced" in order to "preserve" as much of the government's matching funds for services to child abuse victims and their families.

According to state law, the social services administration must supply this service to anyone who demonstrates sufficient need. And 58 per cent of these cases, also known as protective services, involved non-welfare recipients.

"We are forced to make priorities that we don't especially like," explained one state official.

Another non-welfare recipient who also will lose his homemaker aide is a 67-year-old blind man in South Baltimore. He said he was afraid to publish his name and address because "someone might see it and rob me."

"I've already been robbed four times in the last four years," he said.

He said he has lived alone during most of his life and has been blind for nearly three years. He contracted gangrene after an accident in which a truck ran over his foot at a place where he once worked.

Although a toe was amputated, he said, the infection spread through his body caused a blood clot to lodge near his eyes that resulted in his loss of vision. His only income is a $136 Social Security check each month.

My aide does the cooking, cleaning, laundry and takes me to the hospital for eye treatments," he said. "She's just like a sister."

A solid well-built man with an unwrinkled face that hides his real age, he jokes constantly about the burglar alarms "I put up all by myself on the windows and the back door."

"Not bad for a blind man, don't you think," he quipped.

"There's no use of me planning to do anything after she's gone. I'll just stand in the door and listen at who passes or play the radio when I get lonely."

"I gotta hope. What else can I do?" he said.

"She (the aide) was the only person I ever had a chance to talk with."

Mary Atkinson, a 75-year old victim of a stroke, is confined to a wheelchair. Her only source of income is a $115 monthly check from Social Security.

Since January, she has received free help from a home maintenance aide through the Department of Social Services.

The homemaker aide cooks her meals, does the grocery shopping and the laundry, helps her dress each morning and provides sorely needed companionship. Without this help she would have to be institutionalized.

It ends tomorrow.

But tomorrow is the last day Mrs. Atkinson, of the 3000 block of Garrison Avenue, will receive this help—because of drastic cutbacks in social service programs throughout the State mandated by new Federal regulations.

I might say that Mrs. Atkinson is the victim of the new 90–10 ratio which the States must now live under.

Our organizations ask, did Congress intend that this 75-year-old woman be forced into an institution such as a nursing home because there is no other alternative? We wonder, was it congressional intent that the taxpayers pay the expense of nursing facilities because less costly alternatives such as living at home are no longer available?

The news article goes on to cite that in Maryland more than 7,000 State residents who receive supportive services but do not receive welfare payments will have to be dropped immediately to conform to the 90–10 welfare/nonwelfare requirement of Public Law 92–512.

In order to prevent the loss of needed services by individuals such as Mary Atkinson, our organizations urge Congress to enact legislation which would exempt the elderly from the restrictive 90–10 welfare/nonwelfare eligibility ratio. A number of measures have been introduced in this Congress which would work toward this goal. Our organizations have gone on record in support of H.R. 3819 introduced by Congressman John Heinz, which would exclude from application of the 90–10 limitation services to the aged, blind and disabled. We support the Heinz bill, which now has 90 cosponsors over in the House, as a model for action by this committee.

Consideration, too, sir, should be given by this committee to legislation instructing the Secretary of the Department of Health, Education, and Welfare to provide reallocation procedures for social service funds whereby a State's unused allocation would be redistributed among the other States.

Thirdly, we strongly urge Congress to mandate services under the adult titles. Under present statute, States need not allocate any moneys to serve adults. Clearly, the intent of Congress was to include not only one, but a whole host of services for the adult; this intent must be spelled out in legislation if the elderly are to be assured inclusion.

The final regulations compound the devastating impact of the 1972 amendments. We view the regulations as a top layer of restrictions designed to preclude utilization of services.

We believe these wholesale cutbacks in the social service area are unfortunate and will, in the long run, prove costly. Illustrating the effect of these regulations on his constituents Senator Bentsen has pointed out that if adult program services are limited to individuals with an income of $195 per month, many who are made ineligible for

chore services or homemaker services would require institutionalization at a cost of at least $247.50 per month under the Texas medicaid program for ICF care.

We object to the elimination of a requirement that States provide certain mandatory services to the elderly. We feel that each State should be required to make available a full range of basic services that will allow older persons to remain independent and in their own homes for as long as possible.

We oppose the elimination of information and referral as a designated service.

We take exception to the elimination of homemaker services as a mandatory service and the elimination of prescribed standards recommended by such organizations as the National Council for Homemaker Services.

We find older Americans excluded from sharing the benefits of legal service assistance because of the narrow definition of how services may be used.

Our organizations deplore the redefinition for potential and past recipients of assistance. The time limit is too short, the income test too stringent, and the prohibition of assets demeaning.

We emphasize to the members of this committee that the social service goals set forth in the published regulations have been restated in such a fashion that there are no services that may be provided a potential elderly recipient at any age. The restrictive definitions of former and potential have been made inoperative for the elderly.

We feel that regulations for certification of eligible individuals and the drawing up of individual service plans go far beyond what is necessary to achieve cost efficiency.

In closing, Mr. Chairman, we urge this committee to recommend and the Congress to enact the corrective amendments which we have outlined in this statement. Pending this action by the Congress, we solicit your support in asking the Secretary of HEW to withdraw the regulation issued May 1 and to revise these regulations to insure more equitable treatment of older Americans.

The CHAIRMAN. Thank you very much for your statement, Mr. Brickfield.

Mr. BRICKFIELD. Thank you, Mr. Chairman.

The CHAIRMAN. I hope to get some action for you in this area.

Mr. BRICKFIELD. Thank you.

[The prepared statement of Mr. Brickfield follows:]

PREPARED TESTIMONY OF CYRIL F. BRICKFIELD, LEGISLATIVE COUNSEL, NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS AND JANE E. BLOOM, PUBLIC POLICY ASSOCIATE, NATIONAL COUNCIL ON AGING

Chairman Long, distinguished members of the Senate Finance Committee: I am Cyril F. Brickfield, Legislative Counsel to the National Retired Teachers Association and the American Association of Retired Persons. These two Associations have a combined membership of more than five million, one hundred thousand older Americans.

Joining with me, Mr. Chairman, is Mrs. Jane E. Bloom, Public Policy Associate of the National Council on the Aging. The National Council on the Aging, of which both the NRTA and the AARP are members, is an organization of groups directly concerned with the needs of older Americans and a membership organization of professionals involved in the direct provision of care and services to older persons.

Also accompanying us this morning is Mr. Laurence F. Lane of my staff.

We three organizations—AARP, NRTA, and NCOA—welcome this opportunity to join before you to emphasize the serious concern we share regarding the impending demise of services to older Americans under Title I and Title XVI of the Social Security Act.

Essentially, Mr. Chairman, we are alarmed by the recent changes made in the program by P.L. 92-512 and by the regulations governing these social service programs for the elderly.

1. We find that thousands of elderly persons are being denied services because of stricter eligibility requirements; this denial is, in turn, forcing the elderly onto welfare rolls or, even worse, into nursing homes and other institutions.

2. We fear that the needs of the elderly will be neglected altogether if the states are allowed to determine how much money should be allocated for adult services.

3. Corollary to the above concern, we feel that each state should be required to make available a full range of basic services that will allow older persons to remain independent and in their own homes for as long as possible.

Underlying these concerns is a basic premise which was most eloquently expressed by Senator Eagleton in a Senate floor statement last week. The Senator declared:

"The primary purpose of social services for the elderly is to prevent dependency and institutionalization by providing the support that can enable older people to remain in their homes. To be efficacious, these services must be provided when they are most needed. And, they are needed, not at some arbitrary age, not at the point when the individual's income and resources meet cash assistance eligibility standards, but at that point in time when the individual becomes vulnerable to dependency."

Our mutual alarm has been heightened by the expressions of state officials such as the following excerpt from an official report of the Georgia Department of Human Resources:

"While the actual cutbacks in Title XIV aging programs have been acute, the potential impact of the revision appears to be of even greater magnitude. . . . many programs that were being planned to provide much-needed services to Georgia's residents may never be implemented—particularly at levels required to make significant impact on the needs of Georgia's some 368,000 elderly residents over age 65."

EVOLUTION AND UTILIZATION

In order to better understand our forthcoming recommendations for changing this situation, some background on the program would be useful to this Committee. For further details, we call your attention to a recent report by the Senate Special Committee on Aging entitled "The Rise and Threatened Fall of Service Programs for the Elderly," which is appended to our testimony for your use.

Social services as now developed are authorized under the public assistance Titles of the Social Security Act: Title I—Old Age Assistance; Title IV–Aid to Families of Dependent Children; Title X—Aid to the Blind; and Title XIV–Aid to the Permanently and Totally Disabled. At one time, each State was required to administer a separate state plan for the aged under Title I, another for the blind under Title X and still a third plan to serve the disabled under Title XIV. Congress recognized the inefficiency, the duplication of efforts, and the added administrative cost of maintaining three distinct programs for adult recipients. Accordingly, in 1962 Congress enacted Title XVI ("Grants to States for Aid to the Aged, Blind or Disabled, or for such Aid and Medical Assistance to the Aged") which enabled states to operate a "combined adult program" with attendant savings in administrative cost. Twenty states have adopted Title XVI, the remainder continue to provide services to the aged through the other adult titles.

The primary purpose of the Act's social services programs for adults is to reduce dependency and promote the opportunity for independent living and self-support to the fullest possible extent. In the case of the elderly, such services are also intended to support a variety of living arrangements as alternatives to institutional care. Under regulations precedent to the ones just promulgated, certain kinds of services were required to be provided by each state, while others were offered as optional services. Overall, there had been a large area of discretion at the state level with regard to the extent and kinds of services which were supported.

Mandatory services for the aged, blind and disabled included: information and referral without regard to eligibility for assistance; protective services; services to enable persons to remain in or to return to their homes or communities;

supportive services that would contribute to a "satisfactory and adequate social adjustment of the individual," and services to meet health needs. Optional services encompassed three broad categories: services to individuals to improve their living arrangements and enhance activities of daily living; services to individuals and groups to improve opportunities for social and community participation; and services to individuals to meet special needs.

With reference to eligibility, the states were allowed great leeway in determining categories of persons to receive these mandatory and optional services. In addition to all aged, blind or disabled persons who presently receive welfare payments, the state could elect to provide services to former recipients of financial assistance or to potential welfare recipients; this latter category included persons who are not money payment recipients but are eligible for Medicaid, persons who are likely to become welfare clients within 5 years, and persons who are at or near the dependency level.

For instance, a city agency could run a homemaker program for the elderly serving an area determined by census income figures to be a poverty area. While only 50 percent of recipients of the program benefits might be actual recipients of Old Age Assistance, the other 50% of the individuals participating in the program would be deemed near the dependent level because of their marginal income as residents of the target area, and, therefore, eligible for homemaker assistance.

It is important to note, Mr. Chairman, that the Department of Health, Education and Welfare's Social and Rehabilitation Service estimates that nearly two million adults received assistance from social service programs during 1972, and that many of these individuals were older Americans.

The changes made by P.L. 92-512 meant that Federal funding of social services under Titles I, IV, X, XIV and XVI of the Social Security Act is now limited to no more than $2.5 billion per year—fully eliminating the previous open-ended basis for the program. The amount allotted to each state is based on population; thus a State which has 10 percent of the national population would have a limit on social service funding equal to $250 million, or 10 percent of the total ceiling. It should be further noted in this discussion that no dollar amount by category is mandated within the ceiling. Thus, a state which receives $250 million in Federal funding may spend whatever percentage it wishes for services to the elderly under its Title I or XVI program. The elderly could receive all or none of the $250 million, based on State discretion.

Another newly enacted provision of P.L. 92-512 limits the eligibility for social services. Prior to the 1972 amendments, any program which had provided services to past, present or potential welfare recipients was eligible to receive funding. Now, 90 percent of the allocated Federal matching dollars must be spent on current welfare recipients and no more than 10 percent on past or potential recipients.

Although six categories were exempt from this 90/10 welfare/nonwelfare ratio, services to the elderly are not among these exceptions. Thus, services to the aged are subject to the stipulation that at least 90 percent of the funds be expended on behalf of elderly welfare recipients. Although the 90/10 ratio need not apply to each individual service program, the paperwork involved in averaging the services provided by the state to conform to the 90/10 restriction precludes funding of projects that have an appeal to other than public assistance recipients.

As a result of the new 90/10 eligibility restriction, many senior centers and other providers of service have been cut off from funding by their state welfare department or have been ordered to cut back their services. The full impact of the new restrictions is yet to be realized. Some agencies providing these social services have been given short-term extensions while new funding sources are sought or new proposals written. And, because of poor accounting procedures, it has proved impossible to obtain a listing of all Title I and XVI projects now in operation throughout the country, making it extremely difficult to evaluate the total effect of the eligibility standard. However, it is important to note that preliminary evidence does confirm beliefs that the new law will cause a serious cutback in services to the elderly.

LEGISLATIVE CHANGES

From the above discussion, Mr. Chairman, it should be apparent that our organizations' basic objection lies not with the finalized regulations but, rather, with the legislative changes in PL 92-512 to which the regulations must conform.

We, therefore, urge Congress to consider legislation which would exempt the elderly (defined as persons aged 60 and over) from the restrictive 90/10 welfare/non-welfare eligibility ratio. The Senate Special Committee on Aging suggests this could be done by amending Section 1130(a)(2) of the Social Security Act to add a Subsection (F) which would read:

"Services provided to the elderly, defined as persons who have attained the age of 60 years."

A number of measures have been introduced in this Congress which would work toward this goal. Our organizations have gone on record in support of H.R. 3819 introduced by Congressman John Heinz, which would exclude from application of the 90/10 limitation services to the aged, blind and disabled; we support the Heinz bill, which now has 90 cosponsors, as a model for action by this committee.

Consideration should also be given by this committee to legislation instructing the Secretary of the Department of Health, Education and Welfare to provide reallocation procedures for social service funds whereby a state's unused allocation would be redistributed among the other states. Preference for reallocation should be given to those states with larger proportions of poor and near poor, and whose supplemental state plans would provide for certain services designed to prevent or reduce institutionalization.

Thirdly, we strongly urge Congress to mandate services under the adult titles. Under present statute, states need not allocate any of their allocated monies to serve adults. Clearly, the intent of Congress was to include not only one, but a whole host of services for the adult; this intent must be spelled out in legislation if the elderly are to be assured inclusion. We believe that a proper balance between adult programs and other non-aged programs can be accomplished either by requiring that a percentage of the social service funds available to a state be earmarked for adult services or by requiring the provision of specific services for the elderly before federal funds are made available.

ADMINISTRATIVE CHANGES

The final regulations compound the devastating impact of the 1972 amendments. We view the regulations as a top layer of restrictions designed to preclude utilization of services. These wholesale cutbacks in the social services area are unfortunate and will, in the long run, prove costly.

With respect to § 221.5, AARP, NRTA and NCOA object to the elimination of a requirement that states provide certain mandatory services to the elderly. We feel that each state should be required to make available a full range of basic services that will allow older persons to remain independent and in their own homes for as long as possible. If states elect to include the elderly in their plan, they need only choose *one* service. All others are optional. We believe that the old regulations—mandating a package of services and providing a number of optional services—should be reinstated.

Congress, in passing the Older Americans Comprehensive Service Amendments last month, recognized that for many older persons social services can mean the difference between living independently in their own homes or being unnecessarily and prematurely institutionalized at a much higher public cost. In passing this act, the Congress reaffirmed the Declaration of Objectives of the Older Americans Act of 1965 which promised older Americans, among other objectives, the following two goals:

> Retirement in health, honor, dignity—after years of contribution to the economy . . .
>
> Efficient community services which provide social assistance in a coordinated manner and which are readily available when needed . . .

If it is a federal objective to secure these goals, should it not be within the scope of the federal power to mandate minimum regulations toward obtaining these objectives? Where Congress designed these two programs to mesh in providing comprehensive services to older persons, HEW is working to dismantle the machinery.

With reference to the Section 221.9 services, our organizations wish to point out to the members of this committee several additional facts. The elimination of information and referral services as a designated service is most unfortunate. As the preface to the Senate Special Committee on Aging print concerning social services points out:

> An old person who simply wants information may find that he has to go to several public or private agencies, and even then he may be unable to piece

together the information into a cohesive package for practical use. . . . Quite often those most in need of services do not receive them because they (1) don't know about them (2) may not fall neatly into the category which will qualify them for one service or another or (3) cannot reach the services because they have no transportation.

The elimination of homemaker services as a mandatory service and the elimination of prescribed standards recommended by such organizations as the National Council for Homemaker Services will have a marked effect on this viable alternative to institutional care. How much longer will the public have to shoulder the more expensive costs of institutional care before we will develop a policy to encourage home health programs?

As with other sections of the regulations, we find older Americans excluded from sharing the benefits of legal service assistance because of the narrow definition of how services may be used.

Our organizations deplore the redefinition for potential and past recipients of assistance in Section 221.6. The new definition of past and potential recipients of assistance are unrealistic, particularly in the case of the elderly, and the previous definition should be reinstated. Under the final regulations, an elderly person may be defined as a potential recipient beginning only at age 64½. "Former" recipients will now only be eligible for social services for 3 months. Unfortunately, the definitions become a moot issue in light of the current 90/10 welfare/nonwelfare ratio. If only 10 per cent are allowed to be former or potential Old Age Assistance recipients—and recent findings show that states will not even make this 10 per cent attempt—then only the definition of current recipients needs to be considered. If, however, legislative changes are made to exempt the elderly from the 90/10 restriction, the definitions of former and potential become all-important.

Should we prevent a husband and wife from receiving social services just because one spouse is below the age of 64½? We do not believe it was the intention of Congress to promulgate such an arbitrary age barrier.

The income test has been changed from 133⅓ per cent of the state's payment level to 150 percent of the combined total of the Supplemental Security Income benefit level and the state's supplementary benefit level, if any. We ask, Mr. Chairman, was it the intention of the Congress to deny needed services to an older person living on a modest Social Security retirement benefit?

Of even more widespread implication is the prohibition against persons with any assets, such as a savings account, an insurance policy or an owned home, beyond those permitted cash assistance recipients. Was it the intent of Congress to force older Americans seeking to retain their dignity and independence to be subjected to the demeaning indignity of surrendering all their possessions in order to obtain minimum help through social services? If so, Mr. Chairman, this is a bleak day when we reward those who have struggled to be a productive force in the mainstream of our nation with artificial barriers to self-help.

Under both the proposed regulations and the final regulations of Section 221.8, services may be provided only to support the attainment of one of two goals—self-support or self-sufficiency. Under both the proposed regulations and the final regulations, the self-support goal is made inapplicable to the aged. Under the proposed regulations, the self-sufficiency goal was defined as applying to the aged, blind, disabled and families, without regard to whether they were current, former or potential recipients. However, under the final regulations, the self-sufficiency goal has been redefined to exclude former and/or potential recipients of assistance under the blind, aged, disabled and family programs.

Thus, because the other goal—self-support—has been made inapplicable to the aged, the result is that no social services of any kind may be provided an elderly person who is not a current recipient. We emphasize to the members of this committee that the social service goals set forth in the published regulations have been restated in such a fashion that there are no services that may be provided a potential elderly recipient at any age. The restrictive definition of a potential elderly recipient has been made inoperative. It is our understanding that Senator Eagleton has taken this issue up with the HEW Secretary and has received assurances that the regulations will be modified in this regard.

With respect to Sections 221.7 and 221.8, our Associations agree that evaluation and reporting procedures for social service programs should be improved to increase the cost-efficiency of the programs. However, these proposed regulations for the certification of eligible individuals and the drawing up of individual service plans go far beyond what is necessary to achieve cost-efficiency. In fact, they would result in precisely the opposite. They would create a burden of un-

necessary paperwork and delay at the expense of providing services to the people who need them. Furthermore, letters from our members indicate that services to older persons are frequently needed on a one-time only basis. The proposed requirements for certification and individual service plans could delay the provision of these services to such an extent that the individual would be unable to receive them at the time they were needed.

CONCLUSION

In closing, Mr. Chairman, I wish to emphasize that the basic objections of the American Association of Retired Persons, National Retired Teachers Association and National Council on the Aging lies not with the finalized regulations, but rather, with the legislative changes in P.L. 92-512 to which the regulations must conform. We urge this committee to recommend and the Congress to enact the corrective amendments which we have outlined in this statement.

Pending this action by the Congress, our three organizations call upon the Secretary of Health, Education and Welfare to withdraw the regulations issued May 1 and to revise these regulations to insure more equitable treatment of older Americans. In this effort, we solicit the support of this distinguished committee.

Thank you.

The CHAIRMAN. Next we will hear from Mrs. Alice Abramson, executive director, Montgomery County 4-C in behalf of the National Community Coordinated Child Care (4-C).

STATEMENT OF ALICE ABRAMSON, EXECUTIVE DIRECTOR, MONTGOMERY COUNTY 4-C, IN BEHALF OF NATIONAL COMMUNITY COORDINATED CHILD CARE

Mrs. ABRAMSON. Mr. Chairman, my name is Alice Abramson, the executive director of the Montgomery County 4-C program, and I am presenting testimony prepared by Gwen Morgan, the chairman of the National 4-C program.

The National 4-C represents over 400 State and local planning and coordinating councils which have been actively involved in an effort to make better use of the fragmented resources for our children. We are very well aware that our testimony today deals with the regulations as HEW has proposed them and not what the intent of Congress was.

The regulations have undesirable redtape because of too frequent determinations of eligibility and a requirement that all purchases of services be by written agreement and approved at the Federal regional level.

The requirements for eligibility are an improvement over the proposed regulations but not an improvement over the former regulations which really were quite easy to live with, and it occurred to many of us that had they maintained the regulations as they were formerly stated, that there would not be the problems that have been developed over these last few months.

Mr. Chairman, for those of us who are working in the social service fields, much of our effort tends to be in trying to understand the regulations and trying to interpret them honestly and accurately,

and it diverts us from our basic responsibility of providing services to the citizens.

We are very glad to see funding requirements referred to, and express our commitment to a level of quality which contributes positively to the healthy growth of children. We further recommend greater Federal encouragement and emphasis on State licensing staff, as a way of protecting children from harm and cutting down on the costly process of startup, which, without trained licensing staff, presents severe obstacles to would-be day care operators.

We would like to see day care included as a mandatory service, so as to avoid Federal incentives to favor foster care over day care in inappropriate situations.

I am sure you are aware, Senator, that very often children are placed in foster care not because of the needs of the family but because there is no day care available to them.

We are concerned that the regulations do not allow for payment of essential aspects of a day care budget: staff training, health services, and food.

We also feel that if HEW is not going to allow payment for services available through other HEW agencies, then it is essential that HEW encourage community-based coordination. One aspect that I know is of interest to you has been the question of donating funds and we are very pleased that the donated funds are being continued and we suggest that one of the best checks on potential abuses is an above board local planning process in which all the agencies participate, and 4-C offers such a mechanism.

This next point I would like to make is of special concern to us in the 4-C's as a coordinating agency. The HEW is interpreting the regulations to prohibit the purchase of services, of planning and coordinating and monitoring an evaluation by local councils. In my own community of Montgomery County, the county executive and the county council have felt that the contribution of the 4-C's have made in the coordination of these child care services has been so great that they have supported our funding in the event that this is not funded through title IV(a). But Montgomery County is, as you know, one of the wealthiest counties, and we can't expect that other counties will be able to serve their people in this way.

We urge a requirement that parents participate on the State level advisory committees, and we express concern that the narrowing of social service goals to those relating only to employment may not be in accordance with congressional intent, and we certainly recommend broader goals which concern children and families as well, as was the intern of the congressional bill.

My own question, I guess, to you, Senator, is how can we as citizens influence HEW? We have done whatever we can. We have written, 200,000 of us have written and there seems to be no way to reach HEW, to be responsive to what the people are saying, what the people have said alll morning.

The CHAIRMAN. Well, I think you will get some action from the Congress. Thank you very much.

Mrs. ABRANSON. Thank you, Senator.

[The prepared statement of Mrs. Abramson follows:]

TESTIMONY OF ALICE ABRAMSON, EXECUTIVE DIRECTOR, MONTGOMERY COUNTY 4–C, IN BEHALF OF NATIONAL COMMUNITY COORDINATED CHILD CARE

The National 4–C (Community Coordinated Child Care) represents over 400 state and local planning and coordinating councils, which have been actively involved in an effort to make better use of the fragmented resources for children. On April 6, 1973, our steering committee met in Omaha Nebraska and unanimously approved a decision to oppose certain provisions of the Social Service Regulations which had been proposed on February 16. On April 18, representatives from the National 4–C met with administration officials to discuss those proposed regulations. The following comments are based on those two meetings.

We are glad to see greater emphasis being placed on management and accountability in Welfare Departments; on establishing priorities for the use of resources which are not unlimited; on planning, evaluation, and coordination. These are desirable goals for government, with which we agree, and we feel there are some sound concepts represented by the regulations. The public wants an accountable government.

However, I believe the regulations may have been designed by fiscal people unaware of the potential effects on policy and the potential harm done to real human beings receiving services they badly need. We are very pleased that many of these potentially harmful provisions have been eliminated from the final version of the regulations which is to take effect on April 26. Our comments on this final version are the following:

1. RED TAPE

The required increase in the frequency of eligibility determination and redetermination, and the required approval of contracts at the federal regional level, would add intolerable red tape to a system already almost hopelessly mired in bureaucracy at the state level. Of all the provisions of the proposed regulations, it was these which we felt would be most harmful to adopt at this time, and these have not been changed in the final version.

While the goal of individual service plans, and the evaluation of the effects on services may be desirable management practice, many states are still involved in the difficult process of separating services from assistance payments. This requirement of constant individual redeterminations of eligibility would necessitate the employment of a new army of bureaucrats, a work force which no state Legislature will approve. The result will be that needed services simply cannot be provided because the required paper work would be greater and more costly than the states and the service providers could possibly handle. It appears to undermine the Congressional intent that $2.5 billion be spent on services.

The requirement that a written agreement be made for all purchase of services, and that all these agreements be approved at the federal regional level is not feasible. Already in many states the contract approval process is so time-consuming that each time a contract is re-negotiated there is a three months delay in payment. Service programs have been forced to borrow and pay interest in order to keep their programs going. Particularly for the many small community-based services which are more desirable than large institutions, another layer of contract approval may add time delays which threatens their survival. We believe the federal government could find ways of monitoring and auditing the states' contract procedures without adding another step in an already too-cumbersome system. It is important not to interrupt our services to people and cause severe hardship to programs struggling to survive.

2. ELIGIBILITY

We are pleased that the Secretary of Health, Education and Welfare has understood the need for a special definition of eligibility for day care to include former and potential Welfare recipients. These families are at least as important as current recipients. If one goal of day care is to help families avoid poverty or public assistance, then a regulation requiring poverty or public assistance as a condition for participation is a built-in requirement that the program must fail to accomplish its goal. We hope the Congress will continue to insist that HEW emphasize these self-help aspects, and avoid the socially divisive policy of rewarding current recipients with services which families who are working in order to avoid public assistance cannot receive.

We find the regulation as adopted, in respect to income, is a great improvement over the one proposed. We particularly are glad that HEW will allow a sliding fee scale for those earning between 150% and 233% of the states' payment standard, rather than level of payment. Our remaining concern has to do with the administrative implementation of this new policy. A change in state plan is required to implement it, and our experience has been that approval of changes at the federal regional level can take months and sometimes years. Now that all the states may be trying to make such a change in order to comply with this new regulation, it will put a heavy work load on the regional offices, and they may not be able to respond by July 1 when the regulations take effect. We would urge that children and parents not be dropped from programs because of federal slowness to respond. We hope the federal government will continue reimbursement under existing state plans until new state plans are approved.

While we are glad to see the mentally retarded added to the definition of eligibility, we would equally like to see other special needs included: the emotionally disturbed, physically handicapped, and those harmed by drugs.

3. QUALITY OF PROGRAMS

4-C groups across the country have been concerned at the failure of the proposed regulations to mention the Federal Interagency Day Care Requirements. We believe these existing funding requirements have the force of law whether or not the Social Service regulations refer to them, but many have feared that the lack of reference indicated that the administration intended to try to shift to low-quality services to children in day care. Those of us who have been working to try to increase the day care in the country believe that the only effective use of our public dollars in day care would be in programs which contribute to the healthy growth of the children. Programs without adequate staff are harmful to children, and are therefore not cost effective.

We are also concerned about state licensing. The Abt studies of exemplary day care programs, and other studies as well as our own experience, brought out that it is difficult to get new day care programs started. Abt found it took an aggregate man year to get new programs functioning. We believe that this time is substantially reduced in those places where the states have provided trained staff at the state level to license day care. For a relatively modest investment of staff, states can provide a staff which can guide new would-be day care operators through the maze of different regulations which are applied to them through legal action in at least four different processes other than day care licensing: incorporation, zoning, fire and building safety, and sanitation codes. These different regulatory processes often defeat new operators if day care licensing, a fifth process, has been delegated to the untrained local worker in a health or welfare office whose major responsibilities lie elsewhere. But when the state provides and trains licensing staff, then that staff assists operators to meet the other requirements and acts as an advocate and coordinator at the city or town hall. The cost of such licensing staff is minor when compared with the cost of the time-consuming and often defeating processes which make day care start-up so costly and difficult. We would like to see greater federal encouragement to states to improve their licensing help to day care.

4. 4-C GROUPS HAVE EXPRESSED A CONCERN THAT DAY CARE IS NOT A MANDATORY SERVICE, IN CONTRAST WITH FAMILY PLANNING, FOSTER CARE, AND CHILD PROTECTIVE SERVICES

We believe that day care should be mandatory as well. Many states in the past have used foster care routinely when day care could have tided a family over a crisis and kept a family together. Results for individual children have often been tragic. We assume that day care will be mandatory under the Work Incentive guidelines when and if they are revised. We believe it should also be mandated by the Congress along with the other three mandatory services to families.

5. THE REGULATIONS DO NOT ALLOW FOR PAYMENT OF CERTAIN ESSENTIAL ASPECTS OF A DAY CARE PROGRAM

Under section 221.9, Definitions of services, does not allow for the *training of staff or parents* in a day care budget. Educational services (4) may be provided from available community resources at no cost to the agency. Employment serv-

ices (5) allows for vocational education or training at no cost to the agency. *Health-related services* identifies other agencies as responsible for the health program. It is not clear whether *food* costs will not be allowable since they are defined as maintenance, or whether they are covered under section (10) as congregate meals.

If HEW is not going to allow these essential services in day care budgets, then further steps are necessary to make sure that these other agencies funded under HEW to provide training, and health services, set aside funds and are required to be responsive to the day care programs' needs for such services. Earmarked funds for 4-C requests would be one way HEW could assure this. Approval power over funding to local planning councils such as 4-C would assure that agencies do not plan and spend their funds without regard to the needs of other agencies at the community level.

6. USE OF DONATED FUNDS

We are glad that HEW has decided to continue the use of donated funds to match federal funds, enforcing its requirements that the funds not revert to the use of the donor. We believe that this creative partnership between the private sector at the local level and the state welfare agencies has been responsible for the new services which have been started under Title 4-A. Many states have used 4-A funds to refinance existing state services, but it has been the private donated funds which have resulted in expanded services in many parts of the country.

One of the best checks on any potential abuses is an honest and aboveboard local planning process in which all the agencies of a community participate, including the Welfare Department and all the potential providers of services. This has proved to be the case in communities which have formed effective 4-C Councils, putting the needs of children ahead of agency vested interests.

7. PLANNING AND COORDINATION

The regulations put emphasis on planning and coordination, requiring (221.3) that there by maximum utilization of and coordination with other public and voluntary agencies providing similar or related services which are available without additional cost. They put a heavy burden on communities to coordinate by denying funds for training and for health services in day care programs.

It is not clear that it is going to be possible for communities to coordinate their resources sufficiently so that the needed commitments are made by the health and educational services. But it is clear that HEW has a responsibility to see that these commitments are made, by supporting the local community planning processes.

We are told that at briefings of federal officials, the statement is being made that 4-C and other types of local coordinating Councils will not be eligible for funding, even though section 221.52(i) clearly states that, "with prior approval by SRS, *costs of technical assistance, surveys, and studies performed by other public agencies, private organizations or individuals to assist the agency in developing, planning, monitoring, and evaluating the services program when such assistance is not available without cost,*" are allowable.

We do not agree with HEW officials that section 221.30(5), which states that overall planning for purchase of services, and monitoring and evaluation of purchased services must be done directly by staff of the State or local agency, would preclude the purchase of assistance to such staff from local planning Councils on which sit all the agencies providing the resources which the agency needs in order to implement its services to children, particularly day care.

We believe this interpretation represents a narrow, Welfare agency point of view at the federal level, and is inconsistent with the emphasis on coordination and unwillingness to provide training and health funds through the Welfare agency. It interferes with the ability of creative Welfare Commissioners at the state level to enter into partnerships with local communities to see that services are coordinated; and it supports the present wasteful competitiveness of agencies within HEW.

8. ADVISORY COMMITTEE

4-C groups over the last four years have found that the advice and participation of parents is not only effective but essential in any decision-making about children. For this reason we would urge a requirement that parents participate on the state-level Advisory Committee on day care.

9. GOALS

The regulations appear to represent a major change in direction, which may be contrary to Congressional intent and language in the passage of the legislation. The goals "to maintain and strengthen family life, foster child development, and achieve permanent and adequately compensated employment," have all disappeared, replaced by a narrowing of goals to those relating only to employment without even a commitment to adequate compensation. We know that the administration and the Congress are concerned that families be self-supporting whenever possible, but we cannot believe that the President and the Congress, in the major social service legislation of our country, have no longer any goal connected with strengthening family life or the healthy growth of children.

The CHAIRMAN. Next we will hear from Mr. Jack W. McAllister, director, Florida Division of Retardation, on behalf of the National Association of Coordinators of State Programs for the Mentally Retarded.

STATEMENT OF JACK W. McALLISTER, DIRECTOR, FLORIDA DIVISION OF RETARDATION, NATIONAL ASSOCIATION OF COORDINATORS OF STATE PROGRAMS FOR THE MENTALLY RETARDED

Mr. MCALLISTER. Mr. Chairman, I am Jack McAllister, director of the Florida Division of Retardation, representing the National Association of Coordinators of State Programs for the Mentally Retarded.

We very much appreciate the opportunity to appear before you today to express to you somewhat the dilemma that myself and my fellow retardation officials throughout the 50 States and territories are facing in terms of the new regulations and the imposition thereof relating to services for the mentally retarded throughout the United States.

You have had submitted to you a printed copy of our testimony. I will refer only briefly to it at times because I think many of the points have been covered here this morning.

We find ourselves largely in the same dilemma that the State of Nebraska and others have expressed here this morning. We felt when the new proposed regulations appeared that the entire field of services to the mentally retarded were in extreme jeopardy throughout the United States. Many States have in recent years for the first time started developing community based alternatives to large institutions which are not providing adequate and appropriate care for individuals and which are not maximizing retarded persons' potential and returning them to some city in jobs where they are able to work or in sheltered employment where they can be partially self-sufficient. Previously, these States had not been providing those community based services which would keep people from becoming institutionalized and dependent upon that type of system when they could become gainfully employed.

A number of States have started in recent years through social services funds day care services for the mentally retarded and a variety of other teaching, training, and therapeutic services designed to maximize their potential. The social services funds under the previous regulations were designed and were appropriately used in developing these community based alternatives. Many former residents of

institutions have been able to return to communities. Others have not been required to enter institutions because of them.

We have found increasingly that parents are able to maintain their children in community settings rather than sending them to institutions. This has been consistent with the avowed goals of the Nixon administration.

In late 1971 President Nixon called on the States to return to the community one-third of the more than 200,000 mentally retarded people now in institutions. He went on to pledge his full support in accomplishing this objective. The Social and Rehabilitation Service in line with the President's goal has established deinstitutionalization as one of the major goals of that Agency, and yet the social services regulations as they are presently formulated are hindering the States' efforts to return people to communities and to deinstitutionalize their facilities for the retarded.

We in Florida, as an example, under the old regulations began 2 years ago planning for complete system reform to get away from the long-term indeterminate custodial care, primarily of retarded individuals, and to turn the system around in accordance with the then existing HEW regulations pertaining to social services funds. We built a program after over 2 years of planning and conferring with HEW officials in both the Atlanta regional office and the Community Services top administration in Washington. The plan was acceptable. And then the cap was imposed, as you know, the $2.5 billion cap, and the States were allocated funds.

Florida was to receive $87 million. The plan was well formulated and Governor Askew designated $22.5 million of that $87 million for complete system reform and redirection of the system of care for the mentally retarded in Florida.

Now, with the new regulations, a task force in Florida has been at work for the past several weeks and has determined that of the $22.5 million which the Governor had designated for the turnaround of mental retardation services for community based alternatives, deinstitutionalization and institutional reform, we will be exceedingly fortunate if we can expend $4 million.

The same story is true throughout the United States. Mental retardation administrators as they are facing the regulations are finding that if they get past one hurdle, they are then blocked with another. The regulation roulette has gone on for a long period of time.

It seems to us, Mr. Chairman, that the answer to the dilemma is what you mentioned this morning, flexibility to the States in the use of the dollars in bringing about better social services to individuals in need.

Now, there are several things that we would like to suggest but if the present regulations are to stand as they essentially are now, we would agree with the State of Nebraska and others who have said that the services to children should be extended through December 31, 1973, the same as the adult services have been.

We believe further, Mr. Chairman, that we need a clear, concise definition of services to the mentally retarded and that it be incorporated into the regulations or into the law. We have suggested to you in our written testimony a definition which we feel might be appropriate.

We also feel that the definition listed in the regulations of mentally retarded individuals is in itself completely inappropriate and not satisfactory and that we believe that a new definition of mental retardation should be established.

Just briefly, let me give you that definition. It says, "mentally retarded individual is an individual, not psychotic, who, according to licensed physician's opinion is so mentally retarded from infancy or before reaching 18 years of age that he is incapable of managing himself and his affairs independently with ordinary prudence, or of being taught to do so, and who requires supervision, control, and care, for his own welfare, or for the welfare of others, or for the welfare of the community."

"Or of being taught to do so" is the hooker as far as we are concerned. The entire field of mental retardation is based on the fact that these individuals are intellectually deficient but practically all of whom can be taught with the appropriate social services at an appropriate time to become fully or partially self-sufficient.

We have recommended to you a more suitable definition of mental retardation, as well and the one which appears in the title XVI regulations under the Social Security Act as amended in 1972 which we feel will clarify that particular——

The CHAIRMAN. Have you put that language in your statement, that is, the definition that you are recommending?

Mr. MCALLISTER. Yes sir. We recommend that the definition of mentally retarded individuals contained in Section 221.6(c)(3)(iv) be revised to read: "An individual with a disability which (a) is attributable to a medically determinable impairment, (b) originated before the individual attained the age of 18 and has continued or can be expected to continue indefinitely, and (c) constitutes a severe handicap to substantial gainful activity (or in the case of a child under 18, a handicap of comparable severity)."

We feel that that would clarify the definition of mental retardation so that more individuals would qualify who needed the services.

Finally, Mr. Chairman, I would like to touch just briefly on the fact that a lot has been said here about the lack of accountability of social services funds which have been expended. I do not believe that services to the mentally retarded can fall under that particular category. We feel that for the most part services which have been provided with social services funds for the retarded, have, first, been expansions of existing services, that the dollars are clearly accountably trackable, and that the services so provided were clearly consistent with the rules, regulations, and the law of the land at the time they were started.

Many of those services currently are in jeopardy and we felt that when Senator Curtis offered his amendment exempting mental retardation from the 90–10 provisions that we would gain some flexibility in the use of social services dollars. But now with the issuance of the new regulations, we find that we are in the box and badly as we as badly as we were to begin with.

We look to this committee, Mr. Chairman, to provide for us, hopefully, some statutory clarification of the intent of Congress so far as the use of social services funds for the mentally retarded are concerned

Thank you.

The CHAIRMAN. Thank you very much.
[The prepared statement of Mr. McAllister follows:]

PREPARED TESTIMONY OF JACK W. MCALLISTER, ON BEHALF OF THE NATIONAL ASSOCIATION OF COORDINATORS OF STATE PROGRAMS FOR THE MENTALLY RETARDED, INC.

SUMMARY OF MAJOR POINTS

Over the past few years, much has been accomplished in reducing the populations of large, overcrowded state institutions for the mentally retarded and expanding community services as a direct result of the expenditure of social services funds under Titles IVA, XIV and XVI. This program thrust is in consonance with President Nixon's stated goal of reducing the number of residents in institutions for the mentally retarded (see p. 1). The new social services regulations would place a damper on this encouraging new movement toward community-based services—especially services to retarded children.

NACSPMR recommends that an existing provision delaying the application of new eligibility standards to mentally retarded adolescents and adults until December 31, 1973 (Section 221.6(c)(3)(iv)) be made applicable to retarded children as well (see pp. 2-3).

NACSPMR recommends that a clear, concise definition of "services to the mentally retarded" be incorporated in Section 221.9(b) of the regulations (see pp. 3-4).

NACSPMR recommends that the definition of a "mentally retarded individual contained in Section 221.6(c)(3)(iv) be revised (see pp. 4-5).

Concern is expressed about the recurring charges that social services expenditures over the past few years have replaced state and local outlays rather than supporting new and expanded services. The Association presents evidence to show that these funds have been used most effectively in a number of states to expand community-based services to the mentally retarded and warns the Committee against the dangers of drawing sweeping generalization based on the limited data from a few national surveys (see pp. 5-7).

Mr. Chairman, distinguished members of the Committee, I appreciate this opportunity to appear before the Committee to represent the views of the National Association of Coordinators of State Programs for the Mentally Retarded, Inc. on a subject of utmost urgency. Before turning to our substantive comments on the new social services regulations, however, I would like to briefly familiarize the Committee with the purpose and aims of our Association.

The National Association of Coordinators of State Programs for the Mentally Retarded, Inc. is a non-profit organization made up of chief mental retardation officials in the fifty states and territories. Our major aim is to improve programs and services for the over six million mentally retarded children and adults in this Nation. In pursuit of this goal, the Association facilitates the exchange of information and data on new and innovative programs across the country and serves as a spokesman for state officials in the development of national policies affecting the mentally retarded.

Over the past several years a growing number of states have been utilizing federal matching funds under Titles IVA, XIV and XVI of the Social Security Act to support a wide range of social services to mentally retarded children and adults. These programs have made it possible to place a considerable number of former institutional residents back in the community. In addition, as a direct result of expanded support through social services funds, an increasing number of parents are finding it possible to maintain their substantially handicapped children at home rather than placing them in large, overcrowded, and often dehumanizing institutions.

This thrust toward community-based services is fully consonant with the stated goals of the Nixon Administration. In late 1971, President Nixon called on the states to "return to the community one-third of the more than 200,000 retarded now in public institutions." He went on to pledge his full support in accomplishing this objective. The Social and Rehabilitation Service, in line with the President's goal, has established deinstitutionalization of mentally retarded and other developmentally disabled persons as one of its top program goals in the current fiscal year. Yet, if the social services regulations, as promulgated on May 1, are strictly enforced, we fear that many community services for retarded children will be forced to close their doors and the incentive to initiate new programs will be stifled.

In reaching this conclusion, we have taken cognizance of the changes which HEW has made in the tentative social services regulations published in the *Federal Register* on February 16. The May 1 regulations at least recognize the special claim mentally retarded clients, especially retarded adults, have to federally funded social services. Nonetheless, as indicated below, we feel that further revisions in the regulations are needed to insure that community services to the mentally retarded are not choked off at this critical stage in their development.

A. *Eligibility Requirements for Families with Mentally Retarded Children.* The May 1 regulations provide a temporary exception to the service eligibility requirements (150 percent of the AFDC payment standard, limited definition of potential eligibility, etc.) under Titles I, X, XIV and XVI which is applicable only to mentally retarded individuals. Under this provision, until December 31, 1973, the former, more liberal eligibility standards contained in the regulations of April 24, 1970 will be applicable to the mentally retarded. Since HEW will be required to issue new adult social services regulations under Title VI when the new Supplementary Security Income program goes into effect on January 1, 1974, our Association had felt that it was self-defeating for the federal government to apply new restrictions to prospective SSI recipients during the interim period. For this reason, we strongly support the language included in Section 221.6(c)(3)(iv) of the May 1 regulations.

However, we understand that this section is applicable only to recipients or potential recipients under the adult service categories. Thus, services to mentally retarded children would have to meet the same restrictive eligibility requirements as other service programs. Such an interpretation will exclude from programs a majority of retarded children presently enrolled despite the slightly more liberal family income standards included in the May 1 regulations (i.e. more liberal when compared to the February 16 draft regulations).

We recommend that Section 221.6(c)(3)(iv) be amended to add the words "and Section 220.52" after the words "requirements of Section 222.55(a)(2)." The effect of the amendment would be to continue temporarily the same eligibility requirements for services to mentally retarded children which were applicable prior to May 1, 1973.

We feel that the question of eligibility for social services to both mentally retarded children and adults should be considered within the context of the new adult services program for three reasons. First, when the new SSI program goes into effect, children from poor families, below age 18, for the first time, will become eligible for maintenance payments as well as social services. In addition, certain other children will be eligible as "potential" recipients. Since eligibility of substantially disabled children for "adult" social services will have to be considered anyway, it seems both socially and programmatically undesirable to lump this group of children in with other Title IVA eligible children. By so doing we would run the risk of denying a retarded child a service in July which he might become reentitled to in January. In such a situation, the child not only would lose valuable service continuity but the agency providing the service might have to shut down, thus denying the client service indefinitely. Literally hundreds of specialized community-based services for mentally retarded children currently are dependent on federal social services payments for a large share of their operating budget.

Second, providing proper developmental services early in a child's life can avoid much greater social and economic costs later on. There is a growing body of research evidence which substantiates the beneficial effects of early intervention in minimizing the impact of even the most severe handicapping conditions. Early social and developmental services can make the difference between a life of total dependence on one's family and society and a reasonably independent existence in the community. In other words, early intervention pays off in both human and economic terms.

Congress recognized the validity of this argument in the Social Security Amendments of 1972 (P.L. 92-603) when it authorized the payment of SSI benefits on behalf of disabled children. We believe the same logic applies to the use of these funds to support the delivery of preventive social services to a wide range of potentially eligible recipients with substantial disabilities originating in childhood.

Third, Congress included language in Title III of the State and Local Fiscal Assistance Act of 1972 (P.L. 92-512) which specifically excluded services to the mentally retarded (as well as five other categories) from the requirement that 90 percent of the clients have to be current welfare recipients. By inserting this language in the statute, Congress recognized the special claim mentally retarded persons have to federally funded social services. Yet, despite recent revisions, the

regulations would largely circumvent the will of Congress by excluding many present and prospective mentally retarded children from the benefits of the program. Ironically, even those handicapped children whose families are so poor that they meet the criteria of current or potential eligibility would be denied access to specialized programs since, based purely on the incidence of severe mental retardation, most communities can not justify separate programs for substantially handicapped, poor and non-poor children.

B. *Definition of Services to the Mentally Retarded.* Although the clear intent of the May 1 regulations is that social services will be delivered to mentally retarded individuals, nowhere in the text is the event and scope of such services specified. The only relevant reference is found under the definition of "day care services for children" (Section 221.9(b)(3)). In this section, day care services are specially authorized for the retarded without reference to the work status of the mother, absence from the home of the father, etc.

Because of the nature, severity and longevity of their handicaps, the mentally retarded require a wide range of social services over time. Day care is an important service but certainly not the only one which they need. For this reason, *we recommend that the following definition be added to Section 221.9(b) of the social services regulations:*

"(19) *Services to the Mentally Retarded.* This means specialized services or special adaptations of generic services directed towards alleviating a developmental handicap or towards the social, personal or economic habilitation of an individual with a substantial mental impairment as defined in Section 221.6(c)(3)(iv) of this chapter. Such services may include personal care, day care, training, sheltered employment, recreation, counseling of the retarded individual and his family, protective and other social and socio-legal services, information and referral, follow along services, transportation necessary to deliver such services, and diagnostic and evaluation services when required in developing an individual service plan."

We believe that the inclusion of this definition would do much to clarify and rationalize the types of services to the mentally retarded which are reimbursable under the social services titles of the Social Security Act.

C. Definition of a Mentally Retarded Individual. Section 221.6(c)(3)(iv) of the May 1 regulations defines a "mentally retarded individual" as an:

"Individual, not psychotic, who, according to a licensed physician's opinion, is so mentally retarded from infancy or before reaching 18 years of age that he is incapable of managing himself and his affairs independently, with ordinary prudence, or of being taught to do so, and who requires supervision, control, and care, for his own welfare, or for the welfare of others, or for the welfare of the community."

If this definition were interpreted literally we fear that thousands of otherwise eligible retarded persons could not qualify as social services recipients. For one thing, there is considerable evidence that even substantially retarded individuals can learn to adjust to their environment and live a relatively normal life in the community. We believe that this is a socially and economically desirable goal and, therefore, regret the inference in the present definition that a substantially retarded person cannot be "taught" and needs only "supervision, control and care." All but the most profoundly retarded, bedfast patients can learn at least limited self-help skills with proper developmental programming; and our expectation levels for the moderately and severely retarded, who generally constitute the bulk of the clientele in community day services, are considerably higher today.

For the above reasons, *we recommend that the definition of "mentally retarded individual" contained in Section 221.6(c) (3) (iv) be revised to read:*

"An individual with a disability which (a) is attributable to a medically determinable mental impairment, (b) originated before the individual attained the age eighteen and has continued or can be expected to continue indefinitely, and (c) constitutes a severe handicap to substantial gainful activity (or in the case of a child under age eighteen, a handicap of comparable severity)."

This definition, which is based on the definition contained in Title XVI of the Social Security Act, as amended in 1972, would have the advantage of relating eligibility for social services to a well established system of identifying individuals with substantial mental disabilities. In addition to simplifying and rationalizing the process of eligibility determination for a number of federal programs, adoption of this definition would provide reasonable assurance that services, in fact, would be limited to substantially handicapped clients.

We note with some concern that many of the nationwide studies on social services expenditures over the past few years have found that a large majority of increased federal funds have been used to replace state and local expenditures rather than to mount new and expanded programs. Services purchased by other public agencies from the welfare or social service department has come under particular attack on this count. For example, a recent report prepared for HEW by Touche Ross and Company concluded that "most of these [purchased] services had been provided as state funded and operated programs prior to their 'purchase' by the public welfare agency. We found little evidence to conclude that the purchased services represented increased services or new service programs."

While our Association is not in a position to dispute the overall accuracy of this statement, we must say that we seriously question its applicability to the area of services to the mentally retarded. We know of numerous instances of states which have vastly expanded community services to the retarded through the judicious use of social services funds. In many cases, the programs in question either did not exist or were expanded as the direct result of the infusion of social services monies. Let us cite just a few examples:

Social services funds under Title IVA have permitted Tennessee to open 27 day training centers serving 1012 children as of May, 1973. These programs range from developmental classes for high-risk, pre-school children in inner city neighborhoods to day care programs for moderately to severely retarded youngsters who are too handicapped to participate in public school programs.

Tennessee is also funding 15 adult activity centers, an outreach program, a diagnostic and evaluation program, and a one-to-one training program for retarded adults through Titles IVA and XIV. As of May 1973, a total of approximately 2500 mentally retarded persons were being served in these programs.

Washington State is funding 30 long term sheltered employment programs for mentally retarded adults through Title XIV funds. As of May, 1973 the state was receiving reimbursement on behalf of 557 retarded persons involved in this program.

Washington is also financing recreation, day care and activities programs for retarded adults through social services funds authorized under Title XIV. By utilizing 75 percent federal matching funds, the Washington Office of Developmental Disabilities has been able to expand this program—previously funded entirely through state and local resources—much faster than originally anticipated. As of May, 1973, 60 agencies were receiving Title XIV aid on behalf of about 2,000 retarded adults.

Through the use of Title XVI funds Nebraska has extended services to 820 moderately to severely retarded adults in a series of 27 developmental centers across the State. The program, which is designed to assist persons who are too seriously handicapped to function in a competitive work situation, provides an intensive daily program of physical stimulation, psychomotor coordination, visual-perceptual training, self concept awareness, nutrition and health care. If these new services were not available within the community, many of the program participants would have to be placed in a state institution where they would receive less services at a significantly increased cost.

As an essential back up to specific educational, training and developmental programs for retarded children and adults, Nebraska has also launched a series of 13 social services centers which presently serves 1785 mentally retarded persons through the use of Title IVA and XVI funds. The purpose of these centers is to coordinate and orchestrate the delivery of the broad range of generic and specialized services required by the mentally retarded and furnished the supportive assistance necessary to maintain clients in community-based programs.

In my own state of Florida, we have completed sweeping new plans for a total overhaul of our present custodial system for delivering services to the mentally retarded. In its place, we hope to offer retarded children and adults a wide range of community-based developmental programs which can be tailored to the individual needs of the disabled client. However, the success of our plans hinges largely on the receipt of social services payments under Titles IVA and XVI for eligible clients. Although our state social services plan, including the above mentioned services to the mentally retarded, was approved over a year ago, the new regulations place in grave jeopardy the tentative beginnings we have made toward implementing our plans. Governor Askew and the Florida Legislature have displayed a readiness to share in the increased cost of reforming the state's service delivery system for the mentally retarded. However, the state, which is already expending over $37.6 million annually on retardation services (up from $28.3 million just three short years ago) cannot shoulder this task alone.

In view of the above facts, we would advise the Committee against jumping to hasty conclusions about the purported non-productivity of past social services expenditures. Certainly, it would be unfair to penalize those states or program areas which have made wise use of these funds just because of the shortcomings of others. The reports we have received convince us that social services funds have been used very effectively in most states to stimulate expansion in community-based services to the mentally retarded.

We appreciate this opportunity to appear before the Committee to offer our views on the new social services regulations. The task which you will face in reviewing this complex, multi-faceted program and determining what, if any, legislative steps are needed to clarify the intent of Congress is not an easy one. Nonetheless, we stand ready to be of whatever assistance we can to the members and staff of the Committee as you undertake this challenging assignment.

The CHAIRMAN. Our next witness will be Hon. Jaime Benitez, Resident Commissioner of the Commonwealth of Puerto Rico.

Mr. Benitez is not here.

Then I will call Mrs. Therese W. Lansburgh, vice chairman, Developmental Child Care Forum of the 1970 White House Conference on Children.

STATEMENT OF THERESE W. LANSBURGH, VICE CHAIRMAN, DEVELOPMENTAL CHILD CARE FORUM OF THE 1970 WHITE HOUSE CONFERENCE ON CHILDREN

Mrs. LANSBURGH. Very nice to be here and particularly to be talking to the Senator from my former home State, Louisiana.

The CHAIRMAN. Thank you.

Mrs. LANSBURGH. I am deeply concerned about what is happening with these social security amendment regulations. I think they are contrary to the American principles that we all grew up believing in. This is the land of promise and hope for those who are willing to work toward the American dream, and who have been willing to try to make the future come true. Now, we are abandoning that. We are saying to the people who are working and they are not welfare recipients who are going to be eliminated, it is the people who are working—we are saying to them you can't hope anymore. The motivation will be gone and the impact is going to be really detrimental I think to the fabric of our entire society because we need to preserve that motivation that is what the basis of our entire success as a country is based on.

These are people who aren't indolent or lazy. They are people who are really trying.

I don't think that it was in cooperation with the congressional intent, I call it impoundment without calling it impoundment, which is what really is happening. I would urge that this committee consider the joint resolution proposed in the House No. 434 by Representative Reid because I think that would maintain the established regulations the ones that are currently applied for the entire program which is being emasculated under the new regulations.

I have submitted as part of my report, and I am not going to read that, the recommendations of the developmental child care forum of the White House Conference on Children in 1970. I think that that forum made very significant recommendations in proposing that there were 500,000 spaces needed each year between 1970 and 1980 that needed to be added to the whole range of day care services now available even to begin to meet the needs. We also recommended quality

care. Congress moved to put legislation into effect and translate that mandate into reality and the President vetoed that bill.

Well, that was bad enough. Now we are going to decrease the amount and decrease the quality of what day care, what little day care is available. There is a gigantic gap. There are 2 million children in this country today who are being left with no one at all to look after them and another 2 million who are being left with inadequate and potentially very damaging care and we are going to just add to this pool of children who are really being damaged by the lack of services that are available for working mothers.

Middle-class women use these services. They use—the ones who are at home use kindergarten and nursery school which are forms of day care but we are not willing to provide it for the working mother who isn't at home. It is a crucial service they need and it is an important service for their children because children who have this kind of really warm and loving care, intellectual stimulation and social and emotional opportunities, are the ones who are going to be part of this country.

I know there has been a lot of discussion about whether day care works, I will put that in quotes, because I wonder what we are looking for in the way of day care. I do feel that it definitely does work but you can't get anything that is going to come to you on a silver platter. We can't wave a magic wand. But if we invest in children early, if we give them a good program, if the parents are involved and if there is a continuum of program, children really do benefit from this in a very significant way.

The President's Commission on Mental Retardation in 1967 estimated that only 25 percent of mental retardates are genetically retarded. Seventy-five percent are retarded as a result of some biocultural condition, in other words, not enough nourishment in food, not enough medical care, and not enough developmental opportunities during the important growing years, and this is what we are depriving these children of when we take adequate day care away, really good day care away from the children of working mothers.

And what is going to happen to the working mothers? They are going to go on welfare. It is what is called the yoyo syndrome because once they are on welfare they are ironically eligible once more for day care and what mother is going to have the drive to go ahead and try to get a job just to be kicked off it when she gets to a place where she can begin to live decently, because the cost of living is going up so tremendously.

I don't want to repeat a lot of the things that have been said already but I do want to emphasize the analysis that I have done which I think should be the basis for policy relating to children in this country. We kid ourselves that we are a child-loving society and I think it is one of the most damaging myths that could possibly exist because we now know a great deal as a result of research which has really been an explosion of knowledge in the last decade which should form the basis of policy and an investment in day care.

No. 1, the first 6 years is the most informative. Here his personality, intelligence, his abilities to hope and love or to hate and despair are formed.

No. 2, the family is the most influential force in a child's life and a mother who is away from home and can't have an adequate surrogate

can deeply damage personality and stunt intelligence. We must preserve the family and help it to be financially independent and still meet its childbearing responsibilities.

No. 3, all growth is interrelated, physical, social, emotional, and intellecutal, and whenever we neglect any aspect of child growth we damage the other aspects.

No. 4, from conception through early childhood there are critical periods where the brain and other physical attributes grow, and if we don't do something about them at that point, we can't do it later. For example, the brain grows faster during gestation and the first 18 months of life than it ever will again, and the greatest increase in size occurs at that time, and there is serious concern that malnutrition at this point and lack of intellectual stimulation at this point can create irreversible damage, damage which could have been prevented.

No. 5, there are optimal periods of development of personality and the way in which children cope with problems and learn how to master them and succeed, and the infant who is not helped physically because either at home or in a day care center there aren't enough people to give him the personal attention he needs, these children are the ones who are constantly neglected or rejected also, are either going to be permanently discouraged or they are going to be brutalized at the worst.

No. 6, experience affects growth and development, the more a child touches, sees, feels, hears, learns, the more his intellect is challenged and the more he grows in character and social responsibility.

No. 7, heredity and environment do interact. There has been a good deal of controversy about the influence of heredity and envionments and some scientists feel that only 20 percent of the intellect is malleable by the effects of environment. But even it it were only 20 percent and a lot of scientists feel that that is a small percentage, that the effect of environment is much larger. Even if it were only 20 percent, the effect of environment would be quite large, the difference between being able to really function in the society and being retarded. It can make a tremendous difference.

And finally, growth is accumulative. Everything builds one on the other just as in building a building and the growth of a child is a very important process for any civilization because the future depends on the kind of children that we raise. This is where I feel that day care is so strategically important.

Some of the mothers who are going to be eliminated from day care, let me give you a few examples. The mother who is taking training to be a medical secretary will no longer be eligible to complete the training and to become self-sufficient.

The mother who is helping her husband to buy a home and whose income is necessary in order to make payments on that home will no longer be eligible for partially publically supported day care, and I think this is a crucial point, that these aren't people who are fully supported by public funds. These are the people who are paying anywhere from $4 to $25 a week per child towards the care of their own child and that little difference is paid by the Government. It costs a great deal less than welfare.

What about the mother who used to be on welfare and who has taken training and is now working as a medical technician? Or I know

another who is working as a social worker assistant. These women are supporting children, one supporting five children and no longer on welfare, but if their youngest children—and the woman with five children, two are in day care, if she has to be able to pay out of an income of $5,000 toward the care of two of those children, she is simply not going to be able to make it and she is going to have to go back on welfare.

These are the women that I am talking about who are going to be deeply affected and their children deeply affected because when mother has had a taste of going out and working and contributing and being independent, she doesn't want to go back on welfare and her self-respect will effect her children's respect for themselves and ability to grow.

Finally, I would like to give you one other case history, that of a young boy in California. He was an infant when his father died and his mother, who didn't have any skills tried to run a little shop from her home but that failed, so she put him in with a family and went to work. Only she began to come home at night and find welts on his body, and that was not a good situation. She realized he was being beaten.

So she put him in another home and another home and finally for awhile in a foster care situation. She wanted him at home but she couldn't find any other arrangement. It just didn't work.

Eventually the mother moved to New York and by that time the boy was a latch key child who let himself in and out of an empty apartment and he was showing really severe signs of personality problems and disturbances because he hadn't had the care when he needed it.

Do you know who I am talking about? I am talking about Lee Harvey Oswald who murdered the President of the United States in November of 1963 out of anger and distress of his soul.

How many Lee Harvey Oswalds are we raising in the United States today? And how many more will we be raising as a result of the kind of neglect which will be generated by these new regulations?

I do hope, Senator Long, that you can see to it that these punitive regulations will not become the law of the land.

The CHAIRMAN. Thank you, Mrs. Lansburgh. The more I see of the regulations the worse they get.

Mrs. LANSBURGH. Thank you.

[The prepared statement with attachment of Mrs. Lansburgh follows:]

TESTIMONY OF THERESE W. LANSBURGH, VICE CHAIRMAN, DEVELOPMENTAL CHILD CARE FORUM, 1970 WHITE HOUSE CONFERENCE ON CHILDREN *

It is a pleasure and an honor to appear before this distinguished Committee and especially before the senior Senator from my former home State of Louisiana.

Although I shall be addressing myself specifically to the issue of day care, I must first emphasize my concern with the overall direction—or misdirection—of the New Regulations governing Title IV-A of the Social Security Amendments issued May 1 by the Department of Health, Education and Welfare. "Give me your tired, your poor, Your huddled masses yearning to breathe free," is emblazoned on the Statute of Liberty. This gift of the French people was a tribute to the people of the United States, to the American dream and the hope it generated among all the peoples of the world—hope for the future, hope for overcoming poverty, hope for becoming a success.

*Mrs. Lansburgh is currently President of the Maryland Committee for the DayCare of Children.

America has been the land of promise for those who applied themselves, who weren't afraid to work, who believed that they might be able to build their own lives, to become a part of the mainstream, even to excel. And now, with the changes in the Social Security Regulations proposed by the administration, we are abandoning all of that. We are no longer going to encourage people who try to get ahead, those who are working but not earning enough to pay for the basic necessities of life. We have been helping them to help themselves without penalizing their children. Under the new regulations, the impact of the income cut-offs, even as revised, will be to eliminate the very people whom we should be encouraging, the people who are the backbone of American progress and prosperity.

Only the Congress of the United States can preserve our traditional American principles of reward for those who labor, who try to earn their bread. Those who will be affected under the Regulations need help not because they are indolent or lazy, but because they do not earn enough to support their family and need a small assist from the government. The new Regulations crush the working poor and their children. The new Regulations are also contrary to the will and intent of the Congress of the United States, which placed a ceiling of $2.5 billion on this program last December. These new Regulations are intended to cut the program to $1.8 billion. There are many other ways to attempt to save money—but not out of the hides of the people who can least afford it, and not when it is contrary to Congressional legislation.

I strongly urge that the Senate pass legislation which will maintain the Regulations in their entirety at the current level, which will aid those who, by the sweat of their brow, help themselves, and deserve our assistance.

I am submitting to the Senate Finance Committee, as a part of my testimony, the Report of the Developmental Child Care Forum of the 1970 White House Conference on Children. Developmental child care was voted *THE* priority of the 70's by the entire Conference delegates. The Forum called for 500,000 new spaces annually between 1970 and 1980, to begin to meet the crying need. It also called for quality child care. Congress passed legislation translating that mandate into reality. The President vetoed it. Now, the new Regulations decrease rather than increase both the quantity and quality of the way this nation cares for the children of its working mothers. It is time to look again at the recommendations of the dedicated and knowledgeable group who laboriously hammered out a desperately needed plan for America's children. The problem continues to grow at an increasing pace. We ignore it not only at the peril of affected children and their families, but at our own peril. What we do today determines much of what they become tomorrow.

Day care is America's most promising instrument to solve America's most pressing problems. Day care reduces welfare. Day care promotes workfare. Quality day care is the single most effective institutional force to nourish, nuture and educate our children.

These are the very principles President Nixon campaigned on: an end to needless welfare; a national program of workfare; and an opportunity for every child to fulfill his highest potential. Yet the Nixon administration in revising day care regulations and slashing day care budgets has, in a single act, destroyed any hopes of realizing those goals.

The new Regulations shut out the working poor—the very people President Nixon claimed merited the most encouragement. Hundreds of thousands of children of the working poor will have to leave day care programs. Mothers go in and out of the work force according to the availability of day care services. Mothers no longer eligible for subsidized support will have to leave their jobs and go on welfare when they no longer can afford quality day care for their children.

The irony, the tragedy, the travesty of the situation cries out for justice. Congress cannot let this happen. We are *NOT* saving money—and we are certainly *NOT* salvaging human lives. We are decreasing day care costs just to increase welfare costs. We are not encouraging workfare by forcing mothers onto welfare. And we are not enabling deprived children to fulfill their potential or their civic duties by denying them the very benefits that every middle-class child receives by birthright.

Let's move away from this fallacious theory of economy and look at what day care provides in the purest terms of human development.

The explosion of research knowledge on early childhood development in the last decade can be reduced to eight principles justifying a massive national investment in day care.

One.—A child's first six years are his most important, formative years. Here, his personality, his outlook, his ability to love and hope or hate and despair are formed.

Two.—The family is the most influential force. An exhausted mother, an absent mother, leaving her child without an adequate surrogate, can deeply damage personality and stunt intelligence. We must help preserve the family, help it to be financially independent and still meet its child rearing responsibilities.

Three.—All growth is interrelated—physical, social, emotional and intellectual. Neglect of one aspect of development affects all other aspects.

Four.—From inception through early childhood, critical periods occur affecting development. The brain is growing faster during pregnancy and the first 18 months of life than it ever will again, and the greatest increase in size occurs during this time. There is serious concern that malnutrition at this crucial time can result in irreversible damage—damage which could be prevented.

Five.—A child's first years—even the years before verbal understanding—affect his personality, his attitude and aptitude throughout life. The infant who is not physically held because there is not enough individual attention, the child who is constantly rejected or neglected becomes permanently discouraged at best; brutalized at worst.

Six.—Experience affects growth and development. The more a child touches, sees, feels, learns, the more his intellect is challenged, the more he grows in character and social response-ability.

Seven.—Heredity and environment do interact. An optimum environment may not make a genius, but it can make the difference between a normal and subnormal intelligence quotient, can make the difference between a motivated, confident, contributing adult—or a passive, despondent, dependent one.

Eight.—Growth is cumulative. The more a child is nurtured, nourished, educated and challenged, the more he will develop, build on skills, welcome life and responsibility.

These eight facts argue for the increase of day care. Quality day care is to nurture and nourish the child during his earliest, most formative years. Day care is a source of critical support to the working mother. Day care provides intellectual stimulation, a diversity of experiences, a warm environment encouraging a child to grow. Day care is above all else a proven positive force for civilization in the precise sense of the word—a place which provides a child's first understanding of civility, and civility is the key to citizenship.

A child who is nurtured and nourished can be an outstanding citizen. But neglect generates delinquency and dependency. Most civilized, developed nations realize this and provide state supported day care. America is desperately behind times. Clinging to the myth that we are a child-loving society, we permit mass child neglect and pay the price later in taxes for prisons, drug and delinquency programs.

Developmental day care is our best and cheapest chance to save an about-to-be-lost generation, to beat the welfare cycle and to equalize opportunity for our culturally deprived. Day care can prevent problems and correct unjust conditions. It is an extraordinary investment—not an extravagent expense.

The new Regulations will cut day care costs and close day care centers, further decreasing the availability of good day care for middle-class families who can pay for it in full. In Maryland, we anticipate a 40% drop in enrollment in publicly supported day care due to the new Regulations. Centers, where over half the children receive public support, will close.

What will happen? In most cases, mothers will be forced to leave their jobs and go on welfare—ironically making their children instantly eligible for day care again. This I call the "yo-yo" syndrome. We're snapping our working poor from high hopes to low despair like yo-yo's on a string. But they aren't yo-yo's. They are human beings, slugging out a marginal existence, accepting dead-end jobs to maintain self-respect. How can we reward them by slapping them back into the mire, while we self-righteously denounce their indolence?

Some, of course, will not return to welfare, but unable to afford adequate day care, will turn their children over to warehouse sitters—the sick, the old, the alcoholic who will quote "watch children" in their homes.

Frankly, I prefer welfare to warehousing. A welfare mother is at least able to love and supervise and, perhaps, educate her child. The child left in the lifeless custody of a warehouse sitter is ignored, possibly starved and occasionally abused.

Yet welfare mothers or warehoused children will be the only choices for 40% of our partially supplemented day care users in Maryland, unless Congress revises the punitive HEW standards.

Congress must look at other revisions too. Quality controls have all but disappeared. The provision for parental choice and approval of day care centers is gone. A parent's concern is a spontaneous guarantee of what's best for his child. It has been gratuitously abandoned. Educators advocate maximum parent involvement as a safeguard and to preserve progress. HEW ignores this advice. Further, interagency standards have been lowered. This invites warehouse conditions—programless centers, providing custody at minimal costs. Day care professionals agree that no day care is better than warehousing. Custody without plan or purpose diminishes human capacity. Interagency standards must be kept high. Leniency in this case is irresponsible laxness.

Finally, the failure to provide licensing funds is a serious, severe blow. Even our dogs are licensed! Is the government to deny the same protection to our children?

And there is no hope, except Congress. As head of the Maryland Committee for the Day Care of Children, I have met with both our Governor and Baltimore's Mayor. For every $1.00 Maryland received in revenue sharing, $5.00 in major vital programs were cut. Baltimore City is maintaining certain critical day care centers on re-shuffled Model Cities funds. But the choices are hard, and often tragic.

Maryland has 350,000 children of working mothers—almost 150,000—under the age of six. Many, if not most, need day care. And as always, the poor and working poor have the greatest need and fewest facilities. This is true throughout America. The 1970 White House Conference on Children recommended that government provide 500,000 additional day care spaces annually for a decade; a 100% funding for the poor, and sliding scale payments for low to lower middle income families. The 1970 White House Conference documented the urgent need. It's recommendations are as neglected as the children of our poor and working poor.

To conclude, I offer a case history and a challenge. It is the case of a working poor mother in California, a widow left without resources to raise three sons. She tried to run a small shop from her home, and failed. Forced to work outside her home, she left her youngest son in the custody of sitters. Soon, she noticed the lad had welts—he had been beaten. She tried another, then another, then another sitter. One worse, more brutal or irresponsible than the other. There were, of course, no decent day care centers—no place to nurture a pre-school boy or provide peace of mind to the desperate mother.

Ultimately, the mother moved to New York. The boy—a latch key child by now—was withdrawn, a truant already showing pronounced personality disturbances, caused by a lack of proper care. No one cared for this boy. His mother couldn't. The State wouldn't. Nobody cared, until November 22, 1963, when this neglected child exploded his anger on his nation by murdering its President.

How many Lee Harvey Oswalds have we raised? How many are we raising right now? And how many *more* will we raise under HEW's new Regulations?

The answer truly rests with Congress.

Report of the Forum on Developmental Child Care Services—White House Conference on Children 1970

INTRODUCTION

The members and delegates of this Forum (representing private, state, local, and parent organizations, business, and private industry throughout the nation) are shocked at the lack of national attention to the critical developmental needs of children. We urge the recognition of day care as a developmental service with tremendous potential for positively influencing and strengthening the lives of children and families, and we urge the eradication of day care as only a custodial, "baby-sitting" service.

The fundamental issue is how we can arrange for the optimal nurturance of today's children at a time of profound change in the American family and its living conditions. The responses to the changing needs of children, families, and communities have been a variety of part-time child care arrangements outside the family. Too many of these ideas and experiments are isolated from each other and from existing community resources. Too often, thought about such programs is fragmented into restricted concepts—nursery schools, babysitting, preschool enrichment centers, or child care service for parents in job training. These programs are not a full solution, but are individual responses to parts of a general and growing national need for supplementary child care services.

Although this paper considers the broad range of needs, it focuses on developmental child care which we define as any care, supervision, and developmental opportunity for children which supplements parental care and guidance. The responsibility for such supplementary care is delegated by parents (or guardians) and generally provided in their absence; however, the home and family remain the central focus of the child's life. Parents must retain the primary responsibility for rearing their children; but society, in turn, must recognize its role in the ultimate responsibility for the child's well-being and development.

Developmental child care should meet not only normal supervisory, physical, health, and safety needs, but should also provide for the intellectual, social, emotional, and physical growth and development of the child with opportunities for parental involvement and participation. Day care can be provided in public and private day care centers, Head Start programs, nursery schools, day nurseries, kindergartens, and family day care homes, as well as before and after school, and during vacations.

Child Care is a service for all children—infants, toddlers, preschoolers, and schoolage children. Regardless of the hours, the auspices, the funding source, the name of the service, or the child's age, the program should be judged by its success in helping each child develop tools for learning and growing, both in relation to his own life style and abilities and in the context of the larger culture surrounding him.

THE NEED: SOME DATA

Many forces are converging to accelerate the need for day care: female employment; family mobility; urbanization; community mobilization to fight poverty; the rise in single-parent families through divorce, separation, or other causes; pressures to reduce the public welfare burden; and realization of the needs and opportunities for early education in the broadest sense.

The most direct force is the growing number of employed women. Since the beginning of World War II, mothers have increased almost eightfold. (1) Today half of the nation's mothers with school-age children are working at least part-time (a third with children under six years), (2) and by the 1980 White House Conference on Children, working mothers of preschool children alone are expected to increase by over one and one-half million. (3) Although the primary motive for women to work is economic—to provide or help provide food, housing, medical care, and education for their families (4)—increasing numbers of women work for the personal satisfaction of using their education, skills, and creativity. Many more women, often those with critically needed skills, such as nurses, would work if they could be sure of adequate care for their children. (5) More women are demanding more choices in their lives; choices in parenthood, in jobs, and in family roles. The result—more than twelve million children under fourteen had mothers working at least part-time in 1965; four and one-half million of these children were under six.

What happened to those children while their mothers worked? Thirteen percent required no supplementary care since their mothers worked only while they were in school. For the remaining eighty-seven percent, a variety of arrangements were used. Forty-six percent were cared for at home by the father, another adult relative, a sibling (often a child himself), or someone paid to come into the home. Fifteen percent were cared for by their mothers on the job, and sixteen percent were cared for away from home, half by a relative and half in small "family day care homes." Only two percent of the children received group care in a day care center or nursery school, and eight percent received no care at all (including 18,000 preschoolers). (6) These percentages vary, of course, for the different age groups. The complete picture of supplementary care must also include the hundreds of thousands of children attending nursery school whose mothers do not work. (7)

If all these arrangements were adequate, we would have to worry only about the almost one million "latch-key" children who received no care. But many of these care arrangements do not even assure immediate physical safety, as child accident rates show. We know very little of the quality of care given by non-maternal sources in the home, but of the outside arrangements, far too many are unlicensed, unsupervised, and chosen because they are the only available care alternative. Even the many dedicated women who put effort and love into their "family care" or nursery school often lack the training and the educational, medical, physical, and financial resources to meet the needs of a growing child. A recent nationwide survey of child care has turned up far too many horrifying

examples of children neglected and endangered in both licensed and unlicensed centers. (8) In a study of New York City, 80 percent of the known and inspected day care homes were rated as inadequate. (9) Since the major failings were related to inadequate resources and physical facilities and since the homes were in the child's neighborhood, it is reasonable to assume that other neighborhood home care sites, including the child's own home, would rate no better using the same criteria.

The dramatic rise in the need for child care services caused by changing employment patterns has partly overshadowed the great needs evident since well before the first White House Conference on Children in 1910. Special programs are required to serve the needs of children suffering emotional disturbance, mental retardation, cerebral palsy, and other handicaps; to assist families with such children by relieving the parents of some of the burdens of full-time care; and to help strengthen families in difficult situations by offering child care and attention perhaps otherwise unobtainable. These needs still exist; and in large numbers. Over eleven percent of school-age children have emotional problems requiring some type of mental health service. (10) The vast majority of these five million children, and preschoolers with similar problems, can be treated by trained professionals and paraprofessionals "working in setting not primarily established for treatment of mental illnesses." (11) Three million persons under the age of 20 are mentally retarded; with adequate training and continued support, most could learn to care for themselves, but special education classes reach only a quarter of those needing them. (12) Similarly, many of the thousands of families with children handicapped by blindness, cerebral palsy, and other disorders, are unable to find the necessary assistance in caring for their children. Partly in response to these facts, the recent Joint Commission on Mental Health of Children recommended the "creation or enlargement of day care and preschool programs" as a major preventive service, with an important potential role in crisis intervention and treatment services .(13) These programs, they said, should be "available as a public utility to all children." (14)

For all these needs, about 640,000 spaces for children presently exist in licensed day care homes and centers. But this number compares to a need estimated at several million. (15) Even though the number of places has risen rapidly in the past five years—from 250,000 to 640,000—the total picture has improved little; while the 400,000 places were being added, the number of children under age six whose mothers were working increased by 300,000. (16)

ANSWERS OLD AND NEW

The social institutions traditionally responsible for child care have generally treated the new needs simply as more of the old. For decades, "day care" has been part of "child welfare," where it has been "tended by a devoted few, condescended to by many." It is still widely believed that only mothers on the verge of destitution seek employment and outside care for their children; that only disintegrated families, where parents are unfit to give even minimal care, seek outside support. The need for supplementary child care is often viewed as the result of other pathology in the family, its use justified only in forestalling greater disaster for the child. (17)

The child welfare concept of day care—as a service to the poor and problem families—has contributed to the resistance to enlarging services to cover broader segments of the population. Inadequately funded and primarily concerned with the care and protection of children, agencies have usually responded by creating supervised centers for care, and/or promoting additional regulation and licensing of less formal child care arrangements.

Both approaches have failed to meet the current demand for day care arrangements. Although thousands of families are unable to find care for their children, some group care centers show serious under-enrollment. One study found that nearly three-quarters of the centers in one city had spaces available; the same study found only 250 officially approved and licensed day care homes serving the community, compared to several thousand women providing care in informal and unregulated arrangements. (18)

The reasons that the traditional responses have touched only a minor part of the present supplementary child care needs are complex, but include lack of community understanding of, and commitment to child care, inadequate community coordination and information on available programs, the high cost of center care, and parental preference for convenient and personal arrangements. This points to a

need for sponsoring agencies to be flexible and responsive to family needs. Families must be encouraged to understand and seek quality care. The needs and uses of child care services have changed more rapidly than our understanding of the situation and our ability to respond to it.

The point is that developmental child care is no longer needed primarily to buttress disintegrating families. Economics, divorce, education, cultural values, and other factors have led to a variety of family situations. The working mother is no longer a "misfit," and the family is not the simple mother-father-child picture usually assumed. By the end of this decade, it is possible that most American children will have working mothers, and there is no reason to think these mothers will be less concerned than other mothers about the care their children receive, or that their employment will, of itself, lead to destructive deviations from normal parent-child relationships. (19)

Because the primary need for child care is to help functioning families lead more satisfying lives, and not to replace families, services which are not responsive to the variety of family needs will not be adequate. We must understand the process by which families choose a particular child care arrangement. In general, they are looking for supplementary care that is flexible in hours, reasonable in cost, convenient in location, and, often last, dependable in quality. (20) The challenge we face is to develop a system of services with at least three effects: making parents more aware of quality in child care programs; assisting parents in maintaining their parental responsibilities; and delivering good care to all children, regardless of the specific arrangement.

Although as a nation we lack an adequate system of developmental child care services, many local efforts have been fruitful during the past decades. Thousands of children and families have benefited from the programs developed and sponsored by church groups, parent cooperatives, community organizations, and small proprietary operations. As more services are developed, the progress and wisdom gained from successful efforts must not be lost.

A NEW FORCE: CHILD DEVELOPMENT

Next to the growing number of employed women, the second force in the increasing demand for making available supplementary child care to all citizens grows out of recent discoveries on the importance of early experience on human growth and development. Psychologists, pediatricians, psychiatrists, educators, nutritionists, anthropologists, and other investigators continue to document the critical significance of the first years of life. The central finding is that during the years when a child's body, intellect, and psyche are developing most rapidly, his conditions of life will profoundly influence his later health, motivations, intelligence, self-image, and relations to other people. (21)

Every moment of a child's life is learning—what he can and cannot do, what adults expect and think of him, what people need and like and hate, what his role in society will be. His best chances for a satisfying and constructive adulthood grow from a satisfying and constructive childhood and infancy.

Sound development cannot be promoted too early, for the early experiences will be either supportive or destructive. The President's commission on Mental Retardation estimated that three-quarters of mental retardation in America could not be related directly to genetics (such as mongolism or Down's syndrome), physical damage, or other organic factors and was typically associated with geographic areas, where health care, nutrition, and developmental opportunities are usually minimal. (22)

One reason why many social institutions formally resisted extrafamilial child care was their deep belief in the importance of family life and fear of the possibly destructive results of separating a child from his mother. The institutional syndrome of maternal deprivation found in many orphanages was attributed to any separation from the biological mother, rather than to prolonged separation combined with other institutional conditions such as perceptual monotony; little interaction with adults; and lack of a basis for self, family, and historical identity. Traditional guidelines viewed day care as a last resort because the institutional findings were over-generalized to include the part-time—and very different—separation involved in day care, where the child returns daily to the family. (23)

While it remains supremely important to ensure against deprivation of adult care, it now appears that with adequate planning even full day care can sustain the emotional adjustment of infants and leave intact their attachment to the

mother. (24) In addition, it is becoming clear that day care holds an important potential for providing all children with "the essentials of experience" which support optimal development. Although until recently few attempts were made to evaluate objectively the efforts of full day care, abundant research documents the possibility of desirable effects associated with some variety of experience outside the home which involves careful planning of the environment for the young child. (25) New research is accumulating to demonstrate that day care projects can provide programs highly beneficial to the social and intellectual functioning of children. (26) When programs are successfully integrated with, and followed up by, the public school system, the possibility of maintaining these advantages remains high.

It is also important to realize that the place where care is given is not the most significant dimension for a child. The issue is the kind of care given: how he is handled, what abilities are nurtured, what values are learned, and what attitudes toward people are acquired. The child can learn to trust or hate in a neighbor's apartment, in a commune, in an expensive nursery school, or in his own house. Parents have realized this, and their fear of exposing their children to destructive influences, along with a widespread misunderstanding of children's needs and their relationship to our particular nuclear family arrangement, have tied "women more tightly to their children than has been thought necessary since the invention of bottle feeding and baby carriages." (27)

Our traditional model of the biological mother as the sole and constant caretaker is, in fact, unusual. In most cultures and in most centuries, care has been divided among the mother, father, sisters, brothers, aunts, grandparents, cousins, and neighbors. Universal education for older children, the geographic mobility of families, and the social isolation of many people in the cities have drastically limited these resources for the American mother. As a result, we are now faced with the need for new options for child care. The "day care" option involves placing the child for a substantial part of his day in the care of a person who initially has no close social relationship with the family. Like the location of care, this may be of little importance by itself—it is the developmental concern of the care, whatever its source, which is the world of the child and which influences the future adult.

Day care is a powerful institution. Quality service geared to the needs and abilities of each child can be an enormously constructive influence. But a poorly funded program, where children are left with few challenging activities and have little relationship with or guidance from adults, can seriously jeopardize development. A day care program that ministers to a child from six months to six years of age has over 8,000 hours to teach him values, fears, beliefs, and behaviors. Therefore, the question of what kinds of people we want our children to become must guide our view of day care. Scientific knowledge can point to several possible dangers and can suggest principles for sound programs. But the program which best suits a particular child in a given community cannot be predicted in any precise way. After all formal standards and guidelines have been met, parents and organizations must still remain open and responsive to the needs of individual children.

Child care programs cannot hope to meet the needs of children unless they are responsive to parents' values and their understanding of their own children. Similarly, parents can learn a great deal about meeting the needs of their children by remaining open to new knowledge about child development. One of the socially beneficial aspects of a day care program is that it provides a forum for parents and staff to pursue jointly new understandings to guide child-rearing endeavors.

DAY CARE, POLITICS, AND REALITY

A third factor behind the concern with day care is pragmatic. A growing number of mothers want to work and will seek the benefits of good care for their children and for themselves. In addition, such programs as Head Start have made the public aware of the vast potentials which can be realized if we commit ourselves and our country to providing a sufficient number of quality programs which encourage a new vigor for life in children, families, and communities.

Given a taste of such programs, the public is becoming anxious for continuation and expansion. To discuss at length whether day care is an economic luxury, a political right, or a social tool ignores the tremendous need for supplementary care which exists today, a need which parents will continue to meet the best they can with whatever resources are available. The question is not whether America

"should" have day care, but rather whether the day care which we do have, and will have, will be good—good for the child, good for the family, and good for the nation.

As with any question of economic and social resources, people with the least private access to them deserve primary consideration in the allocation of public resources. Good developmental child care can cost $2,000 to $5,000 per year, and even most middleclass families cannot bear such costs. (28) Sliding scales for repayment—from 0 to 100 percent—must be developed to enable all citizens to participate as we build toward a system of developmental child care available to all parents who seek it and all children who need it.

The ability to pay for care, though, is not the same issue as the need to find care. There are many segments of society which need supplementary developmental child care. Employment rates are higher for mothers who are the sole support of their children, and higher for those whose husbands earn less than $3,000 a year; but most working mothers have working husbands earning more than $5,000 a year. The most rapid rise in seeking work and child care is occurring in the group of mothers with the most education. (29) The problem facing our public and private institutions is to organize and pay for good services for all families.

THE CHALLENGE

There are two clear issues in developmental child care for American children: the comprehensiveness and quality of care which all children deserve; and the responsiveness and flexibility of social institutions to the changing needs and desires of American parents. The best care, with stimulating and nurturing personnel, will be wasted if offered in programs which will not be used by families as they adjust their own social, economic, and personal needs. Simply keeping the child during parents' working hours without applying our utmost expertise and common sense for his sound development is as cruel and absurd as feeding him only minimal nutrition required to sustain life and expecting a vigorous and healthy body. We need not just day care centers so mothers can work, nor just preschools. Rather, we must respond as a nation to the changes that we as individuals are living, changes in our views of family roles and in the needs of our families with children. Our lives are changing more rapidly than our institutions. We must develop a network of voluntary supplementary child care, flexible enough to be part of family life, able to promote the full development of our children, and readily available to all families with children. We must commit our heads, our hearts, and our pocketbooks to this task.

PLANNING SUPPLEMENTARY CHILD CARE SERVICES

Forum 17 believes that the following points should be carefully considered in planning developmental child care services. (30)

Settings and facilities

Although the location of child care is not a crucial factor, different settings can influence how well a particular services fits the needs of a family. For example, a center for children of two to six years adjacent to a factory may be useful in some circumstances. But problems will arise if the mother of a three-year-old also has an infant or a school-age child who will need some other care; or if the mother changes jobs and the child is no longer eligible for that center; or if difficult public transportation must be used. For a mother who works short hours, the family day care home run by a neighbor or a home-visiting service operating out of a child care center may be most useful. Families which must move frequently—migrant and seasonal workers, military personnel, and so on—face additional problems. Special settings may also be needed for evening care for children whose parent work unusual hours; or for short-term, crisis care in the case of death, illness, or arrest of a parent.

It is important that facilities "feel comfortable" to the children they serve. Ramps and other aspects of design may appreciably improve the handicapped child's view of his importance and belonging in the center. For normal children, too, one goal of design should be to foster their development; there is much room for innovation here. Facilities also have a role in the community; store-front, split-level modern, or whatever, a child care center should fit its community's view of what is appropriate and important.

The lack of funds for renovating and constructing facilities has inhibited the growth of more and innovative services. If a program must be revised to accommodate limitations of the available settings, crucial program elements for the child or the family may be slighted or eliminated. Every effort, therefore, must be made to provide facilities and settings for the services which encourage program flexibility and quality and are most appropriate to a given set of needs.

Personnel

There are not enough trained day care personnel to staff current programs, and expanding the services will increase this shortage. If half the four- and five-year-old children of working mothers were served by programs following the Federal Interagency Standards ratio of one adult to five children, over 35,000 trained personnel would be needed to staff those programs alone.

Recent attempts to define the skills needed by these workers have stressed general human abilities and sympathies, and specific training in child development, family relations, and community involvement. The need for persons with a variety of expertise suggests that active cooperation between educational institutions, local businesses, and individuals in the community can be very profitable. Academic training is by no means necessary for all persons who work with young children, but experience and training are essential for directors and head teachers if children are to receive quality care. Inservice training of local persons has proven a valuable procedure for many day care programs, serving the joint purpose of producing excellent staff who know the life situation of the children and of using resources efficiently. Local colleges often help with planning and running the training programs and provide academic credit for those interested and able to develop careers in the field. Such career ladders are an important part of training programs. New roles are also needed for workers, both in terms of the duties they perform and the persons who fill them. Some programs are now being developed for personnel to administer basic health services and other program elements. Teenagers and older citizens, both male and female, can also work in programs to the benefit of both themselves and the children.

Programs

In the end, the content of a child care program is most important to the development of the child. Children need to learn social and intellectual attitudes and skills that will enable them to cope successfully with society and meet their own individual needs. A good program, then, must attend to all areas of growth: social, physical, emotional, intellectual, and spiritual. How these elements are combined in the program will depend heavily on such factors as the type of service and the other developmental resources of the community. Several points stand out, however, as especially important.

A good program must focus on the development of warm, trusting, and mutually respectful social relationships with adults and other children. Such relationships form the basis not only for the social and personal development of the child, but also for his future ability to learn from others.

The program must help develop self-identity so that each child views himself and his background as worthy of respect and dignity. A child's image of himself as a member of a racial, cultural, linguistic, religious, or economic group is basic to a strong self-concept. Cultural relevance, therefore, is not a separate political issue but an integral part of human development. Supplementary child care must not alienate a child from his family and his peers. Those in charge of programs must be knowledgeable of and sensitive to the values and pattern of life in the children's homes. To help correct past inadequacies and injustices and move toward a truly human heritage for future generations, children must also learn about our diverse cultures and their contributions to modern America.

Provisions must be made to ensure nutrition and health care that focus on promotion of optimal health and prevention of disease, as well as the identification evaluation, and treatment of existing health problems. Integration of health services with other child care services is essential.

Attention must be given to the full development of each child, taking into account his or her individual ability, personality, imagination, and independence, and resisting the degradation caused by racist, sexist, economic, cultural, and other stereotypes.

A good program should utilize the knowledge and resources of those trained in, and familiar with, child development to foster the maximum potential of each child as well as to utilize their knowledge for selection and use of equipment, space, and methods to achieve the desired goals in a comprehensive child care program.

The inclusion of parents in the affairs of the program is a vital element in the value of the program. (31) It is important that families maintain the feeling of responsibility for, and involvement with, their children. Parental participation can be at several levels, depending on the particular family's skills and available time. The aim is mutually beneficial communication between the program and the parents. Parental control of fundamental aspects of the program is also important; this is one reason informal and private arrangements are preferred by many parents.

In institutionalized group care facilities, especially when supported by public funds, legal issues may become complicated, but they nevertheless remain secondary to the principle that child care centers, like governments, are instituted to serve the people. The power of control, therefore, should ultimately rest with those affected by the programs. Children, whose lives are the most affected, cannot vote for either policy-making bodies or public officials, but they must not be forgotten. One concern of day care as an institution should be to act as a voice for children.

Licensing

The licensing of out-of-home care for children can serve the dual purposes of protecting children and their families from inadequate care and of helping agencies and individuals improve their programs through providing, promoting, or coordinating training for staff in administration, program planning, and daily interaction and understanding of children.

Unfortunately, many licensing authorities do not live up to these possibilities because regulations are inappropriate or because their own training and funding are inadequate. In some cases, the complexity of local, state, and other requirements impedes the establishment and expansion of programs, both good and bad. Too often, regulations focus on physical facilities and on superficial differences in services, such as "nursery schools" versus "day care centers," and ignore crucial areas such as the inclusion of specific program elements. The creation of licensing agencies with the resources and power to take strong action against harmful programs and equally strong action for better care is one of the most important challenges in working for a flexible network of quality child care services.

Organization for the Delivery of Services

The need for coordination in the delivery of services arises in every discussion of day care needs. We see the goals as coordination and consolidation at upper levels, with coordination, diversity, and flexibility at local levels.

Although the Federal government is making efforts at coordinated planning through such actions as the Community Coordinated Child Care Program (4–C), designed by the Federal Panel on Early Childhood, it is currently operating over 60 different funding programs for child care or child development. Among these, there are at least seven separate programs with funds for operating expenses, nine personnel training programs, seven research programs, four food programs, and three loan programs. Only a few of these, however, are aimed directly at child development; most were set up for other purposes and day care or child development is only ancillary. Funding, moreover, is grossly inadequate, and state and local support is, with rare exception, minimal or non-existent.

As a result of such overlap, child care centers funded by different sources could compete for the same children. In other cases, proposed and needed centers cannot get funded. Lack of coordination may mean frequent placement changes for children. And, ironically, the complexity of sources can result in sorely needed funds remaining unknown and unused.

One solution to this set of problems would be to establish a Federal mechanism for consolidation, and local structures for coordination and diversity.

At the Federal level, consolidation of administrative responsibility for children's programs is urgently needed. The present administration has taken a significant step in establishing the Office of Child Development (OCD) and assigning to it responsibility for day care services. However, the responsibilities have not yet been designated for all programs concerned with early childhood development. Thus, Head Start and other programs could remain within OCD, while day care services delivered as part of the Family Assistance Plan could operate quite separately. This arrangement would violate both the ethical and scientific arguments against segregating children on the basis of financial need. Furthermore, health, educational, psychological, and social services are all part of the many-faceted approach which early childhood programs should include. Developmental

day care services should be consolidated in one arm of the Federal Government, charged with general responsibility for all aspects of child development. Child development programs should focus on the child, not on his parents' status or on a bureaucratic division.

At the state and local level, maximum flexibility is needed and is compatible with a democratic form of government. To provide for diversity of programming and sponsorships which can best meet the needs of each community, parent, and child, a mechanism should be established to coordinate the several branches of government involved in the provision of day care services; non-public agencies, involved either directly or indirectly; and a substantial number of parents. Such a coordinative arrangement would serve to share knowledge of funding sources, to process information on the establishment and operation of programs, and to centralize such resources as training and purchasing. A community-wide planning process would determine the priorities of need and funding which would ensure both the continuity of services and the generation of new programs.

The need for supplementary child care services is so great that only by cooperation of all parties can it be met. Estimates of the cost for the immediate unmet needs are on the order of two to four billion dollars a year. Only the Federal Government can mobilize such funds on a coordinated basis; but other sources, public and private, will also be vitally needed for the foreseeable future. Industry, business, and the university can be especially helpful by contributing expertise in organization, accounting, training, and other areas to local and state planning groups. They may also play a special role by supplying starting funds and some operating expenses to community child care services in return for a guaranteed number of places for the children of their employees.

RECOMMENDATIONS

Action for developmental child care services

We recommend that a diverse national network of comprehensive developmental child care services be established to accommodate approximately 5.6 million children by 1980 through consolidated Federal efforts via legislation and funding, as well as through coordinated planning and operation involving state, local, and private efforts.

The network's ultimate goal is to make high quality care available to all families who seek it and all children who need it. By 1980 it should be prepared to accommodate approximately 5.6 million of the estimated 57 million children potentially requiring developmental day care services, at a yearly cost of approximately $10 billion. Immediate efforts should be made to accommodate at least 500,000 children in each age group (infants, preschool, and school-age). These efforts will require $2 to $2.5 billion of Federal money per year, assuming that this amount can be matched from non-federal sources, local, state, and private.

Such a network must be comprehensive in services, including at least educational, psychological, health, nutritional, and social services; and the services must support family life by ensuring parent participation and involvement as well as including a cooperative parent education program.

The network must offer a variety of services including, where appropriate, group day care, family care, and home care, as well as evening and emergency care. Services must cover all age groups from infants through elementary school age.

Legal coordination of child care services through a Neighborhood Family and Child Center should be strongly considered whenever appropriate. The Center would:

Offer all the comprehensive and supplementary services outlined above.

Serve as an outlet for other programs and services and as a meeting place for parent and youth groups so that it may help create a community without alienation and separation.

Enabling comprehensive Federal legislation must not only provide funds adequate for operating programs (up to 100 percent where necessary) at the levels projected above, but legislation must also:

Establish child care services independently of public welfare, ensuring integration of services to all ethnic and socioeconomic groups.

Include funds for planning, support services, training and technical assistance; facility construction and renovation; coordination of programs at Federal, state, and local levels; research and development; and evaluation and monitoring.

Ensure program continuity through long-term grants and contracts

The need for private capital in efforts to develop the system is recognized. This Forum approves this involvement only if quality is maintained in all areas affecting the child and/or his family. The use of private funds should be encouraged by: legislation to provide low-cost loans for facility construction and renovation; tax incentives to the private sector to develop quality child care services; and alteration of tax schedules to provide tax relief to families who have children in developmental care.

While working toward the above goal, first priority for spaces should go to children and families in greatest need, whether the need be economic, physical, emotional, or social. One hundred percent funding should be made available for those who cannot afford quality child care; a sliding scale should also be available to those above the poverty level who are unable to bear full cost of the same developmental opportunities as those given children who must be fully subsidized by public funding.

Coordination of services should be ensured through consolidation of all Federal activities relating to child development in the Office of Child Development, and by coordination and planning by state and local bodies. When a state's efforts are unable to meet the needs of its children, direct Federal funding to local projects should be required.

To hasten the achievement of this network, all construction of housing, business, industry, and service facilities (such as hospitals) which receive Federal funds should be required to provide developmental child care services, either by including such services in the construction or ensuring permanent funds for participation in existing or planned facilities.

All child care centers and services should abide by local, state, and Federal laws that apply to non-discrimination in programming, housing and construction of new buildings. Day care centers should make every effort to support businesses that have non-discriminatory practices.

Ensure Quality of Child Care Services

We recommend that the quality of child care services in America be ensured through innovative and comprehensive training of child care personnel in adequate numbers; parent and community control of services; and supportive monitoring of services and programs with enforcement of appropriate standards.

To ensure adequate personnel.—The Federal government should fund and coordinate a combined effort by all levels of government, educational institutions, the private sector, and existing child care organizations to train at least 50,000 additional child care workers annually over the next decade.

Education should be provided for training staff, professionals, preprofessionals, and volunteer staff who work directly with children; administrative and ancillary staff of child care programs; and parents.

Special training for parenthood should be instituted in all public school systems, starting before junior high school. It should provide direct experience in child care centers and should include both male and female students.

Joint efforts by educational institutions and existing child care services should be directed at creating new types of child care workers for child care settings. These new positions could be in areas such as health, child development, education, evaluation, and community services.

Educational institutions should ensure transferability of training credits in child care, issue certificates of training which are nationally recognized; and establish a consistent system of academic credit for direct work experience.

Child care institutions should allow paid periods for continuing training and career development. Funding for this policy should be required in all Federal grants for child care service operations.

To ensure that the system is responsive to demands for quality care.—Parents of enrolled children must control the program at least by having the power to hire and fire the director and by being consulted on other positions.

Parent and local communities must also control local distribution of funds and community planning and coordination.

To ensure the continuing quality of child care.—Standards for service facilities and program elements must apply to all child care services, regardless of funding or auspices.

Standards must be appropriate to the cultural and geographic areas, the types of care, and the available resources.

Parents and other community members must play a role in the flexible administration of standards, licensing, and monitoring.

Licensing should allow for some provisional status while the service is being built up, to enable programs to receive full funding.

Federal and/or state governments should provide funds for training monitoring personnel. These personnel must be numerous enough both to observe the services in their area and to work for their improvement.

National Public Education Campaign

We recommend a national campaign, coordinated and funded by a Federal task force, to broaden public understanding of child care needs and services.

The campaign should be directed by a task force of citizens representing the breadth of economic and cultural groups in America who are concerned with the issues of developmental child care services.

Using Federal monies, the task force should contract with several private, non-profit organizations (such as the Day Care and Child Development Council of America, the Black Child Development Institute, the Child Welfare League of America, and the National Association for the Education of Young Children) to prepare and disseminate to the general public and specific institutions information concerning the difficulties, values, needs, costs, and technicalities of child care services. Consumer education for informed selection of child care services should be a major element of the campaign. The campaign should use all forms of media.

The task force should prepare and make public an annual report evaluating its activities and contracts. A cumulative report should be presented to the 1980 White House Conference on Children.

The task force should operate through the Office of Child Development and should feed back to that office any information it receives concerning the public's need for developmental child care services.

The Federal government should additionally contribute to public awareness by providing child care facilities at all Federally sponsored conferences and conventions, including the 1980 White House Conference on Children.

The task force should encourage business and industry to make it easier to be both an employee and a good parent. For example, job hours should be flexible wherever possible, and more part-time jobs, for both male and female, should be made available with prestige and security equal to full-time jobs.

Resolutions by Forum 17 Delegates

Whereby change the title of Forum 17 from "Developmental Day Care Services for Children" to "Developmental Child Care Services." (The title of Forum 17 was changed by unanimous vote in order to stress that the needs of children and families with which we are concerned are not restricted to daytime hours, and that child care must always be developmental, not simply custodial. The content of the paper should make it clear that we are not discussing "child care services" in the sense of adoption, foster homes, or institutional care.)

We, the Developmental Child Care Forum of the 1970 White House Conference on Children, find the Federal Child Care Corporation Act, S. 4101, inadequate and urge its defeat.

S. 4101 (Senator Long's Bill) does not address the basic problem of providing operating funds. Nor does it provide an acceptable delivery system which must place the decisionmaking authority at the local level and give parents a decisive role in the policy direction of those programs in which their children participate.

As a matter of principle, we do not believe that program standards should ever be written into law. S. 4101 would not only fix standards in law, but would provide for such minimal standards that it would allow the widespread public funding of custodial programs which we vigorously oppose.

Society has the ultimate responsibility for the well-being and optimum development of all children. The implementation of this responsibility requires that child development services such as day care, Head Start, and after-school programs, be available in all the variety of forms to meet the needs of all children whose parents or guardians request, or whose circumstances require, such services, In further implementation of this concept, we propose that all child development services be completely separated from public assistance programs. They must not be developed to lessen public assistance roles but rather as a basic right.

We applaud the President's stated commitment to the healthy development of young children. We believe that the creation of the Office of Child Development has been an important first step in fulfilling this commitment but further steps have not been evident.

We strongly recommend that the administration now act to provide the necessary resources to implement this commitment. The Office of Child Development must be enabled to meet its appropriate responsibilities, including action on the recommendations of the White House Conference.

The CHAIRMAN. We will recess until 10 o'clock tomorrow morning.

[Thereupon, at 12:20 p.m., the committee was recessed until 10 a.m., Thursday, May 17, 1973.]

SOCIAL SERVICES REGULATIONS

THURSDAY, MAY 17, 1973

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

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

Present: Senators Long, Mondale, and Packwood.

The CHAIRMAN. This hearing will come to order.

This morning we are scheduled to hear as the first witness the Honorable Patricia Schroeder, Member of Congress from Colorado. She is unavoidably delayed.

We will then call the Honorable Georgia L. McMurray, commissioner of New York City Human Resources Administration.

STATEMENT OF HON. GEORGIA L. McMURRAY, COMMISSIONER, NEW YORK CITY, HUMAN RESOURCES ADMINISTRATION

The CHAIRMAN. We are pleased to have you, Mrs. McMurray.

Mrs. MCMURRAY. Thank you, Mr. Chairman. I welcome the opportunity to address this Senate Finance Committee around an issue which is close to the hearts of the people of the city of New York.

I am the commissioner of the New York City Agency for Child Development which is part of the Human Resources Administration. The agency is the first agency of its kind in the country and was set up by the mayor in 1971 to be the administering and regulatory agency for day care and Headstart services.

We have taken a good look at the provisions promulgated by the Department of HEW regarding title IV(a) expenditures. While we are pleased that there have been some changes in the regulations that were posted on February 16 there are still several crucial issues which we are concerned about.

No. 1, the amount of money available for child care services under title IV(a), because of the ceiling, is insufficient to meet the growing need of day care in the city of New York. Because of the ceiling, we did receive only $148 million in the city for all social services, including day care.

Our day care budget alone this year is $116 million, which means that if we are going to continue to expand the number of services, we will have to have additional funds because the State and city cannot carry the burden alone. But even more important, we are very concerned that the regulations at the present time will continue to focus upon the day care needs of only the very poor. We have

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estimated that even though provisions allow New York City reimbursement for day care services up to $9,400 a family of four, the provisions for an asset test in revision will seriously curtail the ability of working poor families to participate in the day care program.

The public assistance standards in the State of New York do not allow for clothing, jewelry, and every kind of personal property for a family to be eligible for public assistance. So we feel if the real intent of HEW is to allow for participation of the working poor in the day care program, then the assets tests must be eliminated.

Similarly, we believe that child care should be a mandated service, not an optional service, because there are millions of working women in this country who are sole head of the family and who need child care as a way of remaining off public assistance.

We also would ask that parent involvement through participation of local committees as well as day care State committees be mandated because we believe quite firmly the way to prevent government rearing of children is to have parents involved in making decisions about the care of their children, not only at the State level but at the local level.

We ask also that the social eligibility criteria for child care be more clearly defined, again particularly with regard to the needs of working women. We have many of our families in the city headed by women who, if they did not have child care, would not be able to support their families and we feel very strongly that a single woman particularly should have child care available to her.

We welcome the fact that HEW has recognized the needs of the retarded child but we ask that children with various kinds of handicaps be included in day care, eligibility for day care services, because in the city of New York we began a program where we are providing day care for handicapped children in conjunction with the Department of Mental Health and Mental Retardation. We have found that in providing services for the retarded and the handicapped many times this does prevent the child from being institutionalized.

There were several administrative problems that I as the administrator of a large day care program—I read the regulations with a view toward seeing how I could administer the program as easy as possible to deliver services to families of the city. We have at the present time over 370 day care centers in the city of New York and we estimate that we would be able to go up to 460 by next year.

The regulations call for the establishment of eligibility by the State or local agency which I would assume means the Agency for Child Development. We have discovered that if the local agency has responsibility to determine eligibility, the amount of time that is used to interview the family, to check eligibility, creates a situation where children will not be readily admitted to the program and the number of staff that would have to be employed to perform the eligibility test would certainly give rise to an increase in administrative costs.

I would ask, therefore, that there be an option in the regulations to permit the delegation of the eligibility test to the private agency from whom we could purchase service, that we should not have that mandated to be a public agency responsibility.

Again, I would ask that the purchase of service agreements that the social and rehabilitative service would have to approve be broad enough in terms of the criteria that HEW would use so that HEW would not intrude upon the authority of State and local governments to decide from whom they would purchase service.

There are several items in terms of program costs in the area of training, health and nutrition services, and staffing costs needed to maintain the monitoring and evaluation responsibilities of the local agency which should also be federally reimbursable if we are going to be able to maintain quality child care services.

In summary, I would like to suggest that many of the comments I have made are in particular response to HEW regulations, but I would like to suggest that we do need to look now toward the development of legislation to set forth the comprehensive child development plan which would provide for a broad range of health and social services for young children as a way to begin to support families as they begin to rear their children.

The CHAIRMAN. Thank you very much for your testimony this morning.

Many thanks.

[The prepared statement of Mrs. McMurray follows:]

TESTIMONY OF GEORGIA L. MCMURRAY, COMMISSIONER, NYC AGENCY FOR CHILD DEVELOPMENT

MAY 17, 1973.

I welcome the opportunity to appear before the Senate Committee on Finance and am most grateful to Senators Long and Mondale for the understanding and compassion they have shown over the past years for the problems involved in providing services to our country's children.

This hearing, like others that have gone before and others that are sure to follow, demonstrates not only heightened *public* awareness to the needs of children and their families, but also *official* awareness of government's responsibility for meeting those needs.

Notable among this Committee's efforts to insure government responsiveness to child care needs, was its proposal to exempt child care programs from the ceiling on social service spending under the Social Security Act. I sincerely hope that my testimony here today and that of others who spoke on this subject earlier in the week, demonstrates the urgency of including language that will provide an open-ended appropriation for child care programs in the legislation before you now.

When you consider that in 1966 there were only 93 publicly-funded day care centers in New York City serving only 6,700 children, and that by the end of this fiscal year there will be almost 450 centers serving approximately 40,000 children, the significance of Title IV-A funding becomes obvious. Indeed, only the continued flow of federal funds allocated under the Social Security Act has made this growth possible.

As of April, 1973, about 40,500 children are being served in New York City's federally-funded child care programs: 28,000 are enrolled in Group Day Care Centers; 6,200 in Family Day Care Homes and 6,200 in Head Start.

Of the families enrolled in the day care programs funded under Title IV-A, 88 percent are working, in training programs, or are looking for work. The remaining 12 percent use day care for a variety of social reasons. The mother may be ill or unable to care for her children because she is an alcoholic or a drug addict.

Traditionally, publicly-subsidized day care in New York City has been provided as a service to the working poor for no fee or for a fee ranging between $2 and $25 on a graduated scale. The fees are based on an analysis of a family's income, taking into consideration such costs as food, clothing, shelter, medical and other work-related expenses that are absolute necessities.

By basing our fee schedule on a family's disposable income after deductions for basic expenses, what the family pays reflects its real ability to pay. In this way, we maintain the priority of low-income families for day care services and, at the same time, do not penalize the upwardly-mobile family.

An analysis of the incomes of the families served and the fees they pay indicates the following: 42 percent of our families are public assistance recipients and pay no fee at all. Most of them work but still need supplemental assistance. Another 40 percent pay $2 because they earn less than $8,000; the remaining 18 percent pay anywhere from $3 to $25 a week, depending on their income which may go up to $13,000.

In all, there are probably no more than 600 children out of the 36,000 served in the Group and Family Day Care program that are at the $25 level and the State and City share the cost of their child care services. These are families where the *child's need* outweights the *family's financial status.* The average cost of child care in the private market is about $30 a week.

In most cases child care in the private market in New York City can be defined as being in-home care of the child by a neighbor or relative, or outside care in an unlicensed facility that provides little more than custodial or baby-sitting services. In the latter case, it must be noted that most privately-funded child care centers are not open for the full work day. At present, there are only about 20 privately-funded, *licensed* child care centers open from 8 a.m. to 6 p.m.

The Agency for Child Development (ACD) plans for, authorizes, administers and provides the funds for publicly-funded Group and Family Day Care and Head Start. ACD was established on July 1, 1971, by Executive Order of Mayor John V. Lindsay in response to the recommendations of the Early Childhood Development Task Force appointed by the Mayor in March, 1970, and made up of a cross-section of civic and community groups.

Although ACD is the administering and regulatory agency, the programs themselves are actually run by local sponsors, such as parent groups, community organizations, settlement houses or churches. It is they who contract with ACD to operate Group and Family Day Care and Head Start services. These groups, through their Boards of Directors, are reimbursed or funded by various Federal, State and City sources for children found eligible for services under existing regulations.

The Boards are responsible for hiring qualified staff, for purchasing equipment and supplies, for maintaining records, for ensuring program quality and for operating facilities that have necessary approvals from the City's Fire, Health and Building Departments. Most Boards are made up of a majority of parents whose children are enrolled in the programs.

All programs must adhere to the guidelines set forth by the funding source, as well as to the policies of ACD and other regulatory agencies that set standards of health and safety for children who are cared for outside of their home environments.

The goal of the Agency for Child Development is to provide and expand quality child development services in New York City and to advocate for legislation that will benefit all children. New York is the only city in the nation that has one agency, solely responsible for these functions.

We view day care as being as much an income maintenance program as public assistance itself in that New York City day care offers publicly-subsidized health, nutrition, and social services, as well as child care, to families who could not otherwise afford them. The highest fee paid represents only half the per child cost of day care in New York City.

It is our view, then, that although HEW has made significant revisions in its first proposal, the HEW regulations promulgated May 1, will also increase the welfare rolls, create a more unwieldy, expensive bureaucracy and, inevitably, cause social and economic upheaval to the very families who use subsidized day care as a survival mechanism.

The following are our comments on the May 1 regulations, by section in order of their appearance in the Federal Register:

I. OPTIONAL AND MANDATED SERVICES

In retaining the language of the February 16 regulations which make the provision of child care services a matter of State option, HEW has contravened the intent of Congress in the Social Security Amendments of 1967. It was the expressed purpose of this legislation to promote, through Federal matching, the development of services designed to "assist members of a family to attain or retain capabilities for maximum self-support and personal independence." In fact, it was because of the State's failure to develop such services that Congress amended the Social Security Act in 1962 and 1967 to increase Federal participation in the delivery of social services.

Thus, any retrenchment on the part of the Federal Government will decrease our ability to meet the child care needs of the growing number of single parent families.

The 1970 Census shows a disproportionately large increase in families headed by women. During the past decade, families headed by women increased 31 percent; 1.3 million to a total of 5.5 million. The relative increase for New York

was the same as it was for the Nation, although more striking here since the total of city families (just over 2 million) showed little change over the ten years. Some 353,000 New York families are now headed by women; an increase of 84,000 since 1960.

II. ADVISORY COMMITTEE/PARENT INVOLVEMENT

The language of the May 1 regulations permits, unlike the February 16 regulations, Federal reimbursement for costs of State Advisory Committee meetings, including members' expenses for attending meetings, supportive staff and other technical assistance. No mention is made of consumer participation and no mandate appears for local advisory committees without which real parent involvement is impossible.

Parent participation and local advisory committees which are mandated by the Federal Interagency Day Care Requirements, should also be mandated and federally-reimbursable under the present HEW regulations.

The Agency for Child Development has long recognized the importance of parent participation in child development programs. We have established an Early Childhood Commission, made up largely of parent representatives elected by their peers, to set policy for the Agency and to insure parent involvement at the top level. Parent participation helps to insure that child development services represent a real support to family life. It also enables parents to participate in and maintain the growth that their children experience in these programs. It avoids the Government "paternalism" and the view of day care as a threat to family life, about which the Nixon Administration has expressed concern on many occasions.

III. ELIGIBILITY

A. Social eligibility

Although the language in the May 1 regulations is more closely relevant to the definition of child care services in the Revenue Sharing Bill, it still fails to clarify the scope of a State's ability to provide child care as a protective or preventive service. In many instances, day care may be a real alternative to placement in a foster home or institution. The cost of the latter in New York City, is at least three times the cost of providing child care services.

We perceive our child care program as one that prevents family disruption rather than as one that offers assistance after the damage is done. We hope that any further revision of the regulations will allow, if not encourage, child care programs to operate in this belief.

The language in the new regulations which permits day care services to mentally retarded children as long as they are financially eligible is an important breakthrough in that it recognizes the child's own needs for these services apart from his parents' needs. On the other hand, it does not increase our ability to serve all the physically handicapped for whom child care would also provide a viable alternative to residential placement. As a matter of fact, the effect of the assets level test, as discussed in Section II B of this report, will cut back our services to both the mentally and physically handicapped.

The subject of services to this long-neglected segment of our population is so important that I feel further discussion as to what we, here in New York, have been doing to surmount recent limitations on financial support to mental health programs, is particularly relevant at this time.

On behalf of New York's mentally retarded youth, the Agency for Child Development has recently entered into a joint agreement with the New York City Department of Mental Health & Mental Retardation to coordinate planning and resources.

Under the agreement, the Department of Mental Health and Mental Retardation, will use some of its City tax levy and State funds to assure that each mentally handicapped applicant will be given necessary diagnostic tests and that each child enrolled will be provided with all the special services indicated by the tests and ongoing evaluations of his needs and progress. These services will include, but not be limited to, intensive social, health and family casework services and rehabilitative therapy.

The program currently involves four centers serving approximately 97 retarded children fulltime and 13 part time. Conservative estimates of the number of children who might benefit from these services range between three and six percent of the population in the City's low income areas.

A modest beginning to be sure, but all we can afford under the restraints imposed by the social service spending ceiling which left us the choice between

paying the cost for programs currently operating or under construction, or paying for costly new services such as those required for the mentally handicapped.

B. Financial eligibility

By allowing reimbursement for child care services for children whose families have an income no greater than 233⅓ percent of the State's financial payment standard, HEW has expanded Federal support for child care in our State. In other States such as Alabama, Florida, Kentucky, Louisiana, Ohio, and Texas, where the p.a. payment standards are substantially lower, this will not be the case. 233⅓ percent of the payment standard in Ohio for a family of 4 is only $5,600; $4,144 in Texas, and $2,716 in Alabama.

In New York State at this time, Federal reimbursement is available for child care services for family of four whose net income does not exceed $7,500. Under the new regulations, reimbursement for a family of four will be available to those whose net income does not exceed $8,320 ($9,400 gross).

An additional stipulation stating that eligible families may not have any liquid assets above what is permitted under State welfare law negates this apparent gE .

What H W has really done is to limit Federal reimbursement in States with high payment standards to only the welfare poor or the very poor.

For example, in New York State a welfare recipient may not have a bank account, an insurance policy in excess of $500 face value, or any personal property—including clothing, jewelry, furniture, and cars, etc.—not *essential* to the living requirements of household or the production of income. The new requirement, would, for the most part, limit eligibility for Federally reimbursable child care only to welfare recipients.

Clearly this violates the original intent of the Social Security Act and the intent of the most recent amendment to it which exempted day care services from the requirement that 90 percent of the people served be welfare recipients. Moreover, it puts the Federal Government in the position of abrogating its leadership role in providing child care services.

As it stands now, however, there simply aren't enough State and city funds available for day care to subsidize these services for all those who would be excluded under the assets test. Under the ceiling, New York State received only $220.5 million. This is about one-half of what was expended in fiscal year 1971, and about one-fourth of what was required for fiscal year 1972. Of that amount, $148 million has been made available to New York City for its total social services program. Since New York City's day care budget for this year is $110 million, it is evident that our day care program can only survive with additional State and city funding.

The State and City have each granted the program $15 million for the purpose of covering the cost of care for those families not presently eligible for Federal reimbursement according to State eligibility requirements, but who qualify for the program under the City requirements in effect since 1965.

The real fiscal impact of harnessing eligibility for child care services to public assistance grant and asset levels can be seen in the budgets of working poor families. It's not hard to imagine what it would mean to these families if, in order to keep working, they had to pay for *private* child care, for the child's *medical* care, and for *more food* in the family budget—at today's prices! It would mean, as the Committee is well aware, a negation of the very program goals, "self support" and "self sufficiency", established by HEW.

And that brings us to another problem connected with harnessing eligibility to the public assistance level; public assistance grants in many States do not reflect the cost of living.

As a matter of fact, the amount of the p.a. grant in New York has not changed since 1969, although the cost of living has risen more than 18 percent since then.

Based on our own analysis, it seems clear that though the majority of the families using child care services have very little in the way of real assets, harnessing eligibility to an assets test will change our user population. Here in New York, where the cost of living is probably higher than in any other City, the true test of a family's assets should continue to be the family's disposable income after deduction of basic living expenses.

IV. ADMINISTRATIVE REQUIREMENTS

Although the administrative requirements have generally been modified from the February 16 regulations, some administrative problems remain.

Resolution of the apparent contradiction with regard to the determination of eligibility may pose serious administrative problems. In section 221.7(a), the regulations state that "The State Agency must make a determination that each family and individual is eligible for Family Services or Adult and individual is eligible for Family Services or Adult Services prior to the provision of services under the State plan." In section 221.30(a)(2), however, it provides that *either* the State *or local* agency "will determine the eligiblity of individuals for services" and will authorize the type and duration of services.

We have interpreted this to mean that the State will make the *overall* determination of eligibility of families served under the State plan, but that individual determination can be delegated to the local agency when the local agency is purchasing services.

Since we verify eligibility at both the center and agency level prior to service, additional verification at that time would be unnecessary. Furthermore, inasmuch as we have more than two applicants for every vacancy, it would also require cumbersome and expensive administrative procedures that can only serve to seriously delay the admission of children to vitally needed services.

As it is, prior verification at the agency level is already bureaucratically unwieldy and causes serious delay in some cases. For this reason, we further recommend that States be permitted to delegate eligibility verification through the local authority, to the private agency purchasing services from it, in cases such as New York, where the local program involves hundreds of centers.

Administratively, the assets test poses additional problems. Verification, when home visits are required, is costly and bureaucratically unwieldy. Studies have shown that it costs more to verify a family's few assets than it would to allow them to have them.

Both the requirement that eligibility be redetermined every six months, rather than quarterly, as in the February 16 regulations, and the requirement that clients terminated from public assistance be re-evaluated within thirty days, would pose no administrative problems. They are consistent with current policy at the Agency For Child Development.

V. PURCHASE OF SERVICE

The requirements of written purchase of service agreements with prior review and approval of SRS may also create administrative and other problems depending on the guidelines to be developed by HEW.

We believe that these guidelines should deal solely with financial and other matters strictly of Federal concern.

We are concerned what SRS may otherwise limit the authority of State and local governments to decide from whom they may purchase services and thus open the way for proprietary concerns who may offer less expensive care but who, in the face of diminished Federal mandate regarding standards, may not offer quality care.

Although we do not use privately-donated funds, we would like to point out that while these new regulations allow such funds to be used as the State's matching share, they also restrict this use in a way that severely limits the ability to attract and use donated funds. The current regulations allow use of donated funds to support a particular type of activity, e.g. day care, providing that the donating organization is not "the sponsor or operator of the activity being funded." The new regulations state that the donating organization cannot be "a sponsor or operator of the type of activity being funded".

VI. FEDERAL FINANCIAL PARTICIPATION

This is the area most subject to interpretation, and most related to our ability to provide a comprehensive range of services. The way the regulations are set up, certain costs are identified as specifically reimbursable, and others as not specifically reimbursable. Other costs, not listed, are subject to reimbursement (or denial of reimbursement) upon approval (or disapproval) by SRS. Below are some of the specific items not already mentioned about which we have questions:

A. Training

The 1969 regulations require staff development, education and training on a continuous basis for all staff responsible for the development of services, including professional and para-professional staff and volunteers. The new regulations make no mention of training. Thus the lack of commitment on the part of HEW to provide reimbursement for training programs at a time when other sources

for financial support are being curtailed, will seriously affect our ability to improve staff skills. Most specifically, it will threaten our efforts to serve the mentally handicapped. Under our agreement with the NYC Department of Mental Health and Mental Retardation, the Agency for Child Development is to pay the costs for staff training necessary to meet the goals of this joint program.

B. Health services

The modified regulations only allow reimbursement for examinations for admissions or for employment. However, this is hardly sufficient to enable us to provide the comprehensive health services necessary to meet the medical needs of young children as required under the Federal Interagency Day Care Requirements.

C. Nutritional services

It is unclear whether our food services, one hot meal and two snacks, also mandated by the Federal Interagency Requirements, are to be reimbursed.

Certainly, in light of current freezes and cutbacks on funds for the Special Food Service program for non-school institutions, we could not provide adequate nutritional service without Title IV–A reimbursement.

D. Monitoring, evaluation and technical assistance

Although this reference has been deleted from the section on Federal financial participation, the section on "purchase-of-service," requires that the State plan provide for planning, monitoring and evaluation of purchased services, and for assuring that these services are licensed or meet State and Federal Standards.

It is hoped, therefore, that the staff needed to perform these functions will be reimbursable.

VII. OTHER

The regulation requiring fair hearings has been deleted, although the statute itself, as well as various court cases on the issue and New York State regulation, make them mandatory.

SUMMARY

The Administration has suggested that there are alternative funding sources for all the programs and services from which Federal support has been withdrawn or eliminated. Where shall we look? To General Revenue Sharing funds whose use is limited by law when it comes to programs for the poor? The amount of money New York City actually received under Revenue Sharing was less than it lost as a result of the $2.5 billion ceiling on Social Service spending. To the Special Revenue Sharing or other block grant programs the Nixon Administration has submitted to Congress in the fields of urban development and education? Over and above the early indications that, under these programs, New York City would receive less money than it would have received under the existing categorical grant programs, there is the historical fact that human services have never fared well in the competition for funds at the local level. According to a recent study of the National Association of Social Workers, of the more than $5 billion allocated under Revenue Sharing, only $75,000 is being spent on social service programs.

Although there is legislation other than the Social Security Act—OEO, ESEA etc.—services to children, in most cases they do not provide the kinds of comprehensive services necessary to meet their needs. And in many cases there is little commitment on the part of Federal agencies to even provide those services authorized.

What is desperately needed at this point in time is Comprehensive Child Development legislation that embodies a broad range of education, social welfare, and health and nutrition services.

While giving priority to children who have the greatest social and economic need, this legislation should allow for the participation of families with both moderate and substantial means so that child development services do not become economically, socially or racially segregated. Communities should be mandated to assure such an economic and social mix.

Further, the legislation must provide for parent and concerned citizen involvement in decision-making about the programs at the Federal, State and local levels of government.

Moreover, local communities should have the opportunity to apply for Federal funds to operate such services without prior approval by the State, in order to offset the veto power of special interest groups.

Provision should also be made to allocate funds for the construction of child development facilities and for the training of child development staff at every level.

This country can no longer afford to render lip service to the needs of its children. We urge Congress to take the leadership role needed to insure that the rights of children do not continue to be ignored unto the next generation.

The CHAIRMAN. Is Mrs. Patricia Schroeder in the room yet?

STATEMENT OF HON. PATRICIA SCHROEDER, A REPRESENTATIVE IN CONGRESS FROM THE FIRST CONGRESSIONAL DISTRICT OF THE STATE OF COLORADO

Mrs. SCHROEDER. Thank you, Mr. Chairman. I apologize for being detained on the House side. Our committees do not seem to function so regularly.

I sincerely want to thank you and the Senate Finance Committee for giving me this opportunity to testify on the new social services regulations that were announced by HEW on April 26.

You are hearing 3 days of testimony which I am hopeful will convince you that HEW has in fact gone beyond congressional intent by setting severe and regressive restrictions on a number of social services. Many other witnesses have addressed themselves to these areas; I would like to confine my testimony to the effect of the income eligibility requirements for day care services.

There is a great deal of confusion and uncertainty when trying to discuss and understand what effect these regulations will have. In the absence of a suggested fee scale, it is impossible to make any meaningful assessment of how those people with incomes between the 150- and 223⅓-percent income levels will be affected. We do not know if those close to the cutoff point will be expected to pay close to the full cost of child care, or if they will be allowed to pay a significantly smaller sum.

These guidelines, I suggest, are every bit as important as the regulations themselves, and should be subject to the review process of public comment, just as the regulations were. I believe that HEW must issue these guidelines as soon as possible and that they be issued subject to comment and change.

This is one of my concerns. The other is the fact that by asking parents with incomes over the 233⅓ percent income to pay full fare will force many people into the unbelievable situation of having to choose between continuing to work without being able to afford suitable care for their children, or going on welfare so that this care can be provided. In many instances, there is really no incentive under the regulations for one to continue working.

Let me illustrate. In Colorado, under the current regulations a mother with one child is allowed to earn $480 a month before she begins to pay a fee. She would pay at that point a fee of $5 per month; for each $10 increase in income she would be charged an additional $5 a month, until she assumed full cost of the day care when her income reached $720 a month.

Under the new regualtions, this parent would have to assume the full cost of child care when her income reached $358 a month. When one deducts this cost of day care, approximately $90; plus taxes, approximately $64; health insurance, approximately $28; and transportation, approximately $13, the parent is left with a disposable income of $163 a month.

If this parent were on welfare, her monthly income would be $153 a month. In a very real sense, this person is working for the $10 a month, the $2.50 a week difference between working and welfare. I do not think anyone would consider this sufficient incentive to continue working.

The effect of these regulations on day care services has been analyzed by Dr. Carol Barbeito, executive director of the Mile High Child Care Association in Denver, Colo. I would move for unanimous consent to submit Dr. Barbeito's memo as part of my testimony and hope that you will receive it.

The CHAIRMAN. Yes, we will include that in the record.

[The memorandum referred to follows:]

MILE HIGH CHILD CARE ASSOCIATION,
Denver, Colo., May 10, 1973.

To: U.S. Senate Finance Committee
From: Mile High Child Care Association Carol L. Barbeito, Ph., D., Executive Director

Re Report of Effects of Proposed HEW Regulations.

We have received information in regard to the revised HEW regulations for day care. We have analyzed the effects of those regulations into four categories: 1. Service loss. 2. Money loss. 3. Impact on Staff. 4. Impact on the Community. We have suggested counter regulations in regard to eligibility and fee scales that we feel would be much more equitable for all families.

1. SERVICE LOSS

In order to make this analysis most meaningful, we would like to point out that Mile High Child Care Association's service program has three focus areas. The first is service to families who need child care in order to obtain work or work training; the second is service to the children to promote positive child development; the third is our service to the community through employment of target area residents and minority persons. We have been the most successful agency in this regard having 70% of our employees who are residents of the Model Cities target area.

Our first priority for service is current AFDC recipients who are employed or in work training; the second priority is former recipients who partially, because of having adequate child care, have been able to increase their income to the point that they have dropped their full AFDC subsidy and are able to live on personal income with subsidized child care: our third priority is potential recipients. These are marginal income people who need subsidized child care in order to be able to stay off the welfare rolls. The HEW cutbacks have most seriously affected these marginal income people. The most definite effect is for parents who have one and two children. The reason for the severe effect on these families seems due to the fact that their welfare payment is so low that 233% over this payment does not provide an income adequate for the parent to pay for day care costs.

The examples cited in the HEW Regulations concentrate on the family o four and the severe effect on the smaller family has not been obvious. It is, however, a serious problem in the proposed regulations.

Under the current regulations, a mother with one child is allowed to earn $480 a month before paying a fee. She would begin at that point to pay $5 a month, and would pay an additional $5 a month for each $10 increase in salary until her income reaches $720 a month, at which time she would pay the full cost of day care.

Under the new regulations, this person will have to start paying a fee when her income reaches $235 a month and will have to pay the full cost of child care when her income reaches $358 a month. If this person were on welfare, they would receive $153 a month.

When one considers the working expense of this parent the situation looks like this:

	Regulations	
	Old	New
Allowed before paying fee	$485	$358
Federal tax	59	37
FICA	28	-21
State tax	10	6
Total	388	294
Monthly charge for child care	5	90
Total	383	204
Health insurance	28	28
Transportation	13	13
Total	[1] 342	[2] 163

[1] A net gain of $189 per month over welfare.
[2] $10 more than welfare.

The Mile High Child Care Association has 1053 children in child care; 649 of these are in day-care centers and 404 are in day-care homes. Of these, a total of 256 children will be lost from day-care programs. A total of 204 families will be without child care.

2. MONEY LOSS

An additional way of looking at the HEW effects of the new guidelines is money loss to our program. Our total budget is $1,674,321. After the cutback we will have a total of $1,450,805. This means we will have lost $223,515 of operating monies.

3. IMPACT OF OUR STAFF

We have analyzed the impact of the loss of these monies in terms of staff. We find that 46 staff members would have to be cut. This would be the equivalent of losing staff for three full day care centers. The lost salary monies would be $165,000. Many of our employees are in a job status that would necessitate return to public dependency for a period of time if they were laid off from their present jobs.

4. IMPACT ON OUR COMMUNITY

We have analyzed the loss in tax revenues to the Federal, State, and City governments and find that it would be approximately $55,000. In addition, we have shown through previous studies that the cost of child care versus the cost of welfare saved the government $7,000 a month during 1972 for our contract alone.

We feel that there is very little question as to the result of the new HEW regulations. It will either increase dramatically the welfare and unemployment rolls in the city or children will be left uncared for or in haphazard care plans subject to many physical and emotional stresses and dangers. We are committed to quality care for all children in this community and are extremely concerned that the government would consider regulations which would have these detrimental effects on people who have worked so hard to become self supporting and to stay off welfare rolls. We hope that this letter will add to the information which might influence Congress to legislate against the child care eligibility portion of the regulations. We are suggesting that the Head Start Guidelines for eligibility be adopted. They would provide greater uniformity in eligibility and in fee determination for families regardless of the number of children. These Head Start Guidelines are close to the current scale in the state of Colorado. This fee schedule would provide the incentive for self-sufficiency stated as the objective of the HEW day care regulations. The families would pay a modest fee based on their income thus increasing motivation for sustained employment.

We would be most happy to supply any other information to you or to expand on this material as we are able. Thank you for your attention.

Sincerely,

CAROL L. BARBEITO, Ph. D.,
Executive Director.

Mrs. SCHROEDER. Dr. Barbeito's analysis shows that out of 1,053 children currently in their care, 256 of them, representing 204 families, will be shut out of the center because their incomes are greater than the 233⅓-percent income level cutoff. The smaller, one- and two-children families, are those most affected.

I would like to endorse the recommendation contained in Dr. Barbeito's memo that both the income eligibility and the fee scale for day care services be patterned after the Headstart schedule now in effect, I do not believe that it serves anyone to have the income ceiling for free services set at the 233⅓ level, and suggest that a more realistic figure could be found by looking at the levels used by HEW in the Headstart program. It appears to me that the adoption of a similar schedule would fulfill the congressional intent of providing families with needed services so that they can get off welfare and stay off. We must not allow administrative regulations to deter us from this goal.

Thank you.

The CHAIRMAN. I was impressed by your illustrations. Do I understand you to be saying that a person with $358 a month income and only one child in day care would be only $10 a month better off than if that person were on welfare?

Mrs. SCHROEDER. If you are looking at disposable income because currently we are quoting $90 as the private figure for day care in Colorado. Actually, that is low for urban areas, you know, and most people who are consumers there know that many people are paying more than that, but we are quoting that and when you take that out and taxes and health insurance and transportation, you end up with a $10 difference in disposable income.

The CHAIRMAN. Well, I have become persuaded that this type of economics of welfare is something that we must consider because that is the way the welfare clients think of it and the way people who could go on welfare think of it, and it might seem that is just the way the poor think but it is not. For example, I know that one of the best secretaries on the Hill was thinking about retirement. She discussed it with me and the way she analyzed it was that by the time she would look at how much she is making, and she is making very good pay by any standard, more money than I was being paid when I first came to the U.S. Senate, and she nevertheless concluded that when she looked at what she could earn at retirement income and then took out of it the transportation cost of going to work plus the taxes she was having to pay, plus the retirement payments that she had to make, that she was working for very, very small pay, for almost zero. And then in trying to advise people in my office whether they should retire because they were reaching the point where their productivity was diminishing, I have been advised by our own paymaster that we ought to discuss it with them in those terms because that is the sort of thing they ought to be thinking about when they consider retirement.

So if the best working, most highly motivated employees you have in Government think in those terms, then you should not criticize a welfare client for thinking in those same terms. To look at what they would have in income, if they are not working, and then what little they have left after they get through paying taxes and paying expenses, taking everything into account, I think that that is a very solid, sound point. It just highlights what I said yesterday. Every

witness I hear convinces me more than I was before that this set of regulations must be changed.

Now, I think that we probably went too far with the bill we passed last year. I think it is partly our fault. But we were trying to correct something that had gotten badly out of bounds, but insofar as we made a mistake, the Secretary and his Department have found ways to compound the error that we made at that point.

Senator Mondale?

Senator MONDALE. Congresswoman Schroeder, I am very grateful to you for your statement.

Have you made any rough calculations of how much the city of Denver will lose under these proposed revised regulations, approximately?

Mrs. SCHROEDER. We can provide that for the record.* I focused mainly on the child care section because I thought others were speaking to the other areas.

The one thing that is appalling is that it appears nationwide. Instead of 2.5 it is going to be more like $1.8 billion total, which means that everybody is going to have a much lesser share.

Senator MONDALE. The reason I ask that is that we had the representatives of five State Governors here the other day, and each of them estimated a cut of over 50 percent. So I wonder if the administration's budget objectives are not misleading—that is, the authorization is $2.5 billion, they say that they anticipate spending $1.9 billion, but if what we have heard thus far from the various Governors is accurate, then it is going to be closer to maybe $1.3 billion, and maybe even $1 billion.

Mrs. SCHROEDER. We have an estimate of 50 percent in the city and county of Denver.

Senator MONDALE. We estimate the cut in Minnesota as deeper than 50 percent below the allotment that Minnesota is entitled to, which is really a disastrous figure, especially when you see that many States are presently spending at an annual rate higher than the $2½ billion ceiling. So when you consider the adjustment from that high peak to this low, it is almost the end of all social services in many States.

Mrs. SCHROEDER. It is also very tragic to me because sitting on Armed Services and listening to requests—we just had one yesterday for $2.1 billion for military aid to South Vietnam, without including MAP and other programs, and no one bats an eye, and yet I see we are fighting over nickels and dimes to keep some of these programs alive and I think that is——

Senator MONDALE. I think Skylab cost $2½ billion.

Mrs. SCHROEDER. Yes, and it is not working so well either. I just find this tragic. I tend to think that we think that anybody who needs services of any kind—I have never seen another society that feels that way.

Senator MONDALE. Additionally, it seems to me the talk from the administration has all been "let us trust local governments, let us trust State governments, to do what is right." Yet, these regulations are classic examples of what I think is stupid Federal interference with the best judgments which State and local governments can undertake.

Mrs. SCHROEDER. That is right.

*At presstime, the material referred to had not been supplied.

Senator MONDALE. I think we agree.

Mrs. SCHROEDER. Thank you.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. Do you know my friend Dick Lamb in Colorado?

Mrs. SCHROEDER. Yes, I sure do.

Senator PACKWOOD. Tell him hello.

Mrs. SCHROEDER. I sure will.

Senator PACKWOOD. Let me ask you—I have asked some other witnesses this question. There is a conflict between the new Federal regulations, which we do not like, and really giving a great deal of autonomy to the States, to let them select the services to be provided. Do you have confidence, at least in Colorado, that the States would use this money wisely, or do we need to mandate some things for Colorado?

Mrs. SCHROEDER. I get a little concerned when we say States because so many of these problems are city problems and I just think to say we are going to give the social service money to the States, we know there were some problems under the prior HEW guidelines because some States defined social services as getting new uniforms for prison guards. That is not my definition. We really have to set some difinitions and I really prefer seeing it going in large sums to such things as day care and care for the elderly and care for the mentally retarded, people who have those kinds of problems. They tend to be concentrated in the cities whether we like it or not. So they have the State and then filter down to the city and we create another step in the bureaucracy. I trust my city, I guess, is what I am saying. I am not so sure about my State.

Senator PACKWOOD. Which is your principal city?

Mrs. SCHROEDER. Denver.

Senator PACKWOOD. You represent that city?

Mrs. SCHROEDER. Right, and I would trust Denver, Pueblo, Colorado Springs, to make these kind of judgments. I do not want to see the cities have to go on their knees to the Governor and say please give us some of the Federal money that was given to you for social services because we may end up seeing a different kind of social service. Maybe a portion should go to the States for things allocated to the more rural problems, migrant problems, those kinds of things, but still the large majority should be concentrated in the cities.

Senator PACKWOOD. Would you do that on a straight passthrough based on just population or take in a formula including poverty?

Mrs. SCHROEDER. No, no; that is my whole problem with the Better Communities Act. I think you have to focus on needs and poverty. I do not want to give money to Beverly Hills, Calif., for social services and there are parts of Colorado that certainly do not need it. Under the Better Communities Act as we read it, the cities that will get the most, biggest increase and the most money are the ones that need it the least, Boulder, Colo., some of the suburban county areas. I do not believe that the problems of the cities are over, and so I would want to set money tailored going into areas that did need it. There is no need to waste it. And it should not be a dole. It should not be a present to everybody to go buy new golf courses, social services for the middle class. It should really focus on need.

Senator PACKWOOD. When you mention the Better Communities Act, it seemed to me it was not necessarily circumventing cities that needed it. I found as I look at my own State of Oregon, there are many cities that are going to be authorized under that act only because they have been extraordinary at getting grants; whereas other cities equally deserving did not understand how to get grants.

Mrs. SCHROEDER. Plus cutting out Model Cities and not having housing tied into it. I still say allowing an urban county to be considered a city and that type of thing, you do see a lot of people that maybe do not need it.

Senator PACKWOOD. Thank you.

The CHAIRMAN. I want to ask you about one matter that was touched upon by the previous witness, Mrs. Georgia McMurray, the commissioner of the Agency for Child Development in New York. She made a statement that is the only figure I have seen on this subject so far, and it should not escape notice. She said that according to a recent study by the National Association of Social Workers, of the more than $5 billion allocated under revenue sharing, only $75,000 is being spent on social service programs.

Now, that would look to me as though it is only about $1 in every $100,000 that we made available to the cities and States which is their money. Now, they cannot use that for matching purposes but a dollar is a dollar as far as providing care for someone and help for somebody and I just wonder what would your reaction be when they have the right, if they want to, to use all their revenue-sharing money for that purpose, that the States and the local governments which I regard as being representative of the people there place such a low priority on providing social services for the poor with that money?

Mrs. SCHROEDER. I think in all fairness to the cities, I know in my city we immediately took all the revenue sharing and committed it to capital improvement projects that have been waiting to be dealt with for a long time. Honestly, I do not believe they knew that they were going to have all these other cuts and they were going to say to everyone, go see your city, they have revenue sharing now. So now that they realize what is happening, the social workers figures may be different ones because now our cities are beginning to say, my word, we may have to back off from some of these capital improvements because we had no idea they were going to issue these kinds of regulations and do some of the social service cuts. I think they thought it was just kind of a rebate in money to bring cities up, to catch up. I do not think they realized what was going to happen was that they would cut everything else and then go see the mayor. We call it blame sharing in Colorado. I think that is what happened nationwide, that the real—what was really going to happen with revenue sharing was just misunderstood.

The CHAIRMAN. I was pleased to see that my hometown, from whence comes a mayor who was also the president of the county officials, you might say, under a city parish government arrangement, and who was at one time the president of the County Officials Association, even before this cut was announced by HEW, he put into effect a social service program I believe, for mental retardation and without any pressure from me or anybody on the Hill. He just said for many years we had hoped we could do something—I believe

it was in mental retardation. Now we have some money, so we will put some of this into this social need.

I suppose a goodly portion of the $75,000 must be at Baton Rouge, La., because the man is a good mayor. I have known him since I was a boy. He was a classmate of mine in grammar school. But I am just dismayed to see that that is not at all typical of other mayors in the country because there is one who said, well, here is some money. We will put most of it in public works, yes, but we can use some of this also to provide some human needs that we have had to neglect for so long.

I would hope that others would take advantage of that, at least in some degree, some of that money for some of that sort of thing.

Mrs. SCHROEDER. I join you in your dismay and I think it is the difficulty of hardware versus software programs and there is that urge to get your name on a plaque, on as many different pieces or as many bills, as you can throughout the city, I suppose is most rampant.

The CHAIRMAN. As a politician I think you can also pick up as many votes by doing something for orphan children as you can for building another black top road. You have to weigh those relative demands for public funds.

Thank you very much.

Senator MONDALE. I would like the record to show that the witness is a graduate of the University of Minnesota.

Mrs. SCHROEDER. Thank you.

The CHAIRMAN. We know your background, and it is very impressive. Unfortunately, she had to go elsewhere to complete her education. [Laughter.]

Senator MONDALE. She went slumming at Harvard.

The CHAIRMAN. The next witness will be Mr. Joseph H. Reid, executive director, Child Welfare League of America.

STATEMENT OF JOSEPH H. REID, EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA, INC.

Mr. REID. Mr. Chairman, members of the committee, I wish to thank you for the privilege of appearing before you. I am here to testify on behalf of the board of directors of the Child Welfare League, of which Mrs. Ben W. Heineman of Chicago is president.

We have listened with great interest to the testimony of other people and your comments. I will not be repetitious, but I want to say that we are very much in agreement with the criticism of the amendments, their restrictiveness, and their failure to comply with much of the committee's intent.

We would like to confine our comments primarily to the child welfare aspects of the regulations. The first thing we want to say is that we believe the prevention of future dependency has always been as much the intent of this committee and Congress as the provision of services to those who are presently dependent. As these regulations are now written, they are extremely counterproductive. Although their intent is to save Federal expenditures now, the regulations will create the necessity for much greater public expenditures in the future. Depriving children of services that are needed to protect them from damage now will inevitably affect their future development.

We note, as many others have, that in spite of the fact that there are many children badly in need of services, it will not be possible for many States to use their full allotment under the social services ceiling. Because eligibility has been so restricted and because of the varied boobytraps that are built into the regulations, the States will not be able to expend the funds wisely and according to their understanding of what is needed.

There are several points that illustrate this. One of the most important child welfare services—in fact, I should say the most important child welfare service to protect children and to prevent future dependency—is what is known as protective services. The goal, however, of protective services is to help a child who has been abused or neglected—not to keep him off the public assistance rolls during the next 6 months. The goal is to protect his whole future, his personality, his growth, and his development. And yet, the unsoundness of the eligibility provision is such that it would require a potential recipient to have a problem that would result in dependency within 6 months. States, if they follow these regulations, would not be able to give protective services to abused and neglected children other than those on welfare.

Another illustrative point is the absence of adoption services which are included under the current regulations. This is extremely puzzling for the simple reason that adoptive services are very obviously cost-effective. If you spend $2,000 to place a child in an adoptive home, thus avoiding foster care, you usually save the public between $40,000 and $60,000. And yet, these regulations do not permit Federal funding of adoption services.

Under the current regulations, at least 40,000 children were placed for adoption last year, funded in part through Federal funds, a total expenditure of around $65 million. We strongly urge that adoption services be retained as a mandatory service.

In the area of day care, we believe that there is also a major mistake inasmuch as the States are no longer permitted to use Federal funds for the purpose of enforcing standards, seeing to it that day care services are properly licensed and children are protected. In fact, it was obvious to us during this past year that every effort is being made to destroy whatever standards do exist and that have been mandated to protect children in day care services.

We strongly believe that custodial day care is injurious to children and that the Federal Government has no right to finance injurious services to children. There has been a methodical attempt to destroy the protections that have existed, such as the 1968 Federal Interagency Day Care Requirements, and those parts of the previous regulations that have stated that services must be given according to some decent standards. Arguments have been used that the States will protect children and though States have been making progress in their own laws, we still have a very, very mixed situation throughout the country with respect to the protection of children in day care.

For example, there are some States that permit one person to care for 10 infants in a day care center. There have been many research studies, including federally funded research studies, that very clearly indicate that if you place 10 infants or even five or four under the care of one person in a day care situation you are going to produce very

damaged children, and I am not talking about something mild. You are going to produce children that will later be on relief rolls because they have not had the proper emotional sustenance for growth and development.

And we think it is no accident these regulations will not permit the States to use funds to try to assure that the day care that is being given meets proper standards.

We certainly concur with the previous witnesses that it will not be possible for this committee to know, or for the public to know, the effect of these regulations on day care until we know more about standards, fee scales, the estimated cost, et cetera. We should not buy "a pig in a poke." We respectfully request that the committee insist that HEW make these factors known before the regulations become effective.

I want to stress again that the problem of protecting children requires an approach that is not only based upon the saving of Federal funds. It is not possible to do so. And if there is a real intent to do other than save Federal funds—to protect children—then these regulations must be changed in a very material and important way.

We again want to thank you for the privilege of appearing here.

Senator MONDALE (now presiding). We are most grateful to you for your testimony and for the position of the League, which has always been a leader in this field. I concur wholly in your statement. We have talked about the budgetary changes that are implied in these regulations, and you have raised the other baffling point—why they would terminate IV(a) assistance for some of our most hopeful and essential programs—such as adoptive services. We have had similar testimony in the alcoholic and drug fields. Why would you deny treatment? Why would you terminate good drug programs, good alcoholic programs, good programs for the mentally retarded?

This afternoon we will be hearing from a remarkable program in Minnesota known as HELP, where they have worked with welfare mothers, who as a result have gone to college, done remarkably, gained professional status, and all that means to the family. And these kinds of programs will be terminated even though they are among the most successful, and I think you can prove that they pay for themselves. And these regulations collide with this whole notion that we are going to trust States and local governments to do what they think best.

I think under IV(a) there has been some waste, as any program, including the space program. There is always going to be waste. But I think IV(a) has a remarkable range of exciting and innovative local kinds of approaches, that bear support and not discouragement as appears to be the case today.

Senator Packwood?

Senator PACKWOOD. What do you think about the concept of exempting child care and family planning and leaving those open ended, and turning the rest of the program into a relatively unrestricted social service revenue sharing program, with very few regulations?

Mr. REID. I think the mandated services as defined now are absolutely absurd. For example, the regulations require States to have protective services. States must go out and see if children are being abused but there is no mandate for services to that family or to

protect the child. All the State is required to do is refer them to a court. That does no good, simply adds to costs without solving the problem.

In other words, the logic of the regulations is nonexistent. I think we would do far better, as you suggest, Senator, to mandate a few services that we want every State to have, and I do think protective service is one of them and then leave the States discretion as to the package they put together, because there is certainly no superior wisdom shown in this set of regulations.

Senator PACKWOOD. Almost anything would be superior to this.

Mr. REID. Even so, I do want to emphasize that I think there is a responsibility for Federal leadership. We should not simply assume there are social protections in every State. For example, on these day care regulations, it is not a sound law for a State to permit 10 infants to be cared for by 1 person. Federal leadership in such a case should set certain minimum standards.

Senator PACKWOOD. I think what bothers me, at the Federal level if we make a mistake it is a colossal, unilateral, national mistake and every State is stuck with it. I am not sure where the middle ground is.

Mr. REID. I have yet to see the Federal Government mandate a standard that was absurdly high, let us put it that way, or even high. The leadership primarily comes from those States that have experimented or made studies, et cetera, who studied the issues and have come up with decent sets of standards. But what we have been seeing recently? HEW has recently put together "model" licensing standards in day care. We do not think the end results are very good. I think you need leadership but it cannot be spelled out and every "i" dotted is what it amounts to.

Senator PACKWOOD. Thank you.

Senator MONDALE. What I worry about in the whole day care area, is that we will compromise. We will want to serve more children but we will do it by cheating on the quality of those services. If we do, a child who needs day care because we are asking the mother to work will be the real loser—he or she will not get the emotional and educational and other support that a child must have in those critical developing years. I think they are tampering with these minimum day care standards because they do cost money. But in the long run I think vocational standards will cost us more and will jeopardize the healthy development of these children.

Mr. REID. I agree completely and I think that this committee may have inadvertently given the impression to this administration that there should be different day care standards for children of AFDC mothers than for children in general.

Senator MONDALE. In our Child Development Act which the President vetoed we tried to spell out the elements that should go into a decent day care program and, of course, we are attacked for being big spenders.

Mr. REID. Well, that is one thing about children. You are going to have to spend—they will get the expenditures sooner or later. If we do not expend it for them now, sooner or later they will require other types of services like reformatories and mental hospitals.

Senator MONDALE. I agree. Lost income and the rest.

Mr. REID. Right.

Senator MONDALE. Thank you very much.
[The prepared statement of Mr. Reid follows:]

STATEMENT OF JOSEPH H. REID, EXECUTIVE DIRECTOR OF CHILD WELFARE LEAGUE OF AMERICA

INTRODUCTION

My name is Joseph H. Reid. I am the Executive Director of the Child Welfare League of America at 67 Irving Place, New York, New York. I am authorized to speak on the Social Services Regulations on behalf of the Board of Directors of the Child Welfare League of America. We are primarily concerned with how these Regulations would affect children and their families.

Established in 1920, the League is the national voluntary accrediting organization for child welfare agencies in the United States. It is a privately supported organization devoting its efforts completely to the improvement of care and services for children. There are 364 child welfare agencies affiliated with the League. Represented in this group are voluntary agencies of all religious groups as well as non-sectarian public and private non-profit agencies.

The League's primary concern has always been the welfare of all children regardless of their race, creed, or economic circumstances. The League's special interest and expertise is in the area of child welfare services and other programs which affect the well-being of the nation's children and their families. The League's prime functions include setting standards for child welfare services, providing consultation services to local agencies and communities, conducting research, issuing child welfare publications, and sponsoring annual regional conferences.

We have appeared before the Congress in the past on behalf of improving services for children and their families because we believe that a full range of services is necessary for the healthy growth and development of children—a basic essential in the prevention of future dependency. This range of services should include: services designed to *support and reinforce* parental care, (e.g., services for teenage and single parents); services to *supplement* parental care or compensate for its inadequacies, (e.g., homemaker services, day care services); services to *substitute* for parental care, (e.g., foster care, and adoption); services to *strengthen* family life, prevent damage in the child's normal healthy development and *avert* unnecessary separation of child and parents, (e.g., early case findings of children at risk, services to promote child development, counselling services for parents); services to *regulate* child-welfare agencies and facilities, (e.g., standard setting, licensing, certification).

We believe that the prevention of future dependency is an important goal, and part of the legislative intent of Title IV of the Social Security Act. Services which promote the healthy growth and development of children are essential to this goal. Research and experience have demonstrated that what happens to children in their early years affects their stability and productivity as adults. The neglect of children by society when they are young, results in a more disturbed group of adolescents and adults in later life. If we want to insure self-supporting adults contributing productively to society, we must protect vulnerable children from circumstances which endanger their sound development.

For these reasons, Title IV of the Social Security Act includes provisions for services to families—services oriented to the goals of maintaining and strengthening family life, fostering child development and achieving permanent and adequately compensated employment. The former HEW Regulations included these goals and permitted the States to offer a wide range of services to meet these ends. The new Regulations promulgated by the Department of HEW of May 1st, however, have as goals only self-support and self-sufficiency.

Secretary Weinberger's Statement of May 15, states, ". . . (W)e felt that two underlying factors should be considered throughout the Regulations. First, services available to persons receiving benefits through the Aid to Families with Dependent Children (AFDC) program should be directed toward increasing the employment of heads of AFDC families. Second, services should be targeted on those persons receiving public assistance or with incomes which placed them in a position that was likely to lead them to dependence on public assistance."

We disagree that the sole target for services should be toward increasing employment. The Administration itself has recognized that the Congress has already mandated broader goals in the Social Security Act. Therefore, even the new Regulations include services looking to other ends in addition to increasing

employment of AFDC parents. Some services, such as foster care and homemaker service, are designed to help children irrespective of their mother's employment.

The second factor, that of targeting services to families "with incomes which place them in a position . . . likely to lead to dependence on public assistance" sounds reasonable until one carefully examines the eligibility requirements. These will be discussed later. However, we note now that low income is not necessarily the only factor which may lead to dependency.

We are pleased to note that the revised Regulations of May 1st will permit the use of donated private funds to meet State matching requirements, and that matching funds for children in foster care will continue to be permitted for children placed at the request of a legal guardian as well as for those placed by a court. We also note the improvement in the original narrow child care definition limiting care solely for the purposes of employment or training. The Regulations now recognize the Congressional intent that child care should also be available because of the death, continued absence from the home, or incapacity of the mother. In addition, day care may also be provided for the mentally retarded. However, we continue to believe that the purposes for which child care could be available are still too narrow.

We believe the Administration's goals are far too narrow—as a result far too few families and children will be eligible for service and far too few services will be available. Many families and children in need of services, families who should be eligible because of potential dependency, will be unable to receive service because of severely restricted eligibility requirements. The Administration, however, will be successful in cutting back federal spending for matching payments to the States. Under the impossibly tight eligibility requirements for potential recipients, it is unlikely that States will now be able to use their full allotment under the Social Services ceiling. (The Secretary, however, promised not to withhold any of the alloted State funds *if* the States were able to use them.)

Although the Secretary holds that the States are in a better position than the Federal government to determine what services are needed, the regulations give States very little choice about what services they may offer. Nor do the States have much freedom in determining who may be served as a potential recipient. At the time that the Congress exempted certain services from the 90%-10% limitation on services to recipients of public assistance, it did not limit the States' determination of who might be considered eligible as a potential recipient. The Secretary has cited the rapid increase in spending for social services in FY 1973 as the reason for the need for tightened regulations. But it is interesting to note that the summary of the Touche Ross study indicates that the increase in expenditures was highly concentrated in just a few States.[1] Ten major States accounted for 85% of the total increase and New York alone accounted for 54%. Touche Ross concluded that, "Therefore, it would be misleading to interpret overall results as representing a uniform nationwide increase in public assistance programs." [2]

Moreover, services purchased by public agencies from other public agencies (such as education departments, correction departments, mental health and retardation agencies), made up the overwhelming portion of the total increase in expenditures. This was one way in which Federal funds could be obtained to substitute for State funds for services otherwise not federally funded.

It seems to us that the problem of increased expenditures is already controlled by the ceiling imposed by Congress on Social Services, and by the provisions in the May 1st Regulations for some maintenance of State fiscal effort with respect to purchase of services from other public agencies. Why then is it necessary to have regulations that cut back so drastically in all States, severely limit State choices, and deprive families and children of needed services? The only benefit which will occur is saving even more federal funds at the expense of depriving needy families of services.

Eligibility

Despite the changes made in the proposed regulations of February 16, we believe that the final regulations, published May 1, are still unnecessarily restrictive in view of the $2.5 billion ceiling already placed by the Congress on federal

[1] U.S. Senate, Committee on Finance, *Staff Data and Materials on Social Services Regulations*, May 1, 1973, page 64.
[2] Ibid, page 65.

funding for social services. They unsoundly limit the States' choice as to who may be served and what services may be offered by the State with its share of the federal funds.

There were no income or resource limitations in the former regulations defining "potential" recipients, nor was there a limitation that the services provided to former recipients be limited to those necessary to complete a service previously initiated. Nor for "potential" recipients was there the eligibility requirement that there be a specific problem which would result in dependence on cash assistance within six months if not corrected by the provision of the service.

All these limitations *are* required in the new Regulations. The Secretary's written statement submitted to the Committee, however, failed to mention the "booby trap" of the resources requirement and the further complication of the requirement that there be a specific problem resulting in dependency, if not corrected by the provision of service.

With this latter requirement in effect, query whether protective services could ever be offered to "potential" recipients. For example, is child neglect or abuse likely to be a problem which will lead to dependence within six months, if not corrected?

A child's healthy development, and even his life, may depend on the receipt of such services—but child neglect will not necessarily lead to dependence on public assistance within six months.

This illustrates some of the difficulties which will occur in determining eligibility for service for potential recipients. Under the new regulations, in fact, such determinations would require the most highly skilled professional judgments, if not the wisdom of King Solomon himself. These knotty administrative tangles are unwise and should be eliminated. Limited goals and unnecessary eligibility criteria will be counterproductive in the long run.

Income Limitations

Despite the increase from 133⅓% of the State payment level (February 16 Regulations) to 150% of the State payment standard, the level of eligibility for potential recipients is still too low if there is any real desire to prevent dependency. In announcing the final regulations on April 26, Secretary Weinberger said, ". . . (S)ocial services must be targeted to those in real need and cannot be provided to people *who can afford to pay for them.*" (emphasis added.) But the problem remains that the Regulations also eliminate many people who *cannot* afford to pay for them—because income eligibility and resource levels for potential recipients are so low. The result for these people deprived of needed services will be dependency.

For example, in Louisiana, no federally funded social services, other than partially subsidized day care, would be available for a family of four with income over $1,944. If a child needed care because of a parent's illness or absence for other reasons, a family with a $2000 income could not possibly afford to pay for such care even if services were available to purchase. But under the new Regulations, neither homemaker service, foster care services, or even protective services would be available to help such a family. If the working parent therefore had to stay at home to care for the children, dependency on welfare would certainly follow.

Even in States where the level of eligibility is higher, for example where the allowable income for a family of four is $6000, no service other than day care would be available for those just above the $6000 level. Suppose family income was $6,500 a year earned by the father, the mother had to be hospitalized, and homemaker service was indicated. Using the national average cost for such service, the father would have to spend about $170 per week for homemaker service to care for his two children while he worked more than he earned himself. Obviously, if the mother was absent for any period of time, the father would have to quit work to care for the children and risk dependency within a short time.

The annual cost of homemaker service would be more than the father's annual income. Alternatively, foster care for the two children would also cost more than the family income.

In Georgia, a mother with three children earning $7,400 could not afford the full cost of day care, but subsidized day care would not be available to her. If she stayed home she would inevitably become dependent. At that point, she would be eligible for the WIN program, however, and, would receive day care which would be federally matched at the 90% rate!

Resource Levels

Another unsound barrier to services for potential recipients is the eligibility provision that resources may not exceed the permissable amount for receipt of cash assistance under the State plan. Therefore, a family otherwise eligible could not receive services until their resources were reduced to the level of public assistance recipients. Prudent families, thirfty and responsible enough to save for a rainy day, would have to divest themselves of assets and render themselves more vulnerable to future mishaps in order to qualify for service.

If a parent was hospitalized, for example, the resource criteria might prevent the services of a homemaker or of temporary foster care to care of the children in the mother's absence even though the family income was low enough to qualify for services. It might also prevent day care for the mother needing subsidized day care services in order to work. These provisions are particularly counter-productive since they discourage the more responsible families and tend to push families toward dependence in order to qualify for service.

The May 1 Regulations also provide that families with incomes up to 233⅓% of the AFDC assistance payment standard could be eligible for partially subsidized day care services if the State wishes to set a schedule of fees paid for such services. In view of the restrictions on permissible resources, however, the presumed advantages of this higher income level of eligibility could be misleading, and may well prevent mothers from obtaining day care services. In Connecticut, for example, the limit on resources, including cash value of life insurance, is $250. A mother with three children, otherwise eligible for subsdilized day care, with an income of $9000, could not afford to pay the full cost of care, but would be likely to have more than $250 in resources.

The Secretary of HEW has implied that persons above these income and resource levels can afford to buy and pay for services. Even a superficial study of the various State payment standards reveals that this would be impossible for many families in many States—even if services were available. Therefore, families and children over the 150% level will receive no services, or the States and counties will have to provide them without federal assistance—even though the State may not have used up its share of federal matching funds. Perhaps this is the intent of the Regulations. But query whether this was the Congressional intent when the social services ceiling was authorized with certain services specifically permitted for former and potential recipients as then defined.

Fair and Equitable Treatment of Children

Fair and equitable treatment of children and their families is essential, particularly when they are vulnerable because of low income status and may require welfare assistance as well as social services. The eligibility requirements for past and potential recipients are however inequitable and discriminatory because of an income limitation based on the widely varying AFDC payment standards of the States. There is inequitable treatment of children, for example, when the federal government provides funds to help a neglected or abused child whose family income is under $6,102 in Minnesota, (or under $7,200 in Alaska), but does not protect a similarly neglected or abused child in Texas if the family income exceeds $2,664 ,(or $1,746 in Alabama.) [1] As President Nixon has pointed out in 1969, it is wrong for a child to be worth more in one State than in another.

Foster Care Services to Children—Adoption Services Omitted

Fortunately, the February 16 definition of Foster Care Services was revised as a result of comments received by HEW. The Regulations now provide that foster care services to eligible children placed in foster care at the request of the child's legal guardian are optional services which will be matched if the States provide them. Foster care is a mandatory service for those AFDC children who are placed in foster care facilities as a result of a judicial determination. Since voluntary placements in foster care are often preferable to court commitment when there is no dispute over placement or custody, we are glad to note that services to children placed voluntarily will continue to be eligible for federally funded services in addition to services for those placed as a result of judicial determination. Foster care services are necessary to find and supervise placements, and to help children return to their own families or otherwise find permanent homes.

[1] Senate Finance Committee, *Op. Cit.*, table 4, pp. 26-27.

We are puzzled, however, about the lack of any reference to adoption services either in the Regulations, in background material provided by HEW, or in Department testimony. Adoption services have heretofore been eligible for federal matching under Title IV-A. In the 1969 Regulations, foster care included provision for adoption services.

Adoption is both a socially desirable and cost effective service. Not only does adoption provide a permanent home for a child, a desirable end in itself, but it also replaces the need for much more expensive foster care. Stable family settings, whether in natural or adoptive homes, are more beneficial for most children than foster homes, in addition to being less costly services. It is estimated that the placement costs in adoption average $2,240 per placement. Meantime, foster care costs continue to increase and the national average cost of foster care is currently estimated to be over $4000 per year per child.

We therefore believe that adoption services should be specifically permitted by the Regulations. They should clearly indicate that foster care services include adoption services. To do otherwise would be to encourage States to use a more expensive and less beneficial service instead of finding permanent adoptive homes for children who cannot return to their own homes. Also included should be a National Adoption Information Exchange System to facilitate adoption placements for hard-to-place children. (This proposal was adopted by the Committee and passed by the Senate in HR 1 last year. It was eliminated in the Conference because it had not been considered in the House Bill.)

Protective Services

Protective Services for children is one of the three mandated services. The definition in the Regulations is as follows: "This means responding to instances, and substantiating the evidence, of neglect, abuse, or exploitation of a child; helping parents recognize the causes thereof and strengthening (through arrangement of one or more of the services included in the State plan) parental ability to provide acceptable care; or, if that is not possible, bringing the situation to the attention of appropriate courts or law enforcement agencies, and furnishing relevant data."

The only mandatory aspect of the service, however, seems to be that of "case finding", i.e., discovering, and confirming the fact that there has been neglect, abuse, or exploitation, and referring to the courts or law enforcement agency.

"Strengthening of parental ability to provide acceptable care," however, depends upon the availability of services in the State plan—such as homemaker, day care, or home management, none of which are mandatory services. These services are useful in helping parents to provide better care for their children. Protective services for children, as generally defined in the child welfare field, usually include all the helpful and supportive services necessary to undertake this task, including some services not permitted under the Regulations. If such services are lacking in the State plan to help parents, then the only possible solution under these Regulations is to refer the case to a court or law enforcement agency. Unless services exist to help parents, placement of the children out of their own homes will be inevitable. This will be infinitely more costly than providing services so that the child may safely remain in his own home.

As the experience with child abuse reporting laws has shown, "case finding" services are not enough. Services must be available to cope with and solve the problem once the neglected or abused child has been identified. This is what has been missing in so many communities—and why abused children have not been adequately protected even after they have been discovered. "Protective services" are an empty shell unless services are actually provided to help the child and family. Necessary services must be made available and financed.

The limited type of "protective services" mandated in the Regulations is likely to be merely a "case finding" service for the courts, and even that protection will not be available to any child whose family income is over the 150% level. (As pointed out previously, it is possible that children in families who are not actual welfare recipients may not even be eligible at all. Neglect and abuse may not be viewed as problems leading to dependency within six months, although we know that these problems adversely affect the child's chances for a successful future.)

Since only low income families will be eligible for protective services, there may be discrimination in referring only these children to courts and law enforcement agencies. The former Regulations required that the criteria used for referrals to court must be the same for *all* children. This protection is significantly absent from the new Regulations and should be restored.

Protective services should be a universally available service for *all* children. When parents are unable to protect and properly care for a child, the government should assume responsibility for the child's protection regardless of the family's economic status. Abuse and neglect cannot be ignored or condoned if it occurs in a family with income above the poverty level. We believe such inequitable treatment is unacceptable in our society. Legal services should also be available to these children and their families as part of a protective services system.

Child care

The League's Child Care Principles are attached as an Appendix to this Statement. Briefly, we believe that whenever mothers work provision must be made for child care which will supplement parental care and which will not prove detrimental to the child's well-being and development. Even if a welfare mother's employment could remove her from the welfare rolls, it would be society's loss not its gain, if in the process, her children were endangered or their development impaired.

The League believes that comprehensive child care which provides a variety of services is an absolute essential to any group child care program if it is to provide adequately for a child's needs, particularly when his mother is employed and absent from the home. We believe, therefore, that no program of day care should be established unless it takes full advantage of every available opportunity to enrich a child's developmental opportunities, his health, and capacity of his own parents to effectively rear their children. Group care which is only custodial in nature should not be permitted.

All knowledge and research about child development indicates that poor child care programs for young children are destructive to the child's well-being and healthy development. We believe such programs would not only be damaging to the child and family, but economically unsound as well. The costs of training and day care are likely to be even greater than the cost of maintaining the child at home.[1]

The basic quality of federally funded child care depends upon good standards, strongly enforced. It therefore seems vital that the Congress and the public be informed about the Administration's standards before the Regulations become effective.

Under the former Regulations, child care was a mandated service. No recipients could be required to accept employment or training without it, and child care was also available for other purposes. Under the new Regulations, child care is not a mandated service and the purposes for which it may be used, as noted previously, are more limited. We believe that child care should be a mandated service since no mother should be required to work unless acceptable quality child care is made available to her, and it is also needed to permit "potential" recipients to work.

The former Regulations also required that the child care provided must be suitable for the individual child and that the mother be involved in the selection of the child care program to be used. We continue to believe that these are essential requirements if children are not to be harmed by the service.

The federal criteria for State standards for "in-home" care previously in the Regulations have now been eliminated. This portends a lowering of State standards which is not beneficial for the children receiving such services, and provides a clue that HEW intends to lower day care standards in general.

Out-of-home day care facilities, under the former Regulations, had to meet State licensing standards; conform to the 1968 Federal Interagency Day Care Requirements and follow the requirements for day care services provided under Title IV-B. Again, we believe these are essential protection for children in day care. The new Regulations, however, require only that day care facilities must meet State licensing requirements and that such facilities and services must comply with standards prescribed by HEW—which are still unknown.

The case of infants is a case in point. A recent study,[2] supported in part by a Federal grant, shows that there is a wide variety in the way States license infant

[1] See *Child Care Data and Materials*, a Committee print prepared by the staff for the use of the Committee on Finance, dated June 16, 1971. It is a compendium of important statistics on child care (including cost data), reports of child care studies, relevant statutory language, and regulations on child care. The Federal Interagency Day Care Requirements are included. The Child Care data and reports of previous child care studies confirming these points are also contained in the Committee Print.

[2] M. B. Stevenson and H. E. Fitzgerald, "Standards for Infant Day Care in the United States and Canada", *Child Care Quarterly*, Vol. I, No. 2, 1971-1972.

day care. The study recommends that there be changes and tightening of the State licensing laws, because children are currently being endangered in some States.

No State complied precisely with the Federal Interagency Day Care Requirements which hold that no children under three may be in a day care center unless the care approximates that of mothering in a family home. Groups may contain no more than two children under two years of age or more than five children in the group.

CWLA Standards hold that there must be sufficient staff to enable each caretaker to be continuously responsible for the same baby during the hours of care and for no more than two babies at a time. The study revealed at least three States which permitted one staff person for each *ten* infants. Many States permitted one staff person to each four, five, or six infants. The requirements obviously were not being stringently enforced. And conditions are likely to become worse if monitoring and enforcement are not federally aided, or if the Federal Requirements are weakened. We do not believe that federal funds should be available to support care which is harmful to the child.

The question of standards and their enforcement is a matter of prime importance. What kind of care a child will receive depends upon what standards are required and how they are implemented in the States. The cost of these services is also determined by the quality of care required under the standards.

No information has yet been made available as to the new Federal standards that will apply, how they will be monitored, and enforced, or how much they are estimated to cost. These are vital questions which should be answered before the Regulations are permitted to become effective.

Moreover, the Regulations permit States, if they wish, to offer day care services on a sliding scale basis to those families with incomes between the 150% and the 233⅓% level of the States payment standards, and resources no higher than those for public assistance recipients. Although, HEW approval of fee scales will be necessary, we are also unenlightened as to what the permissible range will be. It is therefore impossible to know how many families will be eligible under these provisions.

We believe this information should also be available before the Regulations become effective so that the Congress and the concerned public may make their views known on these important issues.

Federal reimbursement for monitoring and enforcement purposes is no longer available under the new Regulations. Some States have indicated that monitoring by the welfare agencies will cease under these circumstances. We believe funds are essential for this purpose. Last year, Congress provided federal reimbursement for nursing home surveys and inspections. The same should be provided for child care facilities to protect vulnerable children from harm.

The Advisory Committees on Day Care Services formerly included parents or representatives of parents of children served. The new Regulations do not include any parental representation. We believe they should be included on the Advisory Committees.

Legal services

There are a variety of problems which low income families may have which could lead to dependency if legal assistance is not available. The Regulations now permit federal reimbursement only for legal services necessary to gain or maintain employment. Finding or keeping a job is of importance, but generally, the cause of the difficulty is not a legal problem. Legal services are however essential with respect to many other matters such as landlord-tenant problems, and domestic relations problems.

Legal services should also be available for applicants and recipients of assistance and services in grievance and fair hearing procedures. The League believes that legal services are essential and should be permitted by the Regulations.

Fair hearings

The former provisions are eliminated from the new Regulations. We believe that grievance proceedings are insufficient and that provisions for fair hearings should be restored. Fair treatment is essential to persons dependent upon social services, and to insure fair treatment, a hearings and appeal process is necessary.

Advisory committees

We believe that sound child care programs necessitate and benefit from parental participation. We believe that parents should be included on Day Care Advisory Committees. In addition, we believe that the Advisory Committee on AFDC, included in the former Regulations, should also be restored. Input from the community and the users of services is important in keeping the service programs in step with changing community needs and helping to protect children.

Professional staffing

We believe the regulations are unsound in their elimination of the former requirement of professionally trained persons in leadership positions to plan, develop, and supervise services. Untrained staff at the lower levels need at least to have support and supervision from professional staff. Professionally qualified staff are essential to the proper administration of a social services agency and to provide specialized services to families and children in the child welfare area.

Conclusion and recommendations

In conclusion, we wish to note our recommendations for changes in the Regulations which would improve conditions for families and children in need of social services.

Eligibility

Income and resource levels should be raised or eliminated for "potential" applicants.

The requirement that there be a specific problem leading to dependency within six months unless services are provided should be eliminated.

The six month and three month time limits for potential and former recipients should be extended.

Services

Goals should be broadened to include services to preserve, rehabilitate, reunite, or strengthen the family, to foster child development, and achieve self-support.

Adoption services should be specifically included.

There should be more choice and flexibility for services in State plans.

Full legal services should be restored.

Child care

Should be a mandated service.

Standards for quality in-home care should be restored.

Federal Interagency Day Care Requirements, with quality at least that of 1968 version, should be retained.

Fee scales should be made known and should be at reasonably low levels.

HEW estimated costs of proposed day care should be made known.

Provision should be made for adequate monitoring and enforcement of child care services to insure that quality standards are maintained.

Administrative matters

Licensing and enforcement of licensing standards in the State should be federally aided.

Fair hearings should be restored for applicants as well as for recipients.

Professional staffing should be restored.

Advisory Committees for AFDC programs should be restored and parents should be added to membership of all Advisory Committees.

We are grateful to the Committee for permitting the Child Welfare League to express its views on these Regulations.

Appendix to Statement on Social Service Regulations

The Child Welfare League of America Standards for Day Care Service, originally published in 1960, was revised in 1969. These Standards, prepared by a national committee of experts, are approved by the Board of Directors of the League. Both nationally and internationally the *CWLA Standards* are extensively used and widely recognized as representing day care practices considered to be most desirable. They offer a base for evaluating the performance of child care agencies and adequacy of existing or proposed child care programs.

The following comments and recommendations are based on League Standards and other policies previously approved by the Board of Directors of the League.

CHILD CARE PRINCIPLES

There are certain basic principles which should be incorporated in any child care legislation no matter what its primary purpose may be—whether to improve opportunities for disadvantaged children, to serve as an adjunct to work and training programs for public assistance recipients, to help provide safe care for children whose parents are unable to do so, or to provide developmental services for children whose parents need or want them.

These principles include the following:

(1) The well being of the child should be the prime consideration in child care programs.

(2) Child care programs should be available to all families and children who require them:

(a) Child care should be available to all children in need of such care regardless of the socio-economic circumstance or employment status of the family. (Initially, there should be priorities in providing service for the economically disadvantaged.)

(b) Cost for care to a family should range from free to full payment, depending upon the family's financial resources.

(c) Programs should provide for continuity of care for children irrespective of changes in economic or employment status of parents.

(d) Programs should be available to children on a part-time or full-time basis according to the needs of the child and his family.

(e) The same programs should be available to all socio-economic groups. Children should not be separated into different programs on the basis of the socio-economic or employment status of the family. The establishment of a two-class child care system should be avoided.

(3) Child care programs should be of a comprehensive nature—that is, in addition to providing care and protection, they should make available a variety of services, such as nutritional, health, psychological, social work and educational services, etc. Programs should not be limited solely to physical safekeeping or so called "custodial care."

(4) Standards to insure a sound quality of child care should be established with particular reference to the ratio of staff to children, and to the quality and training of staff. There should be provision and adequate funding for enforcement of standards. Government funds should not be permitted to finance child care which does not meet proper standards.

(5) There should be provision for parental involvement in all child care programs.

(6) There should be flexibility of administration to permit adaptation of programs to meet local needs.

(7) Funding should be adequate to support the needed quality and quantity of child care.

Senator MONDALE. We are very pleased to have the senior Senator from Maine with us, Senator Muskie, who will introduce the mayor of Lewiston, Maine, the Honorable John Orestes. Senator Muskie.

STATEMENT OF HON. EDMUND S. MUSKIE, A U.S. SENATOR FROM THE STATE OF MAINE

Senator MUSKIE. Thank you very much, Mr. Chairman, and Senator Packwood. I regret that I am supposed to be presiding over another hearing at this moment, and will have to leave shortly. I wanted to appear this morning for two reasons. First, to submit a statement of my own, as well as a statement of Governor Curtis of Maine, on the subject of social services regulations. And I compliment you, incidentally——

Senator MONDALE. That will be placed in the record.

Senator MUSKIE. And I compliment you for the thoroughness of these hearings into that subject, which is of great concern to the people of my State.

Second, I could not resist coming to introduce the young mayor of Lewiston, Maine, John Orestes. He is testifying as the representative of the National League of Cities and the United States Conference of Mayors, but to me he is more than that. He is a representative of the dedicated young political leaders—of whom you two gentlemen are also, I think, outstanding representatives—who are helping to mold public policy in local governments throughout our country. And as mayor of Lewiston, as the Greek mayor of an essential Franco-American community, he has demonstrated political ability and a commitment to dynamic public service and leadership.

So I am proud indeed to be here this morning to introduce him to the committee, and to welcome him to Washington, and to wish him well in his testimony and in his continued service to his community.

Senator MONDALE. Thank you, Senator Muskie. We will receive your statement and one from Governor Curtis, and they will appear in the record at this point.

[Senator Muskie and Governor Curtis' prepared statements follow:]

STATEMENT OF SENATOR EDMUND S. MUSKIE

Mr. Chairman and members of the committee: Social service programs funded under the Social Security Act have, as you know, grown like Topsy over the past few years. In an exercise of its priority setting function, Congress last year imposed a $2.5 billion ceiling on social services expenditures. But the Department of HEW earlier this year proposed regulations which would cut back still further the programs that would be funded under the social services provisions of the Social Security Act. As a possible example of the Administration's zeal overcoming its judgment, these originally proposed regulations went much too far in cutting back social services programs. In response to the protests of the public, and the Congress, these regulations were modified on April 26. Although the modifications liberalized standards for social service programs to keep them more in line with the intent of Congress, the final regulations still contain serious deficiencies.

One important defect of the final regulations is described in a statement of Governor Kenneth Curtis of Maine, which I asked be included in the hearing record after my statement. Governor Curtis objects to the "restrictive listing of social services eligible for federal financial participation," and recommends that this restrictive listing either be replaced by past listings, or by allowing the states, under HEW's supervision to make their own decisions about which social service programs which they need most. I endorse Governor Curtis' statement.

The restrictive listing to which he objects will cripple many important and worthwhile programs which are now being funded under the Social Services Provisions. Let me give you a few examples from my own State of Maine.

One example of the type of program which will not be funded as a result of the new regulations is the Danforth Street Neighborhood Center. This organization serves the Model Cities area in Portland, Maine, by providing emergency services such as emergency transportation, emergency clothing and food, and counseling services for all age groups. Operating constantly, including off-hours and weekends, the Danforth Street Neighborhood Center services about 1200 of Portland's elderly and disabled. Specifically, the services include: transportation to medical and dental appointments, light moving service, regular visiting to reduce isolation, group activity, information services. Other programs are assistance in locating housing, employment training and education, and efforts to facilitate distribution of surplus food commodities by locating, certifying and transporting recipients to distribution centers.

Another example of useful and successful programs for which funding will be discontinued because of the restrictions in the announced regulations is the Senior Citizens Council of Greater Bangor, in Bangor, Maine. The target population of this program is 3000 people, and the basic objective of the program is self care. Services provided include information and referral services, and transportation to the doctor, hospital, grocery store, meetings, and social gatherings. Assistance is provided to the elderly in filing their Maine Elderly Householders Tax Relief

Application and in filling out other forms; assistance is provided for locating housing, securing donated commodity food. A monthly publication is issued on matters of interest to senior citizens. This is an exceedingly popular program with the senior citizens of Maine, who wish to see it expanded, not terminated.

A third example of irreplaceable but highly necessary programs which will no longer be funded under the restrictions imposed by the new regulations is the Kennebec-Somerset Mental Health Aftercare Unit in the metropolitan area of Augusta, Maine. The discharged mental patient's transition back into the community is often difficult because of his poor behavior, anti-social or asocial habits, or apathy. The intent of the activities operated by the Kennebec-Somerset Unit are more than mere placement: with pre-placement counseling, the Unit provides patients with the skills to function in society. The Unit contracts with hospitals and other community services for a broad range of supportive aftercare services. Pre-discharge planning to accommodate emotional and physical needs provides the link to community resources to achieve objectives such as community care, self care, health, rehabilitation and employment. The client is introduced to his setting prior to placement, and there is a re-evaluation 90 days after release. With the implementation of this program there have been fewer replacements in the State hospital, and there has been greater community acceptance of discharged patients.

A final example of one of many important and successful programs for which funding would be terminated under the new regulations is the Mid-Coast Mental Health Clinic in the Rockland, Maine, area. This clinic, operating with the philosophy of commitment and responsiveness to individuals in need of services which they cannot provide for themselves, provides services in alcohol and drug abuse, child care, foster care, family planning and mental retardation. These services encompass diagnosis, evaluation, direct treatment, and consultation. Direct referral, diagnostic and evaluative services to schools and families which have children with learning handicaps which are emotional or organic.

These four programs, Mr. Chairman, are examples of those which deserve to be funded under the social services provisions. They perform important services to the elderly, the sick, and the disabled. And they could be funded within the responsible Congressionally-imposed spending limit of $2.5 billion, which we have enacted into law. I hope the Committee will consider them in its deliberations on legislative remedies to the restrictions contained in HEW's regulations.

STATEMENT SUBMITTED TO THE SENATE FINANCE COMMITTEE ON BEHALF OF GOVERNOR KENNETH M. CURTIS OF MAINE, THURSDAY, MAY 17, 1973

Senator Long and members of the Senate Finance Committee:

My purpose in submitting this statement is to urge that further action be taken in regard to the Social Service regulations published May 1, 1973 by the Department of Health, Education and Welfare.

I am pleased that some of the critical issues raised in the earlier "proposed" regulations have been addressed. Specifically, eliminating the prohibition of private seed money as the State share for federal financial participation, broadening the availability of day care for the working poor, and basing financial eligibility for social services for former and potential welfare recipients on the State need standard rather than the level of grants.

However, a major problem still existing in the regulations published May 1 is the restrictive listing of social services eligible for Federal financial participation defined in Sections 221.5 and 221.6 of the new regulations.

In keeping with the intent of the "new federalism," it is crucial that states have the freedom of determining the types of social services that are needed, based on an analysis of local needs and priorities in each state. I expect that such needs and priorities will vary from state to state. Some examples of services which we have been providing in Maine and which are no longer eligible for Federal financial participation under Titles IV-A and XVI of the Social Security Act, include recreation programs for disadvantaged youths, senior citizen centers, and mental health programs. A detailed listing of these programs is attached. You will note

that 21 programs serving nearly 9,000 people are involved. I strongly question the validity of the argument that these services can be funded from other sources. No assurances have been received regarding alternate sources of funds. Further, for some of these services, no alternate source is readily apparent.

It is my strong recommendation that this restrictive listing of eligible social services be eliminated and be replaced by reverting to the listing of eligible services contained in the official HEW social services policy prior to the new regulations of May 1, 1973 or by allowing states to identify and define those social services most needed in each state, and to request, in a state plan, general approval by HEW Regional Offices. Obviously, the primary control factor for social service expenditures will be the funding limit of $2.5 billion set by Congress.

If the definition of eligible social services could be determined by states, I am sure Federal and State governments would be more effective in responding to local needs and concerns.

I sincerely appreciate the Committee's efforts to further explore this very important issue.

Maine Department of Health and Welfare—Bureau of Social Welfare

Listing of Social Services currently being provided which are not eligible for Federal financial participation under Titles IV-A and XVI of the Social Security Act because of restrictions in the Social Services Policy published May 1, 1973.

(By Judith Powell, Administrative Services Unit)

PORTLAND AREA

Contract name	Agency name	Service	Number of persons not eligible
1. United Community Services Senior Citizens Program.	United Community Services	18 recreation centers, information and referral.	1,200
2. Rose E. True and St. Dominic's Social Services program.	City of Portland School Department.	(a) Individual and family counseling, (b) Information and referral.	500 400
3. UMPG Urban Adult Learning	University of Maine at Portland-Gorham.	Basic education—minimum age 16 and less than 8th grade education: (a) Basic math and language; (b) Tutoring; (c) Testing.	80 390
4. Paraprofessional Training in Social Services.	do	Inservice training to paraprofessionals in Human Services.	200
5. Camping Unlimited	Camping Unlimited	Outdoor, overnight, and day camping provided by 7-12 camps.	500
6. Department of Health and Welfare Planning project.	Department of Health and Welfare, Bureau of Social Welfare.	Research, evaluation, and planning	
7. West Side Neighborhood Center	West Side Neighborhood Center	Food Co-op	600
		Drug Co-op	75
8. Danforth Street Neighborhood Center.	Danforth Street Neighborhood Center: Diocesan Bureau.	Emergency food	168
		Emergency services	11
		Services to elderly and disabled	175
			354

LEWISTON AREA

1. Tricounty Mental and Social Services.	Tricounty Mental Health	Education and consultation to staff of the department of health and welfare (clients).	725
2. Lewiston Elementary School Guidance.	City of Lewiston School Department.	Guidance and counseling in elementary school.	300
3. Lewiston Remedial Reading	do	Remedial reading program	425
4. Lewiston Youth Opportunities Personal Enrichment.	Androscoggin Task Force on Social Welfare.	Opportunities for teenagers, 14-19 yr:	
		(a) Work experience	25
		(b) Crafts program	15
		(c) Tutoring	
5. Department of Health and Welfare, Information and referral.	Department of Health and Welfare.	Information and referral of available social services.	

BANGOR AREA

Contract name	Agency name	Service	Number of persons not eligible
1. Dover-Foxcroft Senior Citizens Center.	Older Americans Center	(a) Friendly visitor; (b) Recreation and socialization.	100
2. Greater Bangor Senior Citizens	Senior Citizens Council of Greater Bangor.	Recreation and socialization	1,500
3. YWCA Youth Clubs	Bangor-Brewer YMCA	(a) Teen Club; (b) Swimming Club; (c) Drop-In Center; (d) Big/Little Sister program; (e) Mother's Club.	650 700
4. Bangor YMCA Youth Clubs	Bangor YMCA	(a) Neighborhood Club; (b) Dance Lessions; (c) Overnight Camp; (d) Swim Lessons; (e) Boys Leadership School.	550

ROCKLAND AREA

1. Mid-coast Mental Health Association.	Mid-coast Mental Health Clinic	Marital counseling; individual family counseling; drugs and alcohol.	125
2. Knox County Drug Abuse	Knox County Drug Abuse Council	Drug abuse and alcoholism services to children, 6 years to 18 years of recipients.	50

AUGUSTA AREA

1. YMCA Youth Outreach	Waterville YMCA	(a) Counseling in personal development; (b) Recreation and work experience; (c) Group activities for interpersonal relations; (d) Intergroup activities through neighborhood councils.	100
2. Sampson Recreation Center	Richard Sampson Youth Recreation Center.	Recreation and social activities	(1)

[1] Children of 15 towns.

Senator MONDALE. We appreciate your support in this effort to make those social services rules reasonable and helpful at the State and local level and we look forward to hearing from the mayor.

Senator MUSKIE. Let me make a point also with respect to the Governor's statement and the State government of Maine. Neither of them come here to the Congress with hat in hand without having exerted an effort of their own. One of the most reassuring examples of the response of government to an unexpected and dramatic change in Federal funding is the response of the State government in Maine. It has a Republican controlled legislature and a Democratic Governor but together they agreed on emergency legislation providing $3 million of State money to pick up some of the slack that was created by the change in Federal funding and Federal support. So the Governor's statement comes, I think, from a thoughtful and responsible leader, as I think you will find Mayor Orestis also is.

I thank you both very much.

Senator MONDALE. The other day we had a witness from Minnesota, the Lieutenant Governor, who pointed out that Minnesota in 4 years has raised its biennial budget from a billion to $3½ billion. When you think of the proportions of that, and so much of it is directed at social services and education, surely they have not been pikers nor has the State of Maine nor the local communities in trying to meet these needs.

I think the Federal Government has got to do its share, too.

Senator MUSKIE. They responded very well. Thank you very much.

Senator MONDALE. Mayor, would you proceed?

STATEMENT OF HON. JOHN ORESTIS, MAYOR OF LEWISTON, MAINE, ON BEHALF OF NATIONAL LEAGUE OF CITIES AND THE U.S. CONFERENCE OF MAYORS; ACCOMPANIED BY HENRY BOURGEOIS, MODEL CITIES DIRECTOR, AND DONALD SLATER, DIRECTOR, CONGRESSIONAL RELATIONS, NATIONAL LEAGUE OF CITIES AND U.S. CONFERENCE OF MAYORS

Mayor ORESTIS. Mr. Chairman, members of the committee, my name is John Orestis, mayor of Lewiston, Maine, and I am here today to testify on behalf of the National League of Cities and the U.S. Conference of Mayors on the recently promulgated social services regulations.

I have with me Henry Bourgeois, the Model Cities Director of the City of Lewiston, and Donald Slater, Director of Congressional Relations for National League of Cities and U.S. Conference of Mayors.

I have submitted to the committee for the written record, a statement setting forth my beliefs and setting forth the policy of the National League of Cities and the U.S. Conference of Mayors, and I ask that it be admitted in its entirety.

Senator MONDALE. Without objection.

Mayor ORESTIS. Today I will make a few brief remarks touching upon some of the points which we feel are important to the localities and to municipal government.

Our policy recommends that municipal governments have the options to determine how social service programs operate within the community, to define for ourselves need priorities based on our own conditions, and to develop comprehensive goals and long-range plans appropriate to our own local needs. This is, as I understand it, an essential aspect of the new federalism and one which has our support but one which we feel the new regulations do not meet.

I submit that in fact the regulations under examination today by their very nature militate against this type of policy by establishing need categories and by establishing restrictive eligibility standards, narrow range of services and burdensome red tape, whereby cities are neither able to maximize the use of the funds nor effectively to address the known and unmet needs of our own constituencies.

Generally stated, the new regulations represent the Department's efforts to concentrate the use of federally matching money on social services mainly in behalf of recipients of current assistance, in keeping with the congressional intent that social services be provided to assist families in getting them off welfare rolls and prevent them from becoming dependent on welfare.

I submit, Mr. Chairman, however, that setting an income eligibility requirement at 150 percent of the State's payment standard is much too restrictive. It fails to address the needs of the working poor. The working poor in our community are severely affected by this type of

eligibility standard. In Maine the State payments standard for a single parent with one child is $98 per month. According to the regulations before us, that single parent with one child is disallowed all service except partially funded day care if his or her gross monthly income is more than $147 and is disallowed assistance altogether if his or her monthly gross income is $228 or more. That is only $57 gross per week.

Now, Lewiston remains on the bottom of the industrial wage scale with an average wage of only $105 a week. None of this goes very far, and we submit these standards are effectively going to cutoff any services to our working poor. That is a shameful situation, disallowing service to hundreds of people in our communities who are making a commendable effort toward the realization of the goals for which these regulations are written, that is, self-support and self-sufficiency. This can only discourage them, only encourage remaining on the welfare rolls or going on the welfare rolls.

Broadening eligibility criteria, on the other hand, would appear to be encouraging the working poor to remain in the labor force and would prevent the inevitable escalation of the rolls.

Second, only a very narrow range of services is eligible for funding under the new regulations. Such regulations and such narrowing of the type of services offered consistently force the cities into a legislatively established need pattern. It is a need pattern which does not allow us to meet our own priorities, priorities which in certain localities may not be the national priority set by the regulations.

For example, while basic services such as mental, physical, and dental care are currently avoidable in Lewiston, they are fighting for survival because of changes in the regulations. Other services of lesser importance than our priority needs in terms of our long-range needs are permitted.

This is not to discredit the list of services available. It is merely to emphasize that they are too limited. They do not include an attack on the very basic elements of poverty, such as ill health, and they do not allow us to create a long-range preventative plan.

This is the type of approach we need for social problems in the cities.

Except in a limited area, potential recipients of welfare, which includes hundreds of working poor in our community, are operationally disbarred from assistance. Services such as remedial reading, guidance, mental, physical, oral, and visual help may well be terminated because of these changes. It is the working poor, I emphasize, that cannot afford the cost of these services who are forced by economic conditions to allow these basic needs to go unmet, and who, I submit, are strong candidates for public assistance dependency in the very near future.

In our city alone we face a loss of some $300,000 which we are meeting this year with Model Cities money but when the Model Cities money is gone and when that program terminates, we feel these needs will go unmet because our own municipal resources will not be enough to meet this demand in spite of the State legislation which Maine has passed to react to these regulations.

It is here where these regulations fail dreadfully to do what they were set up for, that is, to make services available to those who are likely to become recipients of public assistance. These are only two of

the painful effects of the regulations before us. Other effects such as the consequential delay in getting services to the needy because of the complex administrative requirements are documented in the full text which I submitted to you.

In closing, let me return just for a moment to the basic philosophical issue upon which our policy recommendation is based. The issue raised is who can best decide what social services are needed and how they should be delivered. Can the most intelligent decisions be made by the Federal bureaucracy which through these regulations is prescribing a set of narrowly defined programs and excessively restrictive eligibility criteria, or can the best decisions be made by those levels of government closest to the immediate scene? The fundamental assumption of the new federalism is an assumption which we share; namely, the Government closest to the people is the Government that can most intelligently determine priorities and develop plans to deliver these services to the people.

HEW's proposed regulations are totally contrary to this concept. Instead of fostering social services systems founded upon a maximum of flexibility and a minimum of administrative detail. HEW has produced a monstrous bureaucratic process.

In terms of the new federalism these final regulations are indeed a step backwards. The definitions of allowable services, moreover, have become specific and constrictive, failing to relate realistically and effectively to basic needs within our community.

As a mayor and as a representative of the national league and the Conference of Mayors, I think the trend should be in the other direction, toward securing through local officials access to the State planning process and toward giving the localities a larger role in ascertaining their own local needs and determining their program priorities.

I want to thank you for the opportunity to address you this morning and both myself and Mr. Slater from the league's staff and Mr. Bourgeois stand ready to answer any questions you might have regarding the municipalities' view of these regulations and what we feel is the policy of the national league and the conference.

Senator MONDALE. Thank you, Mayor, for a very fine and I thought strong statement which stems from your own experience and has special force in your role as spokesman for the National Cities and U.S. Conference of Mayors.

Have you made a calculation as to what these regulations are going to cost for social services in your community?

Mayor ORESTIS. In our community we feel that we are going to have to come forward with about $300,000 in spite of the State legislation. We think we can meet that $300,000 for a short period of time, maybe even for the first 12 months, because we are still in our Model Cities fourth action year. It has been considerably sliced but beyond that it will mean a very large raising of property tax or loss of services.

Senator MONDALE. Senator Packwood?

Senator PACKWOOD. I have no questions, Mr. Chairman.

Senator MONDALE. Thank you very much for a most useful statement.

(The statement of Mayor Orestis follows:)

TESTIMONY OF THE HONORABLE JOHN ORESTIS, MAYOR OF LEWISTON, MAINE ON BEHALF OF THE NATIONAL LEAGUE OF CITIES AND THE UNITED STATES CONFERENCE OF MAYORS

Mr. Chairman, members of the Committee: I am John Orestis, Mayor of Lewiston, Maine, and I am here today to testify on behalf of the National League of Cities and the U.S. Conference of Mayors on the recently-promulgated social services regulations.

Cities, by and large, are relative new-comers in the area of social services, for HEW public assistance programs have always been planned and operated by state governments or their instrumentalities. But cities are becoming increasingly aware that they cannot restrict their concerns only to those programs over which they have direct control. Rather, we must stand ready to support the wider range of interests which exist in our communities, because actions which affect state programs adversely will affect our citizens adversely. And city hall is always the first place the disgruntled head when program cutbacks impose hardships on local citizens.

Accordingly, our interest in the new social services guidelines is more than academic. The policy of the National League of Cities and the U.S. Conference of Mayors reflects this concern. Our policy recommends that municipal governments have the option to determine how local social service programs operate within their community; to define for themselves needs priorities based on local conditions; and to develop comprehensive goals and long range plans appropriate to local needs. This is, as I understand it, an essential aspect of the new federalism and one which has our support.

I would like to take this opportunity to indicate how regulations such as those under examination today by their very nature militate against this proposed policy approach. By establishing the need categories and policies and by techniques of restrictive eligibility, narrow scopes of services and burdensome red tape create conditions whereby cities are neither able to maximize use of funds nor effectively address the known and unmet needs of their constituents.

While we had a substantial number of problems with the first set of regulations promulgated in February, the revised guidelines have not adequately addressed and ameliorated these problems.

First, with regard to eligibility standards, we welcome the Administration's move to broaden the definition of potential recipients. By allowing states to provide services to families possessing incomes within 150 percent of the state's financial assistance standards instead of 133⅓% of the state's financial *level*, more people for whom services mean the difference between dependence and independence will be eligible. And the raising of the income levels at which families are eligible for day care services to 233⅓% of the state's payment standard will allow more children to receive child-care and more mothers to enter the labor force. We feel, nevertheless, that several improvements could be made:

Former recipients of financial assistance cannot avail themselves of services if they have not received cash payments within three months, and even then, only "to the extent necessary to complete provision of services initiated before termination of financial assistance." This time span is much too short, and the withdrawal of vital services could result in a renewal of dependency status.

The time restriction wherein former recipients of cash assistance are eligible for services should be lengthened.

The present set of proposed regulations do not allow for group eligibility. The old regulations allowed services to be provided to families or individuals who "are at or near the dependency level including those in low-income neighborhoods and among other groups that might otherwise include more AFDC cases." Thus, a resident of a public housing project or of a model-cities neighborhood would automatically be eligible for services as would a recipient of medicaid. This, it appears to us, constitutes an administratively simple and reliable determination of eligibility that permits services to reach the right people without expensive bureaucratic certification procedures.

It has been generally stated that the new regulations represent the Department's efforts to concentrate the use of federal matching money for social services namely in behalf of current recipients of public assistance in keeping with Congressional intent that social services be provided to assist families in getting off welfare and to prevent them from becoming dependent on welfare. The setting of income eligibility at 150%, the state's payment standard, is too narrow and does not take into account the needs of the working poor. In Maine, the state's standard for

payment to a single person with one child is $98.00 per month. According to the regulations before us, that single parent with one child is disallowee all services except day care if his or her gross monthly income was $147 or more, and disallowed assistance in relating to day care needs if her monthly gross income is $228 or more. Implicit in these regulations is the operational definition of self sufficiency at $37 gross per week here in Maine. This is a shameful condition disallowing services to hundreds of working poor in our community who are making a commendable effort toward the realization of the goals for which these regulations were written; self-support, self-sufficiency. This can only discourage them. Broadening eligibility criteria on the other hand, would appear to encourage working poor to remain in the labor force and would, it appears, prevent an inevitable escalation of the public assistance rolls.

In addition, provision of a sliding fee schedule that would allow subsidized child care for families whose income does not exceed 233⅓% of the state income standard represents mainly an *illusion* of broadened eligibility. Families which would qualify on the grounds of meeting the income standard may not qualify in the end, because they would also have to meet the resources limitation in effect for AFDC recipients. For this reason, they may be refused child care unless they liquidate their resources. Hence, in those cases where present beneficiaries of day care services need day care in order to remain employed, the recipients face the prospect of unemployment and eventual dependence on financial assistance.

In brief, we feel that eligibility standards deserve thorough scrutiny, with an eye toward relaxing them where budgetarily and administratively feasible.

Second, with regard to the donation of private funds as state match, we are delighted that HEW has removed its proscription of private donations. This action will allow states to take advantage of the infusion of locally generated resources into the system. As such, it is in accordance with the Administration's strategy of resource mobilization at the local level.

This represents a sound approach to community planning which must of necessity include a strong commitment from the private sector if services are to continue on a long-term basis.

Third, with regard to the services available to families who are not current applicants for, or recipients of financial assistance, we feel that Congressional intent has clearly been contravened, for when Congress amended the General Revenue Sharing Act to set a $2.5 billion ceiling on social services expenditures, it did not authorize HEW to restrict social services through new regulations. It is true that Congress revised the law to require that ninety percent of all social service funds be used for services to those receiving, or applying for, financial assistance. But Congress also provided that six program categories be exempt from this structure—programs in the area of child care, family planning, foster care, drug addiction, alcoholism, and the mentally retarded.

The final set of regulations, however, eliminated services for drug addicts, the mentally retarded and alcoholics by not including them in the allowable list of services. And even with respect to those exempt services which are permitted under the new regulations, the clear intent of the exemptions—to make such services freely available to former and potential recipients—has been undermined by the new and restrictive definitions of "former" and "potential". The new definitions of "former" and "potential" are so restrictive as to reduce substantially programs designed to keep those not on the rolls from becoming dependent on welfare. And we simply do not understand how the reduction in preventive service makes any economic sense, for the long run costs would be much greater.

Only a very narrow range of services are eligible for funding under the new regulations. Such regulations consistently force cities into legislatively established need niches grasping for funds available in many cases to address only intervening conditions and disallowing cities from concentrating their resources on more fundamental causal factors of human need. For example, while basic services such as mental, physical and dental health care—which are currently available in Lewiston to assist working poor persons—are fighting for survival because of the changes in 4A regulations, other services of lesser importance in terms of long range needs of our community are permitted. This is not to discredit the list of services available under the new regulations. It is merely to state that they are too restrictive, do not include an attack on the very basic elements of poverty such as ill health, and do not assume a long range preventive approach to the social problems in our city. Except in a limited area, potential recipients of welfare, which include hundreds of working poor persons in our community, are opera-

tionally disbarred from the system. Services such as remedial reading, guidance, mental, physical, oral and vision health which are currently available in our community both to actual recipients and working poor may well be terminated because of the changes. And it is the working poor population in particular who cannot afford the cost of these services who are forced to allow basic needs to go unmet and who are strong candidates for welfare in the very near future. These are the kinds of services needed to prevent the proclivity of our working poor toward increased reliance on government support and it is here that the regulations fail to do what they set out to do: to make services available to those who are likely to become recipients of public assistance.

Fourth, with regard to the question of administrative burdens, we regretfully express our belief that HEW has not conceded enough to keep the program from degenerating into an administrative nightmare. The first set of proposed regulations would have succeeded in bogging the delivery process in an administrative quagmire. Unfortunately, the final regulations will do the same, although the wording has been softened.

The requirement for prior determination of eligibility has not been lifted. Under the final regulations, if a state cannot redetermine eligibility for all persons presently receiving services within three months of the effective date of the regulations, the people who have not been reached will lose access to services. Since we may presume that many states do not possess the administrative capacity to complete such a gargantuan task, it is a distinct likelihood that a substantial number of eligibles will have their benefits withdrawn.

The final regulations would demand semi-annual recertification of eligibility. While certainly preferable to quarterly recertification, this would still place unwarranted burdens on a state's administrative machinery. Furthermore, the requirement is unjustified on substantive grounds, because it is unlikely that an individual's status in life will change so drastically over a six-month period that he would no longer be in need of assistance. Recertification standards that are more in line with social reality should be established.

While individual service plans are not specifically mentioned in the final regulations, they are required by implication. The final regulations demand that all services for each individual must relate to the goal of self-support or self-sufficiency, and that they must—in each single case—be reevaluated every six months to assure their "effectiveness in helping . . . to achieve that goal". Documentation is mandated to meet this requirement. So we fail to see how any significant concession has been made in this regard.

In sum, our view is that the administrative requirements will crush the system in red-tape. We foresee a situation in which fewer services will be delivered to fewer people at higher administrative cost. And since the Congress has already acted to hold program costs in line when it established a $2.5 billion ceiling on social services, we feel that HEW's attempts to restrict expenditures through regulatory action are insupportable. We say: let the states utilize whatever proportion of their ceiling allotment that they are capable of expending in a rational fashion, and let them do it without excessive administrative expenses.

In closing, I would like to turn to a basic philosophical issue, an issue which is raised by the question of "Who can best decide"? Can the most intelligent decisions be made by a federal bureaucracy which prescribes a set of finite and narrowly defined programs, or can the best decisions be made by the levels of government closest to the immediate scene? The fundamental assumption of the "New Federalism" is an assumption we share: namely, that the government closest to the people is the government that can most intelligently determine priorities and develop plans based on local conditions and needs. HEW's proposed regulations are totally contrary to this concept, a concept which is avowedly at the core of the Administration's domestic philosophy. Instead of fostering a social services system founded upon a maximum of flexibility and a minimum of administrative impedimenta, HEW has produced a monster of bureaucratic process. In terms of the New Federalism, the final regulations are indeed a step backward. Whereas the old Title IV–A regulations permitted states to provide 21 services in the AFDC cateogry and 20 services in the adult categroy, the regulations now before us authorize but 13 services in the AFDC category and 16 in the adult category. The definitions of the allowable services, moreover, have become specific and constrictive, supplanting definitions which were broad and flexible. As a mayor, I think the trend should be in the other direction—toward securing for local officials access to the state planning process, toward giving local

officials a larger role in ascertaining local needs, and in determining program priorities for their communities. Unless the regulations are further modified and tempered, the vital element of flexibility will be lost even to the states.

Senator MONDALE. Our next witness is Dr. Joseph Beasley, Chairman of the Board, the Family Health Foundation.

Senator PACKWOOD. Let me say a few words of introduction about Joe Beasley, whom I have known for 3 years. Joe and I served on the Commission on Population Growth and the American Future together and I think I can say in all fairness that Joe Beasley as much as any single person on that Commission, was the driving force in its recommendations. He is the founder for all practical purposes of family planning in Louisiana, and was until recently chairman of the Planned Parenthood Federation. In my estimation he has the most successful statewide family planning program in the United States and he is an extraordinary leader in any capacity, medical or otherwise. It has been my pleasure to work with him.

Joe, I am delighted to have you back again.

STATEMENT OF DR. JOSEPH BEASLEY, CHAIRMAN OF THE BOARD, THE FAMILY HEALTH FOUNDATION

Dr. BEASLEY. Thank you very much, Senator Packwood.

Senator MONDALE. Proceed.

Dr. BEASLEY. I might say that you were somewhat of a driving force as well.

Sir, if I may, I would like to submit my testimony.

Senator MONDALE. It will appear in the record as though read and you may emphasize the points.

Dr. BEASLEY. Right. I would also like to qualify this, that I will state some opinions in this instance and make some judgments. Rather than give whatever further scientific documentation is here, I would rather speak to some issues, if I could.

I think that the basic issue that we are dealing with in the regulations in regard to title IV(a) and title XIX, strikes at a very basic need and right of the people. Namely, I think it has been firmly established and supported by the Congress and administration that an individual, male or female, has the right, should have the right and power to control their fertility. There is clear knowledge that a large segment of the people in the United States, especially the low socioeconomic group, do not possess this power. If one considers it a minute, without this power it makes the individual completely dependent or helpless in the face of either educational development, job development, the determination of the destiny for their own life, and particularly for the determination of any economic base in terms of economic power. And indeed, I think the combination of family planning, day care, and jobs constitute the basic solution for being able to turn around in a positive way the welfare dependency cycle.

The question comes up, then, I believe, is there general recognition that we have a need? There is a demand everywhere in the United States where service has been offered effectively and efficiently, with concern for privacy and individuality. The patients, particularly the indigent patients, have reacted in a very positive way by utilizing the service and continuing to utilize it.

Also, another question that comes up, do we have the national means to meet this goal? I think we do. A great deal more research needs to go on in contraceptive technology, that is clear, but we do have the know-how and ability now to strike basically at the preventive aspects of the welfare dependency cycle and give millions of our citizens control over fertility which they do not have, which is necessary to establish a base.

In terms of effectiveness, if I may, I would like just to cite a few statistics on page 4 of my testimony. In Louisiana we have been running a program now for 6 years. We have been able to involve around 110,000 of 176,000 patients who are eligible and in need of the States. Of those involved, around 75 percent are continuing to use the program. If you exclude those individuals who, because of age or some moving or surgical sterilization left, about 90 percent of the indigent patients who previously were not practicing family planning are doing so and exercising power to control fertility and continuing to do at the present time.

There is every indication that with adequate funding in the State of Louisiana, 85 percent of the total population in need would be involved and given this power within a 2-year period. I think that already at this point we are beginning to see indications that strike at some basic areas. I cite differential fertility levels only to stress what we think is the import of the program and the possible importance.

For instance, the rate of decrease in fertility levels for Louisiana in the last 4 years has been more than twice that for the Nation. The rate for the indigents, essentially the nonwhite population of the State, has been more than twice that of the white population. The nonwhite birth rate in Louisiana has decreased about 10 percent since 1967. In the neighboring State of Mississippi it has increased by about 2.5 percent. Although the number of lower socioeconomic females under 25 years of age in the State has increased since 1967, the total number of births has decreased. In terms of other elements of the demographic impact, the strong demographic impact is further emphasized by the current annual pregnancy rate of 75 per thousand active patients in the program as opposed to fertility rates of 143.2 per 1,000 of population outside the program, giving a net birth avoidance rate of 71.2 per thousand.

Let us look at the impact already in terms of a 6-year period on a completely voluntary basis by making the means available to patients who are utilizing the service. In terms of cost effectiveness, I think it is very hard and very difficult to measure the smile of a child or the importance and worth of a happy balanced healthy child. I do not particularly like the approach of births averted. In terms of economic realities to allocating resources to possible development of children it is estimated the total cost of a birth to our society is around $59,000 but the long-range benefit around 30 to 1 in terms of any investment of these funds. The estimated cost of a birth just 2 years alone is at the level of around $5,394, which gives you a ratio or return within 2 years on the investment on a completely voluntary basis of about 2.8 to 1.

I think clearly shown is that this is something that the patients need, demand in fact. We have the means to take care of them and the means are effective both in fulfilling the patient's needs and also in relationship to providing capital help which will be used for babies who are wanted.

The problem in this field has been finance and despite the support of the Congress and despite the support to a lesser degree of the administration over the past 5 years, the amount of funding has never met the need. At this time project grants are the major source of funding. Few States have yet developed matching capacity. The reason for this is that there must be the same development of constituency within the legislature for this to get a line appropriation or specified appropriation in the legislative budget to be used for the mass. This takes a considerable amount of mobilization and development and not too many States have done it to this point. Even if this did occur, the current regulations in title IV(a) make this, I think, essentially impossible for a State to develop a State plan using it. Title XIX is so important, and though important, it needs to be involved now as a supplier of funds in the family planning field. At the present state the field is sort of an "Alice in Wonderland" mishmash of funding in which title V, Public Health Service Act, OEO funds, title X, of the Public Health Service Act, title IV(a), State money from the legislature, private money, matching and what have you, where putting together and maintaining a consistent logical effort under these conditions is like working a puzzle blindfolded. Few States have been able to do this at the present time. I think the funding packages necessary would be to extend the project grants in some fashion, like title X in some manner, in order to give the continued thrust in the field, to begin to work on title IV(a) and these regulations and changing them so that they can become more effective; and to begin to work on title XIX in order to work with them in terms of how the States can use them. I think this will take about 3 years and to say now that we are going to do this beginning July 1, when none of the States have been able to do it up to this point and at the same time, HEW stabilizes the project grants is to me virtually destroying the field. I do not want to overstate that but I would like to say I think in terms of the national programs in general, many of which have not gone to the degree of diversification for use of the funded national program efforts on this. In my estimation if the current funding strategy of HEW is carried out it would decrease the thrust of the national progress by about 50 percent.

Now, the new regulations alone in my opinion, almost make it impossible to operate in terms of IV(a). I can cite instances if you want me to, but it seems to me, the intent of Congress in trying to prevent unwanted pregnancies and particularly the initial unwanted pregnancy and provide those who come on welfare services is virtually abolished under these regulations as I interpret them.

I have recommendations specifically in terms of the regulations. I think they are very simple. It may be difficult to acquire, but—first, I think the intent of these regulations should read at least something like this:

(1) We must identify all those families and individuals who are current applicants for or recipients of assistance and those groups, families, and indivuduals whose capacity to attain and maintain economic self-sufficiency will be enhanced by the availability of family planning services.

(2) Indicate by which the groups, families, and individuals identified in paragraph (a) above will be promptly offered and provided family planning services.

And (2), each State family planning program shall satisfy the requirements of sections 221.6, 221.7, and 221.8, insofar as feasible without completely reducing the efficacy of the plan.

A change in regulations like this in my opinion, would be cost effective but they would open up the situation, stimulate the legislators to use it and make the situation work. In my opinion, this was the intent of the legislation at least; as I was able to read it. In addition to that, in terms of funding strategy, I would like to reiterate that this field now is very fragile. It has grown very largely but continuing high support for the project grants and giving specific technical assistance, changes in IV(a) and XIX and letting the three continue on in tandem with the project grant providing the base seems to me to be the necessary formula for carrying this out.

I would also like to say that one other very important factor, one being overlooked in my opinion, is the basic problem of maternal and child health. For indigent people in the United States there is no health delivery system underlying in general or it is a very ineffective one. There is no way to reach patients, know where they are, educate them, give them services, and to follow up on these services.

The family planning program in the United States in my estimation, provides the most effective system for doing that and the proper support over the next 3 years, I think, would almost reach three-fourths of the women in need of services.

Now, why would we virtually cut back by about 50 percent a program which is providing the basis for reaching women desperately in need and the need for whom to reach has tremendous implications on child and family health as well as the individual rights of women? For instance, gonorrhea in this country right now is approximately an epidemic disease and in our program from 8 to 12 percent of the patients that we see have active gonorrhea. Women who have gonorrhea do not realize it. It is a very slight disease. They have a slight burning in urination, slightly more discharge, and they can have the disease for a long time and do not know it until rather severe complications develop. Here we are with a population in one State (Louisiana) where we estimate fully 8 to 12 percent of the patients have that disease and do not know it.

Gonorrhea in the male is very obvious, in the female very insidious but dangerous. Of one group of women going into prenatal care, 14 percent of them are going into pregnancy and have to go through it with gonorrhea. We do not know the major effects of gonorrhea to these children born but we do know from the past history it can cause blindness in the first few days of life if not properly attended to. This is a major fundamental problem.

Now, if you take the situation of cancer of the breast and cervix, a major cause of death from cancer in this age group, the major source of help for the poor is coming from the cancer detection program going along with family planning.

The problem of syphilis is now increasing again and this is a major way for detection of the problem of sickle cell disease and its trait and detection is crucial. The problem of mental retardation and genetic counseling is very crucial and tremendously affected by this. This is the major way to get service to individuals who have to find out if they have a genetically transmitted disease and to help allay the anxieties

of parents who are poor, who have had one defective child when in many instances the next child is apt to be normal. This is the major source for genetic counseling for mental retardation and it provides infertility workups for the indigent. This is the major source of allowing a poor couple to see if they can have a chance to reproduce and this group is an estimated 15 percent of the indigent population.

We could go on and on in terms of types of things for a fairly low-cost unit which could be added to already a cost-effective delivery system which is well on the way of meeting the needs of the mothers of the United States. And it seems to me it is extremely unfortunate to begin to say you are going to deal with these problems and then at the same time destroy the delivery system which will in effect make that possible.

I think the last thing I would like to say is not to sound poetic but perhaps quixotic, I think the aim and goal of our Nation of trying to respect and develop the potential and welfare for each human being and begin their potential in terms of having been conceived in a reasonable atmosphere when it is wanted, have it nurtured in its mother's womb, delivered with humanitarian care and receive enough protein to have emotional and intellectual stimulation, have its brain developed in the first 3 years of life and go ahead and develop in a school situation and be a productive human being, this to me, is still an American goal and primary human goal. These regulations in my opinion, strike very determinedly and very fiercely at our ability to achieve this goal, certainly for a large segment of our population who are not trying to be dependent, striving desperately not to be dependent.

Thank you.

Senator MONDALE. Thank you very much for a very strong statement.

Senator Packwood?

Senator PACKWOOD. This is a good example of why the programs should be turned over to the States for administration. As usual, Joe has a persuasive statement.

I have no questions.

Senator MONDALE. Thank you very much.

[The prepared statement of Dr. Beasley follows:]

TESTIMONY OF JOSEPH D. BEASLEY, M.D.

Mr. Chairman and Committee Members, my name is Dr. Joseph D. Beasley, Edward Wisner Professor of Public Health, Tulane University Medical Center, and Chairman of the Board and Chief Executive Officer of The Family Health Foundation. I appear today as an independent witness. I very much appreciate this opportunity to present my views on the Federal family planning program, and particularly on those sections of the new Social Services Regulations that affect the provision of family planning services under Title IV-A of the Social Security Act.

The major thrust of my testimony will be to stress crucial issues which I think justify the importance of this program and the need for its continuation. I would also like to suggest elements necessary in developing the funding strategy needed to accomplish legislative and program goals. Finally, I will give my interpretation of the new HEW regulations and the implications they hold for the national family planning field.

In developing this presentation, I have tried to leave facts about our experience in the Louisiana Family Planning Program as an attachment to this document. I include the attachment only to indicate the extent of the program, some of its

results, and the degree of involvement which I have had with the family planning field for the past decade. If the Committee desires any additional documentation, I will be happy to provide it as requested.

Today, most political, socioeconomic, and religious groups agree that it is a basic right of an individual to control his own fertility. It is recognized that this right is important, worthwhile and desirable in itself. It is further recognized that it constitutes a basic prerequisite to the attainment of other essential and desirable personal goals.

For instance, if individuals do not have the power to control fertility, it is very difficult for them to have a life plan which permits them to develop intellectual and emotional stability, educate themselves, assure the health and happiness of their children, and achieve a base of power—especially economic power—as a result of successful performance and development in a job situation.

The power to control fertility is needed throughout our society, but especially in the lower socioeconomic segment of the population and among those already caught in the welfare dependency cycle. The fact that so many in the lower socioeconomic group do not have access to this power would seem to indicate an essential national priority.

The control of fertility would seem a worthwhile goal, but does the individual want it? Based on our experiences in the Louisiana Family Planning Program, I would like to indicate how important our patients—particularly our indigent patients—consider this right.

We initiated the program in the State of Louisiana in 1967. Since then, more than 130,000 patients have become involved in the program. By "becoming involved", I mean they have sought the services of the program, have been counseled and examined, and have accepted some method of family planning. Of all these patients, an estimated 75 percent still actively utilize the services of the program. This proportion approaches 90 percent when one removes from the original total the number of patients who have moved from the state or who no longer require family planning services because of aging or surgical factors.

We are now taking new patients into the program at roughly 50,000 a year. Do the people of the United States want family planning services? Will they use them? I say the answer is "Yes", and the figures back me up.

Next, then, we should ask if we have the knowledge and information necessary for providing these services on a national basis. I think that the work that has occurred in this field, particularly in the last ten years, and the experience that has been gained, have provided us with the ability to offer adequate family planning services to all who want them throughout the country. By "adequate", I mean not only reaching patients with family planning services and information, but treating them as individuals with respect and concern for their privacy and dignity as human beings. Further, it is a system which provides quality medical services of a related nature.

In addition to being adequate, a program must also be effective. It must give the population the power to control their fertility. And it must provide a measurable economic yield for the money invested. We feel the Louisiana Family Planning Program is effective in both aspects. It has had significant impact on fertility in the state. It has been highly cost effective in terms of a measurable economic yield. I offer the following observations to support these statements.

The rate of decrease in fertility levels for Louisiana, over the last four years, has been more than twice that for the nation. The decrease for the nonwhite population of the state has been more than twice that for the white population.

The nonwhite birth rate in Louisiana has decreased by 10.0 percent since 1967. In the neighboring State of Mississippi which has not had a statewide family planning program, the rate has increased by 2.5 percent.

Although the number of nonwhite females under 25 years of age in Louisiana has increased since 1967, the total number of births has decreased.

Strong demographic impact is further evidenced by the current annual pregnancy rate of 72/1000 active patients within the program, as opposed to a fertility rate of 143.2/1000 population outside the program, giving a net birth avoidance rate of 71.2/1000.

Long-term economic benefit to society (from birth to entry into labor force) is computed as follows:

Estimated total cost of a birth to society = $59,000

Benefit/Cost Ratio:

$$\frac{\$59{,}000 \times 71.2 \times 58.312\ ^{1}}{\$7{,}948{,}800} = 30.8 \text{ to } 1$$

Short-term benefit is estimated as:

Estimated cost of a birth and child care for 2 years = $5,394

Benefit/Cost Ratio:

$$\frac{\$5{,}394 \times 71.2 \times 58.312\ ^{1}}{\$7{,}948{,}800} = 2.8 \text{ to } 1$$

(Detailed documentation explaining the way the above statistics were derived can be made available upon request.)

[1] 71.2 = Birth avoidance rate per 1,000.
58.312 = 58.312 active patients per 1,000.
$7,918,800 = Program costs for patient services.

If then the goal is desirable; if the citizens want and indicate their need for the services; and if effective methods are available for providing the services—what then are the other factors we must consider? They are: (1) Providing the funds necessary to develop the national program; (2) Developing the capacity to provide the services on a state by state basis throughout the nation; (3) Augumenting the capacity of those areas who have already started state programs both private and public; and (4) Developing the framework for implementing third party payment mechanisms whereby patients can choose and have access to a variety of systems either private or public.

To this date, Congress has provided funds for family planning through a variety of federally supported programs. Those who have worked in the population field have dealt with the project grants under Title V and Title X of the Public Health Service Act, projects grants from the Office of Economic Opportunity, and IV A funding state/federal match components, Title XIX, private donations, voluntary services, inkind sources of state and local match, as well as funds from state legislatures. To my knowledge, all these sources of funding are currently available in some form. Some projects use one source primarily. Other projects use them all. The development of these funding programs as I have observed them, however, has been characterized by the following considerations:

(1) Sufficient funds have not been available to meet the patient demand over the past five years.

(2) Adequate technical assistance has not been available to meet program development needs in the areas of program organization program management, training, patient education, and patient outreach. Technical assistance has been particularly lacking in the financial area. Most private and state groups, and private or public operators of family planning programs, require such expertise to develop the intricate funding and managerial capacities needed to obtain and apply available family planning funds.

I think the most important thing about this analysis of finance is that, in general, the availability of project grants which could be used to develop programs and which could be increased on an annual basis according to program needs under Title V, OEO and Title X, have been and remain the mainstay of funding for the national family planning program. They are currently the elements on which most of the programs in the nation depend. Few programs have been able to develop, coordinate and use Title IV A and Title XIX funds.

To get state matching funds, there must be full recognition of this need for family planning and a mechanism for developing a statewide program which fully meets that need. Such recognition requires a great deal of understanding by members of the executive and legislative branches of state governments. Today many states are under severe financial constraints and there is much competition

for the available state funds. It is important to have private funding services for match donated to the state, but the amount which can be donated to any given program is limited. The financial base for the development of a state program under match mechanisms cannot be based on private funding alone. Rather, the state legislatures must be significantly involved.

I am not saying that states cannot be motivated to participate in this process to a significant degree under Title IV A and Title XIX. But I am saying, in general, this has not occurred to the degree necessary to sustain state programs in the coming year by this mechanism. It is my opinion it will take approximately three years for this to occur.

My reason for this estimate is that our program has been perhaps unique. In addition to project grant funds that related to OEO, Title V and Title X, all being used concurrently, we have worked closely with our state legislature and various state agencies to develop a special program for welfare recipients. After almost three years of effort and demonstrated success using the project grants without any major expenditure by the state—except for match funds which were in general of the inkind category—we were able to justify to our state legislature the case for the appropriation of one-quarter million dollars in 1970. In 1971 we were able to justify, after intensive effort, an appropriation of an additional $250.000. In 1972 the legislature appropriated $700,000 for match. This year there is every indication to believe the legislature will appropriate an increased amount. We were also able to receive donations from private groups and foundations to the state which allowed us to increase the total amount of Title IV A funds.

The result has been that 17 percent of initial patients in January 1972 were DPW recipients. By March of 1973, 30 percent of the initial patients were DPW recipients. By July 1, 1973, 50 percent are expected to be DPW recipients. Nearly one-half of these initial patients are teenagers.

I am presenting these figures to show that we feel Title IV A funding on a significant scale can be accomplished with state recognition and support. Because of the support we've received, approximately 60 percent of total project funding during the past year has come from IV A sources. The major point I want to make is that it has taken five years to develop to this capacity, even with intensive effort and planning. In addition, considerable nonfederal resources have been used in the development of a coordinated statewide family planning program for AFDC recipients.

A similar situation exists in only a few other states because most of them have been unable to evoke the required understanding and support from their legislatures.

Other states will have to go through similar developmental processes before they receive increased matching funds for Title IV A. More important, they will have to develop the programmatic capacity to properly utilize the funds.

The next issue concerns the use of family planning under Title XIX on the Medicaid Act. In general, very little information exists nationally on Mediciad usage as it relates to family planning. What information is available indicates there is very low usage of Medicaid funds for family planning services. This is especially true in many of the poor states where eligibility for Medicaid is equivalent to AFDC rules of the state and strictly limits the population to be served.

In addition, family planning programs are different from other medical programs. The Title XIX program is set up primarily as a means to treat individuals when they are sick. Family planning is basically a preventive service. Its most important components are community and patient education, outreach to contact patients in their homes, organizational and support services, and the development of communication for continuing participation of patients. Since most of the patients eleigible for Medicaid are poor and have a lower level of education than the general national level of the nation, they require the preventive educational support and outreach services to insure their continued involvement in the program. In many instances they are not accustomed to, don't know how to obtain, or are cut off from the services of the private physician.

I think that this mechanism of payment, although it can work can be involved. Since it is tied up in so many of the other aspects and ramifications of the Medicaid administration throughout the states, it is highly unlikely that it can be rapidly converted or changes be made to have a significant impact in less than three years. When and if it becomes practical to shift the entire indigent patient population into the private sector under some sort of third party payment, changes would be necessary in the various state plans. In my opinion, this is presently not a feasible way to fund the national family planning program.

Since our project was the first statewide family planning program and is the largest in the country, we have now had six years of experience and have carefully developed a diversified funding strategy utilizing all types of funding previously mentioned. It appears that our program would be able to survive the current proposed changes if our interpretation of them is correct.

With this amount of programmatic development which has taken approximately six years, using all types of funding which have been made available, we have been able to develop the capacity to meet patient needs and we are currently receiving new paitents into the program at the rate of roughly 50,000 a year. At this rate, if proper funding is allowed, we have every reason to believe that within two years we can attain involvement of 85 percent of the estimated group in need, that is those patients in the state for whom services are not currently available. We also feel that the high rate of 75 percent patient continuation likewise could be maintained over time.

The attainment of this goal for this state program will be severely frustrated, delayed, and curtailed if HEW funding regulations for the coming fiscal year, as I understand them, are implemented on July 1. Under these regulations it appears that the project grant program under Title X, OEO and Title V will not be expanded and perhaps will be decreased. Also, there is an impression that project grants will not be continued at all after the coming fiscal year.

The current regulations make the Title IV A program as it now exists even more restrictive, difficult to administer, and prevent the involvement of crucial population groups. This is especially true for teenagers. It was my understanding this legislation would place special emphasis on meeting their needs. These regulations would particularly curtail the use of Title IV A funds to prevent the initial unwanted pregnancy. Such prevention is crucial to the preventive aspect of the welfare dependency cycle.

The new Social Service regulations, however, make it almost impossible for states to finance family planning services under Title IV A for anyone other than current welfare recipients. This situation is caused by the following factors:

(1) The existence of a problem which will result in welfare dependency which has to be identified within six months unless a specific social service is provided. The presence of a dependent child is the general eligibility requirement for involvement in AFDC. Since nature has ordained that the usual gestation period is nine months, a poor single woman becomes eligible for actual welfare payments without ever having qualified for family planning services as a potential recipient under the regulations. This, in my opinion, virtually prohibits the use of these funds to avoid the initial unwanted pregnancy.

(2) The new regulations also seem to impose financial criteria which will mean that fewer low income persons can qualify under the program.

(3) In addition, under the HEW interpretation, a potential AFDC recipient must already have the social characteristics of an AFDC case. Thus, no single women or childless couples can qualify as potential recipients.

The new regulations make it impossible to carry out the intent of the legislation. I think it would be safe to say that under these regulations that no state could use them as a major source of funding nor develop a program which had any chance of having an impact on the welfare dependency cycle.

Title XIX has been available in some form for a number of years but it has not been utilized. In my opinion it would take several years to develop a program which could fully utilize the funds.

Under these regulations, our program would continue to function; but it would lose much of its capacity to reach those who are apt to become pregnant, including teenagers. Those are the essential groups that one must reach and involve if the welfare dependency cycle is to be curtailed.

It is imperative that the Title IV A regulations should be modified to reflect the following intent of the parent legislation:

Each state plan must contain a comprehensive family planning program which shall:

(1) Identify all those families and individuals who are current applicants for or recipients of assistance and those groups, families, and individuals whose capacity to attain and maintain economic self-sufficiency will be enhanced by the availability of family planning services.

(2) Indicate by which the groups, families, and individuals identified in paragraph (a) above will be promptly offered and provided family planning services.

(3) Each state family planning program shall satisfy the requirements of 221.6 221.7, and 221.8 insofar as is feasible without completely reducing the efficacy of the plan.

The department of HEW could then define a plan for three year period development of IV A and XIX programs in each state during the next three years, identifying alternative funding mechanisms at the end of that time. These changes and this strategy would provide necessary funding base in order to carry out the social goals delineated.

If suggested changes are not made, I believe that the following can be expected:

(1) Our program in Louisiana would not lose funding in the coming year but it would not grow significantly.

(2) Since we expect 50,000 new patients during the coming year, the new regulations would result in the equivalent of a one-third decrease in the program momentum we have been able to maintain over the past six years.

Unless project grants are increased, our general thrust to meet 85 percent involvement would not be reached. This would markedly frustrate the teenage program to prevent first pregnancies, as well as our ability to reach 50,000 new patients.

In the Louisiana program because we have a strong and identifiable delivery base, because we have involved a large proportion of the state's population, because we have developed diversified state and local funds, and because we have the support of our state legislature; the changes in Title IV A regulations will not cripple our program seriously.

However, many other states and projects will not be as fortunate. They are funded primarily by project grants. They have not developed state legislative support for matching funds. They have not changed to the Medicaid plan to maximally involve patients. Nor have they developed the support to involve and maintain the patients under Title IV A.

Because of these factors I feel that, if the HEW funding strategy is not revised, the thrust of the national family planning effort will be reduced by 50 percent.

Therefore I recommend that:

(1) Project grants continue to be used over the next three years to provide a base for the development of programs and establish an environment by which mechanisms could be brought into place and used to maintain growth of the program which should be at least 50 percent a year if it is to be successful.

(2) Considerable technical assistance should be rendered to the states on financing programs under the IV A mechanism prior to the time the project grant base under Title X and other acts is removed.

Finally, I wish to direct your thoughts to this very important consideration. There is no program as such for finding and involving indigent patients in a maternal health system. The family planning program most nearly approaches such a system.

As you know, gonorrhea now constitutes one of the major communicable diseases in our country today. In my opinion, it has reached the epidemic proportions. In our program, we have a systematic method of screening women for gonorrhea. Eight to 12 percent of the women have the disease. We diagnose, treat or arrange for their treatment.

The federal government is now concerned with developing a national program to diagnose and treat gonorrhea. It seems ridiculous to me to destroy a program which has already built into its framework the means to combat this disease.

Syphillis is another major problem. Within our framework, we diagnose and arrange treatment. Our program constitutes a major source of early detection of cervical cancer . . . a disease common in women in the reproductive age group. Our program tests for the sickel cell trait. It is a major available source for genetic counseling for mental retardation and provides infertility workups for the indigent.

If the existing momentum of the national family planning program is curtailed by the current HEW funding strategy, not only family planning activities, but the capacity to deal with other health problems will also be drastically affected.

I appreciate your indulgence and patience. I have taken the liberty to try to communicate directly, in a general way, about the issues raised by the new regulations under Title IV A. Also, of the administrations apparent strategy for funding family planning programs during the next fiscal year, I have given my considered judgment as to the impact of these regulations on a program which the Congress and executive branch have both supported and attempted to find ways of funding during the past five years.

I believe the goal of making family planning services available to every individual who needs them and of enhancing the welfare of the mother and child throughout our country should receive highest national priority. I trust that you will receive these statements with both the humility and sincerity which I feel in delivering them.

Attachment I

LOUISIANA FAMILY PLANNING PROGRAM

Overview

The Louisiana Family Planning Program has its origins in a small experimental clinic opened in September of 1965 in the nonmetropolitan area of Lincoln Parish. Within another two years, operational and management experience became sufficient, funds were secured, and a political atmosphere existed to officially begin the statewide effort with the first service clinic in New Orleans. By June of 1971, over 140 clinics had been opened throughout the state, serving all 64 parishes.

Staff of the Tulane/Family Health complex have designed and implemented a system to offer quality comprehensive family planning services to the estimated 403,226 medically indigent women of the state. In June 1967, the first family planning service clinic was opened in New Orleans. By December 2, 1972, 127,460 women had been initiated into the Louisiana Family Planning Program.

During the period of January 1, through December 2, 1972, 148 family planning clinics throughout the state had experienced 258,423 patient visits of which 43,670 were initial family planning visitors to the program. As of December 2, 1972, active patients in the program amounted to 95,379, an increase of 27,169 since December 31, 1971. The volume of patients is expected to increase as we pursue our active patient goals. At the end of September 1973, the program is expected, without difficulty, if funds are available, to be handling 64,800 patient visits per month resulting from the expected active patients.

The patient demand for our services and our outreach success have resulted in revising upward the calculation of those in need of family planning services based on the Dryfoos Polgar Varky Formula (DPV). In Orleans Parish and other urban areas we are presently serving more participants than the DPV Report estimated were extant.

The present active patient load has been reached without universally exhausting the program's full outreach potential. An area of major priority is the "never married, never pregnant" or the "low income white" in the state. Our goal to be serving 222,000 active patients by December 1974, has been set as a milestone along the way as the attempt is made to reach all of the families in the State of Louisiana in need of family planning services that do not have the service readily available to them. 1972 has been a year of expansion and refinement for the Louisiana Family Planning Program. A patient services cost accounting system, increased emphasis on patient recruitment, effective staffing, flexibility in clinic scheduling, availability of physicians, the use of mobile modular clinics, and a comprehensive management information system have greatly enhanced our ability to increase patient load and expand into previously unserved areas of the state.

Early in 1972, a patient services cost accounting system was designed, pretested, and implemented. Standard costs were determined for all services offered and a reporting system was designed to accurately and swiftly report all services rendered to each patient. By March of 1972, the system had been automated and refined and since then yields a weekly report on clinic performance, operation cost, and performance effectiveness. This enables management to accurately monitor the statewide operation, select problem areas, and correct inefficiencies in clinic operation. The system was implemented on January 1, 1972, when average clinic efficiency was measured at 29.9 percent. By December 2, 1972, the statewide efficiency average was 90.55 percent.

Once clinic operations were able to be closely monitored, there was a shift in emphasis to particular categories of patient recruitment. This was necessary in order to reach 140,361 patients of the highest social impact by the end of the year. Outreach procedures were carefully monitored and changes were made which would increase the number of appointments kept, and, at the same time, lower the cost of patient recruitment. The major change occurred on October 1, 1972, when an incentive program was implemented involving all workers, based on appointments kept as a result of outreach efforts. With an emphasis placed on younger nulliparous patients, the incentive program is accompanied by training in marketing principles and techniques. This provides the skills and incentive to those most responsible for continued expansion of the program. It will give paraprofessionals the opportunity to improve their economic status and, should they leave the program, the skills to find other employment in sales and marketing areas.

In June 1972, all physicians contracted to perform services for the Louisiana Family Planning Program were changed from a per-clinic payment basis to a per-patient basis. There are also some full-time "circuit riders" who cover clinics in

several different parishes in areas where it is difficult to obtain the services of physicians. This policy has facilitated scheduling of physician clinics, helped reduce the cost per patient, enabled us to serve more patients in the same amount of time, and greatly increased our ability to obtain physician services.

To provide more staff flexibilities, we are utilizing more LPN's for outreach activity. The flexibility results in our being able to use the LPN in conducting clinics and in outreach activity. They perform in both clinic and field, and personnel costs are reduced by not having to employ as many RN's as the original staffing pattern required. The shift to the use of LPN's will eliminate some paraprofessional positions that have been utilized primarily for outreach.

To maximize the effect, we are encouraging our paraprofessional outreach employees to enter LPN training. The program is making every concession possible to assist those paraprofessionals who attempt to upgrade their skills so that they can be utilized by the program or find desirable employment elsewhere. A comprehensive management information system will provide management with a weekly status report on program progress, cost, and effectiveness. This will facilitate decision making and goal setting, and will aid in proper allocation of available resources.

Major accomplishments

Because certain accomplishments illustrate the national significance of program results, they are listed below:

First and largest statewide program in place, with 148 clinics and 513 employees.

Rapid growth in patient population:

Now serving in excess of 95,000 active patients.

Projected by December 3, 1974 to serve 221,985 active patients.

By summer of 1975, the program expects to have served 90 percent of the total indigent population.

Cancer detection and gonorrhea screening for all patients.

Best technology and services being provided on a statewide basis in the United States.

One year retention rate of 80.1 percent for all patients having entered the program prior to July 1, 1971. Two year retention rate of 66.7 percent.

Lowest cost per continuing patient per year of any United States program.

Effective recruitment procedures, with a current average increase of 4,000 new patient initiates per month.

First patient services cost accounting system.

Provided the data to prove the need for serving teenagers in the State of Louisiana, resulting recently in the State having adopted a major piece of legislation authorizing family planning services for teenagers without parental consent. Program activities and experience also provided the basis by which The Family Health Foundation was awarded a contract by DHEW to develop models for recruiting teenagers into family planning service programs.

Meaningful employment policy providing for the following staff composition:

55 percent minority staff.

44 percent supervisory minority staff.

87 percent female staff.

Data from the program has been made available on request to the legislative and executive branches of the Federal Government during deliberations on the following major pieces of legislation.

Title V, Maternal and Child Health Act, 1967 amendments providing increased funds for family planning services.

Title X, of the Public Health Service Act, popularly known as the Population Act of 1970, establishing the National Center for Family Planning Services and appropriating funds for national family planning services.

Title IV–A, major amendments of 1969, placing family planning among the list of accepted services to receive matching funds from the federal government.

H.R. 1, October 1972, providing a nine-to-one match of federal and state funds, and making family planning services a mandatory part of statewide health services.

Consultant services to DHEW for its first five-year plan, and consultant services for the establishment of the National Center for Family Planning Services.

Participated in the creation of the national family planning forum, a national association of family planning programs.

Provided data and consultation, 1970 and 1971, to the President's Commission on Population Growth and The American Future.

Trained under contract in 1970 and 1971 all DHEW management level staff to be placed in newly created national and regional family planning offices of the federal government, including the original ten regional project directors. The total of DHEW staff trained under these contracts exceeded eighty persons.

Provided direct technical assistance and/or consultation in thirty-five states on family planning program organization and funding.

Transferred the software and methodology of the Louisiana Family Planning Program to the State of Illinois for implementation on a statewide basis.

Provided consultation and technical assistance to planned parenthood-world population.

Designed, developed and made operational the first statewide management information system for the planning, development, operation, management and evaluation of family planning services on a statewide basis. To our knowledge this is the only such system of its kind, being used to improve the effectiveness and efficiency of family planning services on a statewide basis.

As supported by the following observations, it is estimated that the program has had significant impact on fertility patterns in the State:

Rate of decrease in fertility levels for Louisiana, over the last four years, has been more than twice that for the nation. The decrease for the nonwhite population of the state has been more than twice that for the white population.

Nonwhite birth rate in Louisiana has *decreased* by 10.0 percent since 1967. In the neighboring State of Mississippi which has not had a statewide family planning program, the rate has *increased* by 2.5 percent.

Although the number of nonwhite females under 25 years of age in Louisiana has *increased* since 1967, the total number of births has *decreased*.

Strong demographic impact is further evidenced by the current annual pregnancy rate of 72/1000 active patients within the program, as opposed to a fertility rate of 143.2/1000 population outside the program, giving a net birth avoidance rate of 71.2/1000.

Long-term economic benefit to society (from birth to entry into labor force) is computed as follows:

Estimated total cost of a birth to society	$59,000
Benefit/cost Ratio:	
$\frac{\$59,000 \times 71.2 \times 58.312^{1}}{\$7,948,800}$	30.8 to 1
Short-term benefit is estimated as:	
Estimated cost of a birth and child care for 2 years	$5,394
Benefit/cost ratio:	
$\frac{\$5,394 \times 71.2 \times 58.312^{1}}{\$7,948,800}$	2.8 to 1

(Scientific papers to support the above statistics can be made available upon request.)

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[1] Birth avoidance rate per 1,000	71.2
58,312 active patients/1,000	58,312
Program costs for patient services	$7,948,800

Senator MONDALE. Our next witness is Forrest J. Harris, Consolidated HELP Center, accompanied by Fred Amram, director, and Eileen Gallager, former AFDC mother and HELP financial aid recipient.

STATEMENT OF FORREST J. HARRIS, ON BEHALF OF CONSOLIDATED HELP CENTER, UNIVERSITY OF MINNESOTA; ACCOMPANIED BY FRED AMRAM, DIRECTOR; AND EILEEN GALLAGER, FORMER AFDC MOTHER AND HELP FINANCIAL AID RECIPIENT

Senator MONDALE. Very pleased to have you, Mr. Harris.

Mr. HARRIS. Thank you, Mr. Chairman. I want to take this opportunity to thank you personally for the many positive state-

ments that you have made on behalf of our program at the University of Minnesota and to thank the committee for the opportunity for us to come and present some facts with regard to that program.

It is my privilege to introduce two witnesses, one, Mrs. Eileen Gallager, who has been a recipient of the benefits of the program, and then Mr. Fred Amram, who will talk in broader terms about the implications of the HEW regulations on the future of the HELP program in the university.

Senator MONDALE. Very well. Proceed.

Mrs. GALLAGER. Senators, 7 years ago as the mother of nine children and an AFDC recipient of 3 years, I felt completely trapped and filled with despair. I felt trapped because I was becoming more and more dependent upon welfare and despairing because I could not stand the stigma that was being placed upon my very precious and precocious kids, kids that I felt had a great potential, but a potential that was being smothered as they internalized the vicious stereotypes which are reserved for the welfare children, despairing because I, too, had assimilated a very poor self-image. It was dominated by feelings of inferiority and shame. I felt very, very defensive about being on welfare and I was very bitter and unhappy with my life. In fact, I was even suicidal.

I retained aspirations and often looked at the want ads for jobs but it was an exercise in futility. I had no marketable skills. There were jobs, of course, clerical jobs, factory jobs, that paid around $5,000 but with child care costs and transportation and other sundry expenses, I knew I could not afford to support all of my kids. I desperately wanted to get off welfare. There were other jobs that I was attracted to and that I felt I had the ability to do, but they required a college degree.

In the summer of 1966 I was very tired, tired of the struggle of raising nine kids alone, on a poverty level. I was 40 years old and I knew that what little vitality I had was being lost because of the anguish that I was going through.

It dawned on me that it was now or never. That fall I entered the University of Minnesota on a national defense loan and yet this bothered me. I realized that nowadays acquisitions are gained by the idea of get it now, pay later, but I felt that this would be irresponsible on my part to run up a huge educational bill which I probably would not be able to pay back and still give my kids a decent standard of living.

I must say this about my motivation as a college freshman. I was told that on the college entrance exam I scored in the lowest 10 percent in every category. And yet, in the first five quarters at the University, laced with some tough liberal arts courses, I received 16 A's out of 20 grades.

The rewards of my efforts, the good grades, the intrinsic value of gaining knowledge, and especially the proud reactions and the attitudes of my kids, began to slowly form a new feeling about myself, of self-worth and confidence. If I had not been able to finish college because of financial need, I still would have felt that I could hold my head up and I began to believe, really believe, that I was a worthwhile human being.

However, I was able to finish college because of Project HELP. In fact, I graduated with a BA in sociology exactly 2 years ago. It took 6 months to get a job and at first it was part-time and it paid very little and I was still eligible for welfare payments and food stamps and I still hated it but the despair was now replaced with hope and with pride.

My aspirations remained high and my determination to get off welfare strong. Today I am the executive director of a social service agency in the Episcopal Church organization at the salary of $12,500. Today also, I am no longer a third class citizen in my affluent community in Minnetonka in Minnesota's Third District, and, sir, I grant you that my children did not starve for food on AFDC but pathetically starved for status and today my children and I can hold our heads up in that community, look them in the eye as equal tax-paying citizens.

Some of my children are in college and others are known in their neighborhood jobs for their stability and for their responsibility and not as those parasites looking for a handout as we were often called in that neighborhood.

But, gentlemen, I am terribly concerned about the ambitious women now struggling at the University of Minnesota and hope they will be able to continue through financial help. I am sure that they feel much as I did, thrilled at the opportunity to get an education, a ticket to a decent future, and a chance as I have had to engage in meaningful and fulfilling work and never have to be dependent upon anyone. But the title IV funding is absolutely necessary. It is the enabler for these welfare women to get the education in order to get the kind of job that heads of households, sole supporters of dependent children, most desperately need. Thank you.

Senator MONDALE. Thank you very much for a most powerful statement. One of the best programs I have seen, and I think they are doing great work in telling about it and epitomizing what it is, can happen when we try to help people and give them a chance to help themselves.

You talked about the effect of your experience on your children. Have the others had the same kind of feelings?

Mrs. GALLAGER. Other welfare mothers, on Project HELP?

Senator MONDALE. Yes.

Mrs. GALLAGER. Quite similar, Senator. I think their children also are much like mine, far more interested in education as a means of escaping poverty and in some cases the generational cycle of welfare dependency.

Senator MONDALE. As I recall, this group of welfare mothers have an average of academic achievement which is higher than the university average overall. I believe 2 years ago I gave the commencement address and there was a black mother there that had, how many kids? I forget. She had a straight A, I think.

Mr. HARRIS. That lady graduated summa cum laude from the University of Minnesota. She had eight children.

Senator MONDALE. Eight children and a straight A average. What is she doing now?

Mr. HARRIS. She is a counselor at the University of Minnesota.

Senator MONDALE. Thank you.

Mr. HARRIS. In fact, I think her salary is around $12,000.

Senator MONDALE. It is higher than yours.

Mr. HARRIS. Oh, yes, considerably.

Senator MONDALE. Mr. Amram.

Mr. AMRAM. The University of Minnesota Health Center serves 900 low-income students; 300 of these are female heads of households like Eileen Gallager, welfare mothers, currently being supported, tuition, books, and supplies, from title IV funds and are receiving child care and transportation costs from WIN funds.

With the new regulations we are on the verge now of telling these 300 women that they will no longer be able to attend the university, will have to discontinue their education. I have submitted to the committee an extended document about various problems. Let me summarize the problems here and some proposed remedies.

The program that is supposed to help welfare mothers work their way out of welfare is the new WIN–2 program. The WIN–2 program also is more restrictive than the old WIN program. The WIN program limits training to 6 months which is, of course, too short for some kind of careers. Furthermore, the WIN–2 program says that one-third of the WIN funds need to go to on-the-job training. The other two-thirds cannot be spent until an appropriate portion is spent on them, on the training.

In Minnesota the WIN office is having substantial difficulties spending on-the-job money and consequently will be unable to provide even 6-month training programs for many who are eligible.

Furthermore, 62 out of 87 counties in Minnesota do not have a WIN program. Consequently, many people are excluded from career development.

Welfare mothers have a diversity of training and education needs. In Minnesota there are currently 1,300 women receiving some kind of extended training, that may mean 1-, 2-, 3-, or 4-year programs. All of these will be cut with discontinuation of non-WIN support and with title IV money. Some of these have exceptional potential and that potential ought to be met so that there can be some kind of self-fulfillment, some kind of feeling of success which Mrs. Gallager describes.

Extended programs, too, lead to higher salaries. We have, for example, in one of the 2-year colleges in Minnesota a program in inhalation therapy, a 2-year program which leads to a beginning salary of $10,000 which is a lot better than the kind of salaries which persons coming out of the WIN–2 program earn.

Furthermore, we have programs that take 1 year to train executive secretaries where they can begin at $8,000 in contrast with the clerical training that WIN–2 offers where a welfare mother might begin at $5,000 which again will not meet the needs of child care and supporting a family.

Some welfare mothers have previous college education and it seems a shame to waste that, so we hope that we can complete that education for them.

As indicated, success in college also reflects on small children. The welfare mothers who attend the University of Minnesota have an average family of 2.3 children. They are very much affected by their

mothers' success. The mother serves perhaps as the best model for having some kind of aspiration for learning, for education, and for self-support.

Now, the non-WIN program, the title IV program, is not competitive with the WIN program but augments the WIN program to provide greater diversity of opportunities.

Some of the remedies which we suggest are, first of all, that regulations should make funds available for tuition, books and supplies associated with extended training programs, 1-, 2-, 3-, or 4-year programs. The current proposed new regulations suggest that education is available but at no cost to the agency. We have not yet found a place where we can get education for free. We would like to continue under the old regulations where we could through matching funds get from the Federal Government some support to pay tuition, books and supplies.

Second, there is danger of cutting off child care and transportation support for those people involved in education programs. Currently the new regulations state that child care and transportation is available for employment and training. Training normally has been applied—training normally has been interpreted as short-term programs, again like the WIN programs. What we need is to have education and training used interchangeably or training defined as long-term programs or simply to state clearly in the regulations that child care and transportation are available for persons engaged in educational programs.

Let me say a few words about the success of the HELP Center students. Appended to my report is a list of the 111 welfare mothers who have graduated from the University of Minnesota. Almost all of them are now off welfare. Their average income is $8,500. They are for the most part paying taxes. The students, as Senator Mondale indicated, are more successful than the average university student. They can take more credits. They receive higher grades. They seem to be more highly motivated. We make the analogy to the G.I. bill of rights, which permitted G.I.'s after World War II to go to school. They too were older, more motivated, and saw this as a last chance opportunity.

What we are asking, then, is to permit the States to opt for education costs. We are asking that we can guarantee child care and transportation to those engaged in career-related educational programs. The moral really is, as many speakers have said, that we want to permit the States to write their own plans meeting State needs without Federal limitations.

Senator MONDALE. Thank you very much for a most useful statement. It would seem to me that what you described is precisely the sort of strategy that this country ought to be encouraging and not discouraging. I would guess that if you sat down and did a cost-benefit ratio, by the time the graduates from your program have completed their working lives, the Government will have received in return increased taxes that pay for it. If you look at questions like welfare costs, unemployment compensation costs and the other costs of poverty, the savings there would also be enormous. When you consider the intergenerational implication of what is involved, the implications of what you are doing, just as from a

commercial standpoint as a business investment for the Government, they are enormous and I cannot understand why they think they are saving anything with this kind——

Mr. AMRAM. The Minnesota State Department of Welfare tells us we have the best employment record of any other program in the State. The salaries earned by our graduates are substantially higher, of course, than students that have shorter training programs, and what is more important, the employment is permanent, whereas in many of the other programs we are informed there is temporary employment and then going back on welfare.

Senator MONDALE. Are you able to take all the applicants or do you find under present funding you do have to turn some down?

Mr. AMRAM. We do turn down applicants. However, we cannot take all of the applicants. But what is more dangerous at this time is that we are about to turn away 300 students who are now enrolled and that seems to us a crime.

Senator MONDALE. I agree.

Thank you very much for a most useful statement.

Mr. HARRIS. Thank you, Senator, very much. Appreciate the opportunity to be here.

Senator MONDALE. Delighted to have you.

[The prepared statement of Mr. Amram follows:]

TESTIMONY OF PROFESSOR FRED M. AMRAM, DIRECTOR, CONSOLIDATED H.E.L.P. CENTER, UNIVERSITY OF MINNESOTA, MINNEAPOLIS, MINN.

THE PROBLEM

The University of Minnesota Consolidated H.E.L.P. Center (Higher Education for Low-Income Persons) provides counseling, vocational planning, program planning, tutorial services, and access to financial resources for some 900 low-income students (60% non-white). Some 400 of these students are currently receiving A.F.D.C. payments. Three hundred of the 900 students receive child care and transportation funds through the non-WIN Program, and pay for tuition, books and supplies with Title IV-A monies. The new Title IV regulations will force these 300 female heads-of-household to discontinue their education. What follows is a commentary on this problem.

The staff and students of the H.E.L.P. Center believe in Workfare. We believe that heads-of-household should be encouraged toward self-support. Unfortunately, the new regulations cut off the opportunity to escape the welfare rolls. We are requesting that states be permitted to design their own plans without the sudden new restrictions.

No one can challenge the basic tenet of the work ethic. We believe that people need some form of work which gives them not only adequate compensation but also provides them with recognition and personal satisfaction for the efforts they expend. The poor, however, are impeded in their efforts to find and maintain employment by health problems, child maintenance problems, and a lack of marketable skills.

The 1973 Federal answer to these needs seems to be WIN II. Unfortunately, WIN II lacks the flexibility to serve the needs of many A.F.D.C. recipients. Specifically, it restricts training programs to six months. Currently in Minnesota, we have some 1,300 women on non-WIN training programs of one-, two-, three-, and four-year duration. We have, for example, in the State of Minnesota, many excellent one-year business training programs which make it possible for women to accept Executive Secretary positions at salaries approximating $8,000. (A short-term clerical program, in contrast, will lead to a job paying about $5,000, which frequently is not enough to work a family out of welfare.) In one Minneapolis junior college it is possible to earn a two-year degree in Inhalation Therapy, an occupation which has a beginning salary approaching $10,000. No WIN training program can match these kinds of opportunities.

Another problem with the WIN II Program is that it requires at least one-third of the funds to be directed to on-the-job training (OJT). The Minnesota WIN office is having substantial difficulty finding OJT placements and consequently cannot provide adequate numbers of training opportunities.

Furthermore, 62 of 87 Minnesota counties do not have WIN programs, consequently denying those services to A.F.D.C. recipients in those counties.

An examination of the needs of A.F.D.C. recipients will reveal that there is a need for a greater diversity of training and education opportunities.

1. If the poor are to receive training and education services commensurate with their potential, one must make available the opportunity to enroll in programs that exceed six months. Frequently, one- and two-year programs are far more appropriate. In some cases, four-year degrees will provide the opportunity to fulfill one's potential.

2. It has already been noted that some educational programs provide greater earning power, greater opportunity for sustained employment, and greater opportunity for advancement. There is little motivation to work if the compensation does not provide adequate income to purchase child care services, meet employment expenses, and demonstrate the opportunity for advancement out of poverty. The alternative to low income employment—being a fulltime mother—may provide greater personal reward. Available data demonstrates that many short-term training programs provide low income, unsatisfying temporary employment.

3. It should be noted that some A.F.D.C. recipients already have had some college background and the investment of providing the opportunity to complete a program will pay enormous dividends.

4. A.F.D.C. recipients enrolled through the H.E.L.P. Center average approximately 2.3 children. The mother who succeeds in a professional training program provides the best possible model to motivate her children to appreciate learning and consequently meet the challenge of work.

All of the previous comments lead to the conclusion that non-WIN and Title IV are not competitive with the WIN II Program. Indeed, non-WIN and Title IV augment WIN II by providing flexibility in service to those persons for whom WIN is not appropriate.

PROPOSED REMEDIES

The new Title IV regulations create several problems. What follows are some proposed remedies.

1. The regulations provide that educational opportunities can be made available but "at no cost to the agency". Because education, even at a public institution, creates some expenses, the restricting phrase "at no cost to the agency" must be deleted. Regulations should make explicit that Federal financing is available for tuition, books and supplies.

2. Even if tuition, books and supply costs could be covered from other sources, child care and transportation expenses must still be met. While non-WIN previously provided such funds, the Talmadge Amendments and the creation of WINN II will be cutting off those sources. The new Title IV-A regulations do state that child care and transportation costs related to training can be met by Federal funds. We have, however, received conflicting interpretations of this regulation so that we are not certain whether or not students enrolled in career-related educational programs are eligible for such funding. Certainly we must make clear that training includes educational programs which lead to careers (health, business, social services, etc.). Or, better yet, education should be specifically cited as a legitimate optional program eligible for child care and transportation.

3. While counseling and supportive services at the University of Minnesota have been provided from in-house funding, it may be that some institutions in some states will find such costs prohibitive and consequently it would be appropriate to examine whether or not these costs could be provided through Title IV funding.

PAST SUCCESS

Finally, it would be appropriate to ask whether or not extended training programs succeed. The H.E.L.P. Center is currently preparing a major evaluation of our own University of Minnesota program and we will share this with the Committee when it is completed in two weeks. In the meantime, evaluations from previous years lead us to conclude that the adult A.F.D.C. mother, like the

returning G.I. after World War II, earns higher grades than the typical college student, is more highly motivated, and is more likely to complete a program. In fact, it would not be amiss to compare the Title IV Program, in which we have participated for the past two years, to the success of the G.I. Bill after World War II.

The appendix attached identifies the 111 welfare mothers who have graduated from the University of Minnesota H.E.L.P. Program. Because the program is relatively new, most of the graduates are quite recent and are still on beginning salaries. Nevertheless, the average income of those employed is $8,500/year. Only 27 of the 111 are still receiving A.F.D.C. benefits, although it should be noted that most of these are receiving only partial benefits because they have some income. Twenty of the 27 still on A.F.D.C. have been admitted to graduate schools and are funded through scholarships or other non-Title IV resources. These can be expected to get off A.F.D.C. and to have substantial incomes.

CONCLUSION

We are extraordinarily proud of the A.F.D.C. recipients who have participated in our programs and cite several "success stories" at the end of the attached appendix. We are extraordinarily disappointed that, with the new regulations, we very possibly will have to tell some 300 successful students that they will have to sever their relationship with the University. We are appalled that the money spent thus far on their education will very likely be wasted. We hope that the Committee will, in the very least, make it possible for states to opt for utilizing Federal funds for tuition, books and supplies. Furthermore, we hope that the Committee will guarantee the terms "training" and "education" can be used interchangeably, or in some other way mandate that states can write non-WIN child care and transportation costs for extended training and education into their state plans. If funds are to be cut, we ask that phase-out funds be provided so that those now in programs may complete them. We are not asking for more money, although that is always helpful. Instead, we are asking that states, indeed, have the option of writing their own state plans as they see state needs without Federal restrictions.

CONSOLIDATED H.E.L.P. CENTER, UNIVERSITY OF MINNESOTA

PROJECT H.E.L.P. GRADUATED STUDENTS

Name	Employment status	Graduate school	AFDC status
Adams, Constance	$6,000 per year	Yes	Off AFDC.
Abrams, Kay	$6,600 per year	do	Do.
Anderson, Janet	Part time at $4 per hour	No	On AFDC.
Anderson, Lucille	Salary unknown	Yes	Off AFDC.
Anderson, Nancy E	Part time at $3,835 per year	No	On AFDC.
Arnold, Doris	$8,232 per year	do	Off AFDC.
Ash, Alice	$6,696 per year	Yes	Do.
Ashford, Elaine A	Not employed	No	On AFDC.
Bateman, Mary Jo	$7,000 per year	do	Off AFDC.
Bayers, Joan	Part time, salary unknown	do	Do.
Beck, Jayne	$10,000 per year	do	Do.
Bergin, Emily	Not employed	do	On AFDC.
Bester, Albina	Salary unknown	do	Off AFDC.
Bigley, Barbara Ann	$6,480 per year	do	Do.
Bolduc, Arlene	$7,600 per year	do	Do.
Bradley, Patricia	Salary unknown	do	Do.
Bryant, Lorraine	$9 600 per year	Yes	Do.
Buen, Frances	Part time at $30 per day	No	On AFDC.
Burg, Allyne Ola	Salary unknown	do	Off AFDC.
Carter, Evelyn L	do	do	Do.
Cavender, Bonnie	$8,300 per year	do	Do.
Christofferson, Karen B	Salary unknown.	do	Do.
Cingi, Priscilla	do	do	Do.
Clark, Sharon Renee	$9,600 per year	do	Do.
Cohen, Charlotte	$9,500 per year	do	Do.
Conrad, Rotraut	Not employed	Yes	On AFDC.
Costanzo, Frances	No information	No information	No information.
Cousin, Ronnellee	$12,668 per year	Yes	Off AFDC.
Criswell, Holly	Not employed	do	Do.
Daniels, Juliann	$6,480 per year	No	Do.
Davies, J. O	Remarried, not employed	do	Do.
Daniels, Diana	Salary unknown	No information	Do.
Davis, Nettie	Not employed	Yes	On AFDC.
Dement, Karen H	No information	No information	Off AFDC.

Name	Employment status	Graduate school	AFDC status
Denny, Joyce	In Istanbul, Turkey	No	Off AFDC.
Deshler, Anne	Salary unknown	Yes	On AFDC.
Drugge, Margaret	$10,000 per year	No	Off AFDC.
Dwyer, Morrie Joan	Not employed	do	On AFDC.
Farrell, LaVerne	$6,480 per year	do	Off AFDC.
Filippi, Denise	$4,000 per year	Yes	Do.
Findley, Margaret Rose	Salary unknown	No	Do.
Focht, Janet	do	do	Do.
Frelix, Donna	do	do	Do.
Gallagher, Eileen	$12,500 per year	do	Do.
Galvin, Mary	Salary unknown	do	Do.
George, Mary Gaye	$6,000 per year	do	Do.
Green, Rita	$8,496 per year	do	Do.
Guemple, Grace	Salary unknown	Yes	Do.
Guy, Tometro	Married, employment status unknown	do	Do.
Hawkins, Brenda	Not employed	No	On AFDC.
Havrilak, Laurel	$7,200 per year	do	Off AFDC.
Helemeke, Kathleen	$7,100 per year	do	Do.
Hennesey, Beatrice	Remarried, employed part time at $2.60 per hour.	do	Do.
Hetzler, Mary E	Salary unknown	do	Do.
Hill, Margaret	$8,100 per year	do	Do.
Johnson, Janet	$7,625 per year	do	Partial AFDC.
Johnson, Judith	Salary unknown	do	Off AFDC.
Jones, Myrlin	(Deceased)		
Kearney, Helen	Part time at $108 per month	No	On AFDC.
Kohuth, Geraldine	Part time, $5,500 per year	do	Do.
Koontz, Patricia M	Not employed	Yes	Do.
Laguirer, Ruth	$9,300 per year	No	Off AFDC.
LaSalle, Randee	$5,808 per year	do	On AFDC.
Lindsay, Marsha	Not employed	Yes	Do.
Lovrien, Sharon	$9,000 per year	do	Off AFDC.
Malone, Mary	Remarried, new baby	No	Do.
Manly, Roxanne	Salary unknown	Yes	Do.
Mayberry, Jacklyn Mae	Not employed	do	Do.
McPherson, Carol	Remarried and working part time	No	Do.
Melnick, Sharon	$8,076 per year	do	Do.
Melton, Sharon	Part time at $4,000 per year	Yes	On AFDC.
Miller, Joan P	No information	No information	No information.
Montano, Jean	Salary unknown	No	Off AFDC.
Morrow, Diane	Married a millionaire	do	Do.
Mozey, Mary	$8,136 per year	do	Do.
Nordenstrom, Delores	$8,400 per year	do	Do.
O'Brien, Catherine Ann	No (settlement)	do	Do.
Olson, Diane C	No information	No information	No information.
Olson, Marjorie L	do	do	Do.
Osjnicki, Lucille	Not employed	No	On AFDC.
Parkey, Darlene	$6,800 per year	Received M.A	Off AFDC.
Pemble, Jean	$7,100 per year	No	Do.
Peterson, Cheryl	$7. 950 per year	do	Do.
Peterson, Kathleen A	$5,760 per year	do	On AFDC.
Phelps, Karen	$9,600 per year	do	Off AFDC.
Pitzell, Sandra	Salary unknown	Yes	Do.
Reynolds, Mary Kay	$4,800 per year	do	On AFDC.
Richardson, Jacquelyn L	Not employed	No	Do.
Rogers, Clarissa Mae	$8,952 per year	do	Off AFDC.
Rothman, Elaine	$12,806 per year	do	Do.
Ryan, Patricia	No information	No information	No information.
Sanford, Diane	do	do	Do.
Scannell, Kathryn	Retired because of health	No	Off AFDC.
Schlactenhaufer, Ilsa	Not employed	do	Do.
Scott, Lara	$8,900 per year	do	Do.
Seleen, Margaret	$7,500 per year	do	Do.
Smith, Zola	$6,900 per year	do	Do.
Svensson, JoAnn	$5,600 per year	do	Do.
Swanson, Bernice	Salary unknown	do	Do.
Swenson, Lucille	$9,000 per year	do	Do.
Tracey, Barbara	Salary unknown	do	Do.
Tyson, Elvira	Not employed yet, just graduated 6 1973	do	On AFDC.
VanBuskirk, Pamela	No information	No information	No information.
Vanzandt, Linda	Salary unknown	No	Off AFDC.
Varichak, Kay	$12,000 per year	do	Do.
Wagenknecht, Kathleen	$5,400 per year	do	On AFDC.
Westergreen, Judith	Salary unknown	Yes	Do.
Wohlwend, Judith	$9,856 per year	do	Off AFDC.
Weinberg, Lillian	No information	No information	No information.
Zweber, Frances	Salary unknown	No	Off AFDC.

Note: Number of graduates: 111; average income: $8,500 per year; number still on AFDC: 27 (20 of whom are in graduate school); status unknown: 8.

SUCCESS STORIES

Beck, Jayne, employed as Administration Assistant at Twin Cities Opportunities Industrial Center, $10,500/year. No longer on welfare. Has one child.

Cousin, Ronnellee, has nine children, seven of whom are at home. Employed as Counselor/Instructor at the H.E.L.P. Center, $12,668/year. No longer on welfare.

Drugge, Margaret, employed as Recreation Director at West Suburban YMCA $10,000/year.

Gallagher, Eileen, has nine children. Employed as Executive Director of Episcopal Youth Center, '$12,500/year. No longer on welfare.

Lovrien, Sharon, has one child. Has three jobs: Teacher Coordinator for Work Experience Program for High School Drop-outs, teaching computer classes at Vocational High School in A.M., teaching data processing at Inver Hills Junior College three days a week from 12:00–1:00 P.M. Also in graduate school as of Winter 1973. Earns approximately $9,000–$10,000/year. No longer on welfare.

Varichak, Kay, employed as Dental Hygienist in Roseville, $12,000/year. No longer on welfare.

Wohlwend, Judith, employed at Inver Hills Junior College as Marketing Instructor, $9,856/176 days. Started graduate school Winter 1973. Has remarried and is no longer on welfare.

Senator MONDALE. We have very limited time and I do not want to restrict anyone in their statements, but I would suggest if you could keep your statement 10 minutes or less we might be able to complete this panel of witnesses, and if you will bear in mind at this point a good deal of what we are hearing is cumulative and if you could—all statements will appear in the record and be studied by the staff. If you could emphasize those things you think—what you have been hearing—we ought to hear, it would be most helpful.

Senator PACKWOOD. We now have Jaime Benitez, Resident Commissioner from Puerto Rico. For those in the audience who are not familiar with the description, Resident Commissioner, it is equivalent to a Congressman, but we don't call it Congressman. He was elected to this position last year. As I recall, Doctor, you were president of the University of Puerto Rico for 28 years.

Dr. BENITEZ. Thirty.

Senator PACKWOOD. Pardon me. Dr. Benitez has an interesting political background. He got into a disagreement with the former Governor of Puerto Rico and had his tenure terminated at the university. When he had originally been there as I recall, there were 500 students. By the time he left it was how many thousand?

Dr. BENITEZ. 44,000.

Senator PACKWOOD. 44,000. And it did give him something of a political base throughout the islands to run for office, and he was elected last year.

I spent a delightful 3½ hours on the plane with Dr. Benitez and we are delighted to have you come testify before us today.

Senator MONDALE. We are very pleased to have you.

STATEMENT OF DR. JAIME BENITEZ, RESIDENT COMMISSIONER FROM PUERTO RICO; ACCOMPANIED BY JUAN ANGLERO, ASSISTANT SECRETARY, PUERTO RICO DEPARTMENT OF SOCIAL SERVICES

Dr. BENITEZ. Thank you very much, Mr. Chairman, and Senator Packwood. I am impressed and moved by your memory and by your kind words.

I will, in keeping with the request of the chancellor—this is the way we call in Puerto Rico the leading figure, so you will excuse me, I said chancellor instead of chairman.

Senator MONDALE. Anything as long as it is leading.

Dr. BENITEZ. In keeping with that request, I shall summarize my written remarks which have been submitted already and I ask permission from the Chair to amplify them later.

Senator MONDALE. They will be included in the record as though read.

Dr. BENITEZ. I will limit myself to making some points quite different from the ones that have heretofore been made, and I rest on the cumulative value of what already has been stated.

As was indicated by Senator Packwood, last November I was elected by the people of Puerto Rico as its sole representative before the 93d and 94th Congress on the basis of an election where 85 percent of the qualified voters participated and where my own candidacy received 660,000 votes. It is my privilege and my responsibility to speak for our 3 million American citizens.

I address myself now to an issue which we trust during this period of 4 years will be the wish and the decision of the Congress of the United States to rectify. There are a number of basic limitations and injustices which the citizens of the United States who live in Puerto Rico suffer under several of the laws providing for the welfare of the citizenry and specifically under some of the provisions of the Social Security Act.

Let me provide some minimal background. Puerto Rico was excluded from the social security benefits during the first 15 years after the passage of the initial act in 1935. These were years of great hardship in Puerto Rico, where thousands of the Island workers migrated to the continental United States where better salaries and more jobs were available.

The transformation of Puerto Rico since 1948 to the present has been one of the great instances of human effort in achieving through the democratic processes the basic objectives of human existence and of Western civilization.

Those advancements have taken place in this very small period in which we have telescoped hundreds of years. And so we have at present in Puerto Rico side by side with an enormous expansion in services, educational, social, economic, political, and industrial, a grave situation of inequitable income distribution. In 1951 some of the benefits provided by the social security legislation were extended to the island. Nevertheless, Puerto Rico is today either fully or partially excluded from many of the social welfare programs financed and administered under Federal provisions.

In 1967 Puerto Rico was excluded from the Prouty amendment which enabled persons over 72 years of age who had not earned a sufficient amount to be covered by social security to draw minimum monthly benefits. In 1972 Puerto Rico was again treated in a discriminatory manner and excluded from the supplemental security income program applicable to all States and the District of Columbia. Title XVI provided that the aged, the blind, and the disabled with no other income in any State will receive $130 monthly per individual and $195 monthly per couple. Under similar circumstances the poor in Puerto Rico received $13.45 for the totally disabled; $18.36 for the aged, and $13.58 for the blind.

Puerto Rico matches Federal dollars that it receives for these purposes on a 50–50 basis, on a one-to-one basis. Under present circumstances, by Federal discrimination, the WIN program sets a ceiling in Puerto Rico of $2 million. The maintenance provisions set a ceiling of $24 million, and the child welfare services sets a ceiling of $1 million. This all adds up to $27 million which Puerto Rico matches dollar for dollar, for a total of $54 million, which is invested in the several services which we are now covering under these regulations.

Should Puerto Rico be treated as a State on the basis of population, it would receive—I made a minor calculation here while I was waiting—$105 million for these purposes. We are not raising the issue of that particular amount at this time though we hope to be able to do so when this Committee considers amendments to the Social Security Act. The States vary from 13 to 25 percent in their matching of these Federal funds.

We realize that there are reasons which might be raised against an absolutely equal treatment for Puerto Rico under the Social Security Act, since we pay no Federal income tax, although we do, of course, contribute in many different ways, and we do pay a number of Federal taxes indirectly. So I appreciate the legitimacy of some differential which I would think should be not in ceilings but in the matching contribution that Puerto Rico makes.

But it certainly is contradictory to all the theories of these several programs that whereas the average that all agencies provide in the United States should be $80, in Puerto Rico it should be $18, and whereas the average aid to the blind in the United States should be $112, in Puerto Rico it should be $13. And while the average aid to the permanently and totally disabled in the United States is $106, in Puerto Rico it should be $13. And where the average for the family in the United States with dependent children should be $191 a month, in Puerto Rico it should be $46. Finally, while the average for the recipient on our Island is $9.13 while overall it is $53.95.

I am quoting from the public assistance statistics of December 1972 published by the Department of Health, Education, and Welfare.

Now that the chairman, Mr. Long, is back, I want to let him know how grateful we are to him for his valiant effort last year to include Puerto Rico in the general revenue sharing program. It was a valiant effort which did not prevail at that time but which we trust is the course of the years ahead will be repeated successfully.

For the reasons I have outlined, out basic problem is not with the regulations themselves but with the funding. The new HEW regulations, however, do intensify the bureaucratic requirements for the expenditure of these limited funds. Indeed, we wish we could fulfill the requirements of the new regulations, but under the present circumstances we cannot afford to.

I am assisted by Mr. Juan Anglero, who is the Assistant Secretary of the Welfare Department of Puerto Rico, and both he and I would be happy to respond to any questions you may have.

Senator MONDALE. Thank you very much, Commissioner.

Senator PACKWOOD. I have no questions.

Senator MONDALE. We have a very tight schedule. We may submit questions to you in writing.

Dr. BENITEZ. Thank you very much, Mr. Chairman, and we will be very happy to respond to any questions you may have.

[The prepared statement of Dr. Benitez follows:]

TESTIMONY BY THE HONORABLE JAIME BENITEZ, RESIDENT COMMISSIONER FROM PUERTO RICO TO THE UNITED STATES

Mr. Chairman and distinguished members of this committee: I am pleased to have this opportunity to appear before your Committee to discuss the adverse impact of the new HEW Social Service Regulations on the Commonwealth of Puerto Rico. But in order that your committee fully understand the grave consequences of these regulations for the Commonwealth, I think it necessary to discuss briefly the highly discriminatory impact of the whole Federal Welfare Program in our Island.

Our essential argument is that Commonwealth Social Welfare demands have increased very substantially while Federal funds remain limited by statute for Puerto Rico. The Commonwealth's Department of Social Services finds it increasingly more difficult to meet Federal regulations with the drastically limited funds it receives for current welfare programs.

I shall now summarize the effect of the most salient of these regulations which are closely related to the basic disabilities under which the Commonwealth labors because of a number of titles of the Social Security Act and related legislation.

Mr. Chairman, I should also like to request permission to provide for your Record of Hearing any additional detailed statement which the Commonwealth's government may wish to submit. I hope you will feel free to ask Mr. Anglero or myself for any explanation you need. Whatever technical information we do not have with us today, I would be happy to supply for the Record.

First, let me provide you with some background on the treatment of Puerto Rico under the Social Security Act. Puerto Rico was excluded from the Social Security benefits during the first fifteen years after the passage of the initial Act in 1935. These were years of great hardship for Island workers who migrated in masses to the continental United States where better salaries and government benefits were available to them. In 1951, some of the benefits provided by the Social Security legislation were extended to the Island. Nevertheless, Puerto Rico is today either totally or partially excluded from most of the major social welfare programs financed and administered by the United States government. In spite of this, our Department of Social Services depends very heavily for its work on these limited Federal funds.

Section 1108 of the Social Security Act places limits on payments to Puerto Rico under Title I, X, XIV, and XVI of the Social Security Act. For fiscal year 1972 and each year thereafter, the ceiling is $24 million. In addition, there is a ceiling under Part A of Title IV with respect to family planning services and the Work Incentive Program (WIN), limiting payment to Puerto Rico to $2 million. These ceilings are very low and the Commonwealth is very short of welfare funds needed to provide assistance to the poor comparable to that afforded by the States. Any additional burden is, of course, extremely hard to bear, and this is our principal objection to the new Social Service regulations.

The new Quality Control Regulations published by the Department of HEW on April 26, 1973 require a reduction of the over-payment and the payments to

ineligible recipients to three and five per cent respectively over the year and a half. The efforts to reduce undue payments to these percentages will require extensive work without additional funds.

Under Section 221.7(b) of the new Social Service Regulations, there is the requirement that all individual cases be reviewed every six months and further, that all families and individuals now receiving services have their eligibility redetermined within the next three months.

The inadequate funding makes the implementation of this requirement a practical impossibility in Puerto Rico. Recipients often reside in isolated rural areas while each social worker has a caseload of over a hundred persons. Thus, adequate redetermination is extremely difficult. Further, the recent cuts in special funds for Training and Research make it even more difficult to train adequate numbers of personnel.

The proposed budgetary cuts of 50 percent in the funds for Social Security personnel training programs for the next year and their eventual phase-out in FY75 affect also the 221.2 (D–3) stipulations of the Social Service regulations which require more, not less, trained personnel to monitor and evaluate programs.

In regulation 221.6, we find an emphasis placed on services aimed at preventing persons from becoming assistance recipients. We are in complete agreement with the theory of maintaining at a level of self-sufficiency and self-support those who are potential clients of public assistance. Nevertheless, we again find this practically impossible with present funds.

To this point I have listed some of the difficulties that face the Commonwealth under the new regulations and I know that you have heard similar arguments throughout this week from other American-Flag areas. However, I feel it is imperative that your Committee be conscious of the special circumstances (some of which I referred to earlier) in the statement which wold make the new regulations such a great burden for Puerto Rico.

In 1967, Puerto Rico was excluded from the Prouty Amendment which enabled retired persons over 72 years of age who had not earned a sufficient amount to be covered by Social Security to draw minimum monthly benefits. In 1972, Puerto Rico was again treated in a discriminatory manner and excluded from the Supplemental Security Income Program applicable to all states in the Union. Title XVI provides that the aged, blind, and disabled with no other income in any state will receive $130 monthly per individual and $195 per couple. Under similar circumstances the poor in Puerto Rico receive $13.45 for the totally disabled, $18.36 for the aged, and $13.58 for the blind.

If I may repeat myself, unlike any state, Puerto Rico has a ceiling placed on total allotted Federal funds under *all* titles of the Social Security Act regarding public assistance. This is an inflexible amount which has no connection with the amount of comparable local funds available. In Puerto Rico, when Federal funds are used for maintenance and eligibility, the matching formula for Federal to local funds is dollar for dollar; 72–25 when used for adult services; and 60–40 for services to families with dependent children under Title IV A. These ratios are much lower than comparable ratios for any state, matching formulas for the states being calculated on the basis of per capita income for assistance programs (except under Title IV A where a 90–10 matching formula applies uniformly as compared to the 60–40 for Puerto Rico). Using the same basis of calculation applied in any state on per capita income, (even with Puerto Rico's extremely low $1,400 per capita sum), the amount of Federal funds allotted would increase. Mississippi receives $87 for every $13 provided by the State in assistance programs. New Jersey receives $75 for every $25. Puerto Rico, much poorer than both, generally receives $50 for every $50 locally apportioned. The new regulations do nothing to remedy the present matching system and actual ceilings.

No matter how great the Commonwealth's contribution, the Federal ceiling makes the local matching effort merely academic. The Federal contribution simply may not exceed a fixed ceiling. At present this maintenance ceiling amounts to $24,000,000. A total of 94,030 public assistance cases were served in 1972, benefiting 238,485 persons. The District of Columbia, serving approximately the same number of recipients, had an average monthly payment five times as high as that of Puerto Rico even before the Supplemental Security Income Program.

I must add that Puerto Rico does not receive General Revenue Sharing funds and so we do not have the options and possibilities open to us now allowed the States. I do wish, however, to thank the Chairman for his efforts to have us included in the "State and Local Fiscal Assistance Act of 1972" last summer.

This is the first opportunity I have had to bring to the attention of this committee the plight of the Social Welfare Program of the Commonwealth of Puerto Rico.

However well intentioned the New Regulations cited in the testimony may be, they cannot be complied with in Puerto Rico without added bureaucratic and financial strain. I earnestly hope, Mr. Chairman, that your Committee will see fit to discuss with Secretary Weinberger, not only a modification of the application of these regulations to our Island, but more importantly, to suggest that he work closely with the Congress in laying the legislative groundwork for treating the nearly 3 million Americans of the Commonwealth of Puerto Rico on the same basis as all other U.S. citizens in the Federal Social Welfare Program.

Senator MONDALE. Our next witness is Frances "Sissy" Farenthold, chairwoman, National Women's Political Caucus.

I understand you have to be out of here at noon?

Mrs. FARENTHOLD. Yes.

Senator MONDALE. We are very pleased to have you.

Mrs. FARENTHOLD. Thank you very much.

STATEMENT OF FRANCES "SISSY" FARENTHOLD, CHAIRWOMAN, NATIONAL WOMEN'S POLITICAL CAUCUS

Mrs. FARENTHOLD. I am Sissy Farenthold and I am here in behalf of the National Women's Political Caucus and the Coalition for Human Needs and Budget Priorities. I must add that my testimony is colored by the fact that I had 2 years' experience as legal aid director in Nueces County, several terms in the Texas Legislature, and Texas as perhaps you know, has the distinction of having the largest number of working poor of any State in the country, and it is for these reasons these guidelines have particular significance to us.

It was also during this time that I speak of that I learned that the scapegoats of our society are unskilled women and their children. I have a written statement that has been delivered and it will speak for itself.

Senator MONDALE. We will place that in the record as though read.

Mrs. FARENTHOLD. Thank you. There is one area that I would like to be specific on at this point and that is child care as an optional service. Among women workers as heads of households and among poverty families 40 percent of which are headed by women, child care becomes one of the most needed supportive services enabling them to move toward self-sufficiency for themselves and their families. To allow this service to become an optional one undercuts the basis of strengthening family and child development.

The caucus and coalition feel that this is a service which should be available to all who need it.

Let me say that we have seen through experience that the poor people in our country fall into broad overlapping categories of economic, social, emotional and educational needs. Failure to administer social services in recognition of these broad categories of need will foster and continue the antagonisms, the hostilities and fears already too prevalent among the many segments of our society.

In closing, I can only say that it seems to me that those that make these regulations which are so essential to so many people in our society should not only have knowledge but also have care for those that they are regulating and it is our considered opinion that we do not find either characteristic in the proposed regulations.

Senator MONDALE. Thank you very much. I agree with you. You know, many of us here have tried to move toward much broader Federal support for locally controlled day-care centers and family support services, and it has been a very frustrating period. But I believe the efforts that you and others are making, to try to develop this issue so it is understood, are bound to succeed. I think the hearings that we are having on these regulations, for those who are listening, help develop the need and the rationale behind these kinds of services.

We are very grateful to you for your statement and for your leadership, and the leadership of your group, in trying to make these points.

Senator Packwood?

Senator PACKWOOD. I have no questions.

Senator MONDALE. Thank you very much.

[The statement of Mrs. Farenthold follows:]

STATEMENT BY MS. FRANCES TARLETON FARENTHOLD, CHAIRWOMAN, NATIONAL WOMEN'S POLITICAL CAUCUS

Mr. Chairman, distinguished members of the Committee: My name is Ms. Frances "Sissy" Farenthold.

It is my honor to serve as Chairwoman of the National Women's Political Caucus, and it is in this capacity that I speak to you today.

The National Women's Political Caucus which I represent is a multi-partisan organization committed to awaken, organize, and assert the vast political power represented by women, 54% of the voting population. Our membership extends to every state in the union and reflects a full spectrum of involvement in the electoral political process. Recognizing that candidates must shape their platforms to meet the needs of their constituencies, the (National Women's Political) Caucus' Statement of Purpose affirms our belief "that women must take action to unite against sexism, racism, institutional violence and poverty." It is upon this basis that we come with grave concerns about the new Social Services Regulations for Service Programs for Families and Children and for Aged, Blind, or Disabled Individuals.

Prior to moving into our specific concerns with the regulations, I would like to express our position on the overall directions which these new regulations seem to indicate. The basically democratic spirit of the average American citizen in this land of plenty has always been extended to the needs of our most deprived citizens. Such was the underlying concern when the Social Security Act was enacted and mandated by Congress. The amendments of 1967 further supported a need for progressive approaches to assisting this deprived constituency. We are of the opinion that we stand at the threshold of advanced progress in this area, as our outer space explorations have shown we have the capacity to do. However, a failure to recognize concern for those in dire poverty as well as for those who fall into broader categories of economic, social, emotional and educational need, will find us facing the further pitting of one segment of our society against another. As we approach our bicentennial year, we of the National Women's Political Caucus feel very strongly that our national government's policies must be in keeping with the building and strengthening of the American people.

SPECIFIC ISSUES

Although deeply concerned about the implications of the regulations as they relate to all categories of services, we are struck by the implications of these regulations to that largest percentage of our population: Women in particular the working poor women.

(1) Child Care as an optional service: Among women workers, as heads of households (215,000 during the year) and among poverty families, 40% of which are headed by women, child care becomes one of the most needed supportive services, enabling them to move towards self-sufficiency for themselves and their families. To allow this service to become an optional one undercuts the basis for strengthening family and child development. The NWPC feels that this is a service which should be available to all who need and want it at all times.

(2) Eligibility for services: Establishing the income criteria for eligibility for services at 150% of the state's payment standard, although improved from the original proposal of 133⅓%, still finds us focusing only on current welfare families. We are of the opinion that this approach does not allow for motivation to work and, further, ignores the very real needs of the working poor. Statistics indicate that there are still some 25.5 million poor in the nation (incomes under $3,968). Of these only 21.5% are on welfare. Over 50% of all poor Black families are headed by women. Of those women who worked in 1970, over half are employed as service workers or maids and had incomes under the federal poverty line (the median income for domestics is $1,800).

(3) Parent participation on state's day care advisory committee; There is much concern among those within the Administration regarding the dissolution of families under child care systems. However, the new regulations do not require that parents participate in any area in this most vital area of their families.

(4) Recipients' rights: One of the most vital mechanism which welfare recipients have utilized in assuring that they were able to gain public assistance with dignity and adequacy has been the fair hearings system. Removal of this process cuts into what we feel is the avenue for (a) eliminating continued repercussions in service problems (b) assuring equality in provision of services.

(5) Recertification: An examination of present welfare operations reveals multiple guides and rules for enforcement, limited financial resources for hiring of adequate staff to handle present operations, and concerns about existing salary levels for workers in welfare departments. Implementation of recertification of eligibility for services once every six months will not only increase the bureaucratic tasks at hand, but increase the work load of already overworked staff.

(6) Definition of past and potential recipients: Changing of the definitions for past and potential recipients from the 2 years to 3 months and 5 years to 6 months violates the intention of the Social Security Act itself and the intention of Congress in Title III of the Fiscal Assistance to State and Local Governments Act. Secondly, it is the height of folly since current wage earners, stripped of supportive services emanating from the ACT, are forced back on welfare, a much more costly factor to tax payers.

(7) Private donated funds: We commend the committee on its thrust to continue to nurture this interest of our private sector by allowing private cash donations to be used as the state's share. However, we hope that forthcoming program guides will not make the task too cumbersome for participation of the private sector.

(8) Mandatory provision of only one of a list of services for adults: The needs of the adult deprived spans a wealth of areas and situations. It is unrealistic to expect states to be able to finance these services without the assistance of federal resources. The past has indicated that our states cannot withstand the burdens of such programs or will not place them as a priority. The national leadership is thus responsible for assuring that adults have access to those services which they need. As such, states cannot be left to their own wherewithall in assuming this task.

(9) Federal Interagency Day Care Requirements: The 1968 Federal Interagency Day Care Requirements were specifically mentioned in the Congressional report on the OEO Act, reaffirming Congress' support for these standards and the fact that any revisions of these standards shall be "no less comprehensive" than those of 1968. The new regulations make no mention of these Requirements and we are appalled by rumors which indicate changes leading to provision of custodial care.

CONCLUSIONS

Mr. Chairman and distinguished members of the Committee, we have not wished to bore you with a repetition of facts and statements which we are sure you have heard over and over. However, the seriousness of these regulations cannot be emphasized too much to you and also to the American public. And more importantly, we would raise the questions:

. . . Can the needs of the people of America be any longer relegated to the bottom of The Heap?

. . . Can the congressional and administrative governmental leaders of our country any longer afford to ignore the mandate of the Declaration of Independence which calls to "secure the rights" of the American people?

As concerned about the total situation of our country as you all are, we still do not hesitate to encourage you to (1) withhold implementation of these social services regulations until a full total examination could be made of their repercussions. (2) maintain in effect existing regulations until such time as new ones are feasible.

"We recognize the economic burden of such—change, but we believe this country's resources could be more than enough. They need only to be reordered to pay for life instead of death."*

Finally, my organization commends you and our colleagues for your serious efforts to assure that we arrive at social services systems which will meet the needs of our deprived—and potentially deprived—to the fullest extent possible.

Senator MONDALE. Our next witness is Malcolm S. Host, executive director, Neighborhood Centers—Day Care Association, Houston, Tex., in behalf of the National Federation of Settlements and Neighborhood Centers. He is not here.

Dr. Elizabeth Boggs, in behalf of the National Association for Retarded Children. Mrs. Boggs, we appreciate having you here.

STATEMENT OF DR. ELIZABETH BOGGS, IN BEHALF OF THE NATIONAL ASSOCIATION FOR RETARDED CHILDREN

Dr. BOGGS. Thank you very much, Mr. Chairman. In consonance with your request, we have submitted a statement which I will not read.

Senator MONDALE. It will appear in the record.

Dr. BOGGS. We summarized our 10 recommendations, all of which we think are important. The most urgent are the ones numbered 1, 2, 3, 4, 8, and 10. I will try to deal with these in the context of some concerns that have been becoming even more apparent as a result of the "cumulative record" of which you spoke.

Much of what has been said heretofore has dealt with the impact of title IV(a). Obviously, this is a very large and serious problem, but I would like to address the issues that are related to the concerns for the aged, blind, and disabled; more particularly the disabled, since that is the category in which mentally retarded children and adults both fall. In our statement we have cited the new title VI—rather than the old titles under which we are now operating—because we think it is time to look ahead to the implementation of that title and the implementation of the supplemental security income program, for which we are very grateful to this committee.

Beginning in January, disabled children will be identified under title VI. We are informed by people in HEW that we should not anticipate that the regulations for the new title VI are going to provide anything much more liberal or constructive than the May 1 regulations. Consequently, we are concerned about how those will work out.

We are very much concerned with what appear to be discrepancies between the general policy statements made by the Secretary and the way in which his technicians appear to be implementing these statements in the specifics of the regulations and the way they are being interpreted down the line. The Secretary makes statements to you that he is not in favor of notches, and yet you, Senator Mondale, certainly queried him when he was here in a way which showed that notches are indeed a very essential part, very integral part, of the regulations. Those notches affect us in the field of disability.

The Secretary says he understands you to want to focus social services money on welfare recipients. There was a study done by HEW itself which indicated that as late as 1970, less than half of the disabled recipients were receiving any social service whatsoever. Therefore, we have a lot to do in that area. But the new regulations make

* NWPC Statement of Purpose, Adopted July 11, 1971.

it very difficult to deliver social services to disabled recipients because the purposes for which social services may be delivered are limited by the regulations to the objectives of self-support and self-sufficiency. The very characteristics that put people on assistance because of disabilities are the characteristics which make them less likely to be able to achieve these objectives.

The limitation that states that a person may be classed as a potential recipient only with respect to self-support services practically eliminates the possibility of delivering social services to a disabled child or adult unless it is anticipated that he will become employable, which is almost a contradiction of the definition of disability.

We feel, therefore, that there is a great deal of confusion of purpose here. We believe that it is high time that the needs of the aged, blind, and disabled which arise out of their age, blindness, and disability, should be addressed squarely in the social services rules and not subordinated to the general confusion about the AFDC program. Important as that is, the needs there are different.

We find that whereas the recommendations which we submitted to you were formulated within the context of the laws as written, we are beginning to come to the conclusion that it may be desirable, Mr. Chairman, to contemplate some changes in the structure of the law itself in order to prevent interpretations which are forthcoming at the present time.

The definitions of potential recipient and the interaction of the different portions of the regulations to which I have addressed myself indicate that the general objective of reaching low-income people and avoiding notches is hard to address within the language of the act at the present time.

We would submit to you that just as medical indigency has come to be a concept which people understand—even though it is imperfectly addressed at present under title XIX—so we might say that "social service indigency" is a concept to which we should address ourselves. We should deal with those people who need social services whose income level is above that of the person entitled to receive welfare, but is such that if they were required to pay for the cost of social services, it would absorb a major portion of the income available to them.

This is important because in the case of the disabled, particularly the mentally retarded, the cost of desirable and needed social services is often fairly expensive and cumulative, and for these reasons it seems desirable to make it quite clear that even middle-income families should be relieved of these costs to a considerable, if not total, extent.

This leads me, Mr. Chairman, to mention very briefly our understanding about the way in which the old regulations were working or worked and the intent of Congress. Several of the Governor's representatives pointed out to you on Tuesday that they had thought it appropriate to set somewhat higher family income limitations with respect to families who had disabled children as compared to those who did not have disabled children, in terms of eligibility for social services. We think you yourselves recognized the same concept when you included disabled children in the supplemental security income program. We believe that that is appropriate.

We at NARC have never understood or promoted the notion that universal eligibility was your intention under this act. We have never said that there was no income limitation whatsoever on social services even for the disabled, although some providers have apparently been under that impression.

We do believe that a more generous interpretation is appropriate and we would hope the committee could make that apparent.

Finally, I want to point out that the definition of mental retardation which was inserted in these new regulations was not in the original February 16 version and it is an archaic and inappropriate definition which, as far as we can determine, was lifted out of the California Institutions Code. We object to it strongly.

The CHAIRMAN (now presiding). Thank you very much.

Senator MONDALE. I am reminded by my staff that the purposes of the Social Services Act include strengthening the family—which ought to be fairly widely accepted. These new proposed regulations drop that as an objective, which seems to me remarkable. It seems to be awfully late in the history of American society to drop the objective of strengthening the family.

Thank you.

The CHAIRMAN. Thank you very much.

[The statement of Dr. Boggs follows:]

PREPARED STATEMENT OF DR. ELIZABETH BOGGS, ON BEHALF OF THE NATIONAL ASSOCIATION FOR RETARDED CHILDREN

The National Association for Retarded Children appreciates the opportunity to present to this Committee our views on the applicability of social services, and the utility of the recent regulations, in implimenting effective services for the mentally retarded. Even more, we wish to express our warm appreciation to the members of this Committee who recognized the special problems of the mentally retarded and accordingly provided "exempt" status for social services to the retarded under Section 1130.

MENTAL RETARDATION AS A FACTOR IN DISABILITY AND POVERTY

Mental Retardation is the most important single cause of severe disability origi nating in childhood. As a primary or secondary diagnosis, it accounts for approximately one-fifth of the entire adult disability assistance case load at the present time and more than half of the adult case load under age 35. These figures are likely to increase proportionately, as well as absolutely, under the new Supplemental Security Income Program, and in addition we foresee that more than half of the children who will newly qualify under SSI will be mentally retarded, with or without other handicaps. All these individuals disabled by mental retardation are likely to need social services, as well as health, education, and rehabilitation services, on a continuing basis for the greater part of their lives. Therefore, the proposed regulations are of great concern to us.

In addition to those mentally retarded who do now, or will, qualify as needy disabled for purposes of Title XVI, and who constitute only a fraction of those who meet the disability test, we are aware that uncomplicated mild mental retardation, which affects about 2% of the population, is both a producer and product of poverty. Because persons with mild mental retardation are likely to have a marginal position in the labor market, we may expect this group to be present, even if not identified, to an extent considerably in excess of 2% of the AFDC population. Generally speaking, the welfare and social services system should be responsive to the needs of these mildly retarded persons but we do not believe they should be singled out and labeled as mentally retarded as the price of receiving such service. Because we are concerned about the well being of these mildly retarded children and adults, we are concerned about certain general problems in the regulations, such as the "notches" which are still present in the May 1, revisions, and the use of the same "assets" tests for "potential" as for actual recipients. However, since we know that these problems are being generally addressed by many competent organizations, this statement will be focused on

the special problems of the mentally retarded who can be considered as *disabled*, or whose handicap approaches "disability".

1. Secretary Weinberger should be asked to clarify explicitly his position on eligibility of the mentally retarded for services.

When Secretary Weinberger appeared before; this Committee on May 8th, his prepared statement dealt with mental retardation as follows:

"*Mentally retarded.* The new regulations permit the provision of child care services for *mentally retarded individuals who are otherwise eligible for social services*, without regard to a requirement that the care be related to the training or employment of the parent or other caretaker, or to the death, absence, or incapacity of the caretaker. The new regulations also allow mentally retarded *individuals* to continue to be considered *eligible for services* under the old regulations until January 1, 1974. At that time, the new Supplemental Security Income (SSI) program enacted in P.L. 92-603 will be effective, with new eligibility criteria for receipt of benefits by the disabled. We will *then* relate provision of services to the mentally retarded to their eligibility under the new SSI program of aid to the disabled." (Italic supplied.) This statement appears to us (and I believe also to you) to say that, until the new regulations for SSI and Title VI are effective, States may continue to qualify mentally retarded children and adults as "potential recipients" in the same manner as they have been doing under their approved state plans. However, state officials in HEW Region IV (Atlanta) have been getting quite a different message: it is: Any retarded individual who meets the current test of "potential" for the adult categories *and is enrolled before July 1, 1973* may continue to receive services until December 31, 1973, after which the rules will change in an unknown and unpredictable way; any child or adult qualifying after July 1, 1973 must meet the same test of "potential" as his AFDC or other adult counterpart must meet after July 1, 1973.

Obviously this interpretation goes a long way toward nullifying the desired effect of the "exemption" provided by the Congress for delivery of services to retarded children and adults in Section 1130. It also means that some children now being served, will later be eligible for SSI may be denied service during the last half of this year. In any case considerable disruption can be anticipated in the state's planning and implementing of effective services.

The rules take us the rest of the way to nullifying the exemption by restricting the service goals for "potential" recipients in ABD.

2. Congressional intent (as specified by law) relative to the allowable purposes of social services for needy aged, blind, and disabled adults and children should be reemphasized and implemented by inclusion of self care and reduction of dependency as valid goals for both actual and potential recipients.

Congressional intent as expressed in Section 601 and Section 603 of the Act is "to help needy individuals . . . to attain or retain capability for self support or self care, . . . (and) to prevent or reduce dependency." This intent is being violated in the May 1st regulations and will be violated in the Title VI regulations unless Congress intervenes. In enacting Section 1130 Congress did not instruct the Secretary to greatly modify either the definition of "potential recipient" or the range of services, or the purposes for which services are directed. Nevertheless this has been done in a way which makes it very difficult to administer service programs either equitably or effectively. We can best illustrate this by means of a chart based on Section 221.8 "Program Control and Coordination." The chart shows that it will not be possible to deliver any substantial service to aged, blind or disabled "potential recipients" under the proposed goal structure.

Combined effect of—

Section 221.8 (Program Control and Coordination), and

Section 221.6 (Services to additional families and individuals) on service eligibility of aged, blind and disabled persons:

Eligible persons	Applicants and recipients	Potential recipients
Service goals		
Self-support	(1)	(1)
"Self-sufficiency"	ABD	(2)
Self-care	(2)	(2)
Reduce dependency	(2)	(2)

[1] Self-support is a statutory goal which is not applicable to the aged: with respect to the blind and disabled, it is of limited applicability in social services, since the potentially employable will be referred to the vocational rehabilitation agency under sec. 1615, which carries a separate appropriation.

[2] These statutory goals are not recognized in regulations even for recipients.

[3] Self-support is the only goal recognized in regulations, for "potential recipients."

By one means or another, persons in the "adult" categories (which will include blind and disabled children beginning in 1974) are being regulated out; in effect the only permissible goal is self-sufficiency and that is valid only for applicants and recipients.

3. The five point "goal structure" developed in 1972 by the Community Services Administration and included in the HEW 1974–78 long range goals should be reinstated as the basis for combating dependency, and any defined service which assists a needy aged, blind, or disabled person to attain or retain the status which is optimum to him should be legitimated for Federal financial participation for both actual and potential participants. The Section 221.6 (paragraph 30) defining "potential" recipient is inconsistent with Section 221.8 (paragraph 47). This is illustrative of a variety of contradictions some of which are attributable to subsuming ABD under the same rubrics as AFDC.

By definition, "disability" implies an inability to "engage in substantial gainful employment." For those whose disability is of long or life-time duration (e.g., Mental retardation, cerebral palsy), full "self support" is a spurious goal in most instances. However, the goal structure set by CSA offers a realistic ladder for moderately, severely, and profoundly retarded, persons.

4. The rules for defining "need" as an eligibility factor should be sufficiently general to permit and encourage the states to:

(a) Avoid notches, including those caused by earnings disregards under SSI and by Social Security benefits adjustments.

(b) Set differential income limitations for the families of disabled children in recognition of the special liabilities imposed by such a disability.

(c) Set assets limits which will not force "spend down" and thus deter families from using services on behalf of children who need them.

(d) Set scales which are such that a family will not have to spend all or a major part of its "margin" to secure a service needed by a disabled child, bearing in mind that such costs are likely to be recurring or of long duration for children with long term disabilities such as mental retardation.

Secretary Weinberger has been at pains to point out (although not to this committee) that "the regulations would make services available to the mentally retarded on the same basis as to other eligible needy persons." This tack defeats a perfectly reasonable and legitimate move on the part of several states to establish an income limit for families with a handicapped child which is somewhat higher than that for other low-income families. Such a variance in the definition of needy has a rational base as was recognized by the Congress itself when it incorporated disabled children in SSI at "adult" payment levels.

A still more functional approach would be to recognize the continuing threat of greater dependency since the special attention which disabled children require can be a continuing and often catastrophic emotional, social and financial burden to their families. The failure to provide supportive community services, including homemaker services and day care, may well precipitate an application for foster care or institutional care. Studies of the costs of foster care indicate conclusively that society is almost always better served by investing substantially in services which assist an intact family to maintain their child at home, if they can.

Social as well as economic burdens must be alleviated, however, to make this feasible. We recommend, therefore, that in support of the President's "deinstitutionalization" initiative, any disabled child be considered a "potential" recipient if in the absence of supportive services, he would be a candidate for a State operated or State supported residential facility or foster care program for the retarded or otherwise handicapped. The proposal to use 150% of $130, or $195, as the cut off in eligibility as "potential" creates an obvious notch, since even partial disregards of earnings place some recipients above this level. After consideration of the effect of earnings disregards on notches and the present minimum wage level, as well as the costs of social services, we suggest that the figure of $350 per month plus state supplement be set as the upper limit of "potential recipiency" for individuals over 21, i.e. those not considered dependent on parents.

5. Protective services (including such services for aged, blind and disabled persons in institutions, public or private), foster care services, housing improvement, and health related services should be mandatory in the ABD program. States should have the option of providing such services to non-recipient ABD persons without a means test.

Recent court cases have emphasized that public agencies have at least a minimum responsibility to maintain their wards "free from harm". Any social service system for ABD which does not offer the measure of protection envisioned

in a combination of protective and foster care services for the severely impaired or imcompetent would be at risk of not providing this minimum safeguard.

6. "In-reach" services should be included among optional defined services for ABD, to include services by an agency (other than a vendor institution) to to accelerate the movement of patients or residents from institutions.

Services to persons in instituions is clearly an intended option under Section 602(a)(7). We trust this will not also become a null-class of service through regulatory finesse. Needless to say such "in-reach" is an essential component in the accomplishment of President Nixon's "deinstitutionalization" goals for the retarded.

7. In accordance with Section 605 and Section 603(a)(1), states should be permitted to provide additional services defined in its state plan but consonant with the purpose of section 601, with Federal financial participation at the rate of 50%.

While we concur in HEW's attempts to "define" discrete services and use these as a base for "accountability", we believe that the HEW list does not exhaust the desirable elements, especially for the retarded and other disabled.

8. The definition of "mental retardation" contained in Section 221.6 should be eliminated.

Section 221.6 (paragraph #34 in the Committee print) contains an archaic restrictive and inappropriate definition of "mental retardation" not contained in the February version. Like a number of other features of federal welfare and social service policy these days, it shows its origins in the California welfare and institutions code. There it categorizes persons eligible for confinement in California state hospitals for the retarded. In effect, it defines a mentally retarded individual as one who is incapable of self support and self sufficiency—hence one ineligible for any social services under these regulations.

It would be much more appropriate and consistent to define a "Mentally retarded person" as a person with a disability (as defined in Section 1614(a)(3) of the Act) whose diagnosis shows mental deficiency as the primary or secondary condition, in accordance with guidelines currently in use by the Bureau of Disability Insurance, SSA. Reference can be made to the listing of impairments, Sections 12.00 C and 12.05, attached to the Social Security Regulations #4 Subpart P.

9. Beginning in September, 1976, Federal financial participation under Titles IV or VI should no longer be allowed in "day care" or other developmental programs for handicapped children of school age which are conducted during school hours. Such programs offered in lieu of education in the public schools are, if means tested, in violation of State constitutional rights to a free public education for all children, as confirmed by recent court decisions.

Federal aid should be available through the education system to help states meet the excess costs of education and training programs appropriate to individual needs. Additional legislation to so provide is now pending before the Labor and Public Welfare Committee. This position is concordant with Secretary Weinberger's statement that "Federal social service funds should not be used to support programs funded under other Federal legislative authorities." However, notice of this denial should be given to those few states using Title IV-A funds for this purpose well in advance of intended implementation.

10. In view of the distinctive goals that should characterize the ABD programs and the fact that assistance payments for this target population are to be federalized, the former pattern of separate regulations for services to families (Title IV) and services to the aged, blind, and disabled (Title VI) should be reinstated.

There is no statutory requirement that Title IV and Title VI agencies be combined. The state programs for the blind have demonstrated what can be done with imagination and special know how. The disabled, likewise, deserve the services of state agency personnel with special competences.

Social and Rehabilitation Service Goals—1974-78

NONDEPENDENCY

The Secretary's announcement of the overarching Departmental Goals of Non-dependency gave impetus to the development of an SRS program goal framework. The goal framework is a vehicle for specifying human welfare outcomes of all SRS programs in common terms. It defines five possible categories of an individual's "state of being" in terms of his dependency on income maintenance and social services. These five categories have tentatively been defined as:

1. *Full Self-Support*—An individual for whom income maintenance and related services are no longer required.
2. *Partial Self-Support*—An individual who has some earnings, but is partly dependent upon SRS programs for subsidized services and/or income supplementation.
3. *Family Self-Care*—An individual who has attained physical and/or emotional independence, within their own homes, and may be dependent upon income maintenance. (This goal has an important prevention focus attached to it. Services are provided to prevent an individual or family from deteriorating and thereby requiring out-of-home care).
4. *Alternative Care*—An individual who requires care in a community-based facility (e.g., half-way houses, foster homes, group homes) but does not require full-time supervision of his daily activities.
5. *Institutional Care*—An individual who requires full-time supervision of his daily activities *or* who requires special settings to assist in the development of an individual's ability to function in another goal. (E.g., spinal cord centers or acute mental hospitals.)

It is hoped that over the plan period (FY 74–78) the goal framework will provide a basis for:

a. Defining clearly the target group populations capable of attaining and maintaining different levels of independence. (E.g., what should be the goal status of mothers with dependent children under school age.)

b. Assessing the barriers to full and efficient goal attainment. (What factors prohibit public assistance recipients from gaining full employment?)

c. Planning for services and programs felt to reduce these barriers. (What services, in what mix, would remove the barrier? Would these programs be cost-effective in comparison with programs that would raise the goal status of other target groups?)

The CHAIRMAN. The next witness is Rev. Joseph M. Sullivan, vice president, Community Council, Greater New York.

STATEMENT OF REV. JOSEPH M. SULLIVAN, VICE PRESIDENT, COMMUNITY COUNCIL, GREATER NEW YORK

Reverend SULLIVAN. Mr. Chairman, I am representing the Community Council of New York, a coalition of voluntary agencies in the city of New York, very concerned about the regulations. I will try to summarize——

The CHAIRMAN. We will print your entire statement in the record, and we will carefully consider it. I would hope that you could summarize your statement in 10 minutes, if you would.

Reverend SULLIVAN. I do not belong to an organization or profession that is known for brevity, but I will do that this morning.

The CHAIRMAN. If you will give us the main points we will certainly see that they are considered.

Reverend SULLIVAN. Incidentally, I heard a doctor say that one drink plus one barbiturate has the effect or potentiation or impact of four drinks. I think the legislative impact of 90–10, the eligibility stringency test and the assets test, has an impact of cutting cost not only below what is indicated by the Secretary but we feel substantially below the $1.9 billion.

We are particularly concerned in terms of these regulations that the 90–10 would have a tremendous impact on the senior citizens in New York, 60 percent of whom are not recipients of public welfare. Those programs are in great jeopardy.

Also in the city of New York, 233 percent above the poverty level is not really a substantial income, so that to ask a family with an income of $9,500 to pay $3,200 or the full cost of day care, we feel, is an unwarranted burden and only can lead those people into at least becoming more dependent on the public treasury.

Also in addition to that, we feel that many of the regulations are self-defeating. We feel that the poverty density factor also in terms of not being taken in in terms of the allocation of moneys to the States particularly penalizes New York. We will go from $588 million expended in 1972 as the Federal share of social service epxenditures—we will be cut 62 percent.

New York State is one of the few States, five States, so severely penalized, a State which has a long history and record of being most responsive, particularly to those people most dependent. We feel, then, that some attention ought to be given by the Congress in monitoring the expenditures of these funds so that even the estimate by the Secretary of $500 million we expect to be substantially higher than that figure—it would in some way be redistributed. We feel there is a natural tension that exists between the Federal and the local in terms of policy and in terms of procedures. We believe it is the responsibility of the Federal to state that kind of policy and standards so that we would have mandated services beyond the three that have been indicated.

As Senator Mondale just indicated, we feel that many of the support services to the families should also be mandated such as homemaker services, medical services. Certainly, for the aged, those two programs themselves are extremely important. We cannot overestimate, overemphasize the fact that the cost of foster care is so much higher than the cost of a homemaker and its impact on keeping children with their parents.

We would further like to indicate that the Secretary has not indicated that legal services are part of the social service structure and that there will be some bill coming out to indicate in the Legal Services Corporation bill that will be taken care of. I can indicate in New York City the tremendous effort that is being made at the present time in foster care to surrender children to more permanent forms of care in which legal services is a major social service. So we believe it is part as the substance of unit service fields in serving people.

We believe that there is an attempt at the present time in this kind of piecemeal revelation, on the part of the administration, of the plans as they are coming out piecemeal that is very difficult for us except on the promise that we will have special revenue sharing to understand what is going to be the full impact and how we are going to service people. We had the promise that general revenue sharing would not be substitutive but supplemental and now we have the indication that most of our problems are going to be answered by special revenue sharing. There is even the possibility, we think, that special revenue sharing will not even be enacted when the programs will already be terminated which is a major problem for us locally as well as to determine on how we keep our constituency informed about these constant piecemeal approaches to rendering human services.

We would just like to conclude with a couple of comments. We believe that the asset test is a most stringent form that any person who is above eligibility now for services who would have saved money or the education of a student to go to college or go to school, who would have saved some earnings to have an insurance policy now is going to put that into their determination of eligibility for services. We feel that is self-defeating. We feel it is polarizing. So many people

who are above the criteria for present eligibility are the struggling working poor. They will only be polarized to see only those people who are most dependent get the services while those who are struggling to get free and independent of government, they will be penalized. They will not be able to have the day care services, particularly so they can see the children are well cared for as they continue to earn a living.

We feel the most important form of accountability is not the kind of accountability that comes from that kind of gamesmanship at the Federal level. It is the participation of the citizenry. We think that should be mandated.

We feel that that citizen informed and participating is the surest way that we can be sure that Government programs truly respond to the needs of the people. So we in New York City are deeply grieved by these regulations. We do not even feel that those laws that deal with the services be included now, the way the regulations are written, have really loosened the—Jule Sugarman has called us and asked us to help him in the program. He does not have the available money. We cannot contribute at the present time to these regulations and jointly perform services to the community.

We are thankful for this opportunity. We do hope the Congress will monitor the implementation of those regulations and see that those States that have not been mandated to do services have not been mandated either for the aged in terms of any services to see if they really come about. The history is not good overall in the country of local States providing services for the people when they have not been mandated at a national standard level. We think that is extremely important.

The CHAIRMAN. If my view prevails, we are going to pass some legislation that would have the effect of providing relief for most of these points that you have raised. We will try to assure that the States will have the full benefit of the $2½ billion that we thought we had made available to them, and that they have a great deal more discretion in deciding how they should use it. So I believe if the view I have, which is shared by some, I am sure, on this committee, and by some in the House, if that becomes the prevailing view, I have no doubt that we will send to the President a bill that will give you the relief you are asking for in most of these areas.

Thank you very much.

Reverend SULLIVAN. If that happens, we will be grateful.

The CHAIRMAN. Thank you.

[The prepared statement of Reverend Sullivan follows:]

TESTIMONY OF REV. JOSEPH M. SULLIVAN, REPRESENTING COMMUNITY COUNCIL OF GREATER NEW YORK

I am Reverend Joseph M. Sullivan, Executive Director of Catholic Charities of the Diocese of Brooklyn. I am speaking today, however, as a volunteer for the Community Council of Greater New York which I have the pleasure to serve as one of its Vice Presidents. Accompanying me are Mrs. Leonard H. Bernheim, President of the Council, Bernard M. Shiffman, our Executive Director, and Jerry A. Shroder, Director of Information Services.

The Community Council is the Information and Research Action Center in the welfare and health field in New York City. We have been greatly concerned with the problem of improving the welfare system. In fact, this has been our

first priority for more than two years. Last year, we were fortunate enough to appear before your Committee to present testimony on *H.R. 1*. We are delighted to appear before you today. This is the first time we can recall being involved in any Congressional hearing dealing with administrative rules and regulations.

In developing our comments for this presentation, we had some difficulty sorting out Legislative and Administrative responsibilities. We are greatly concerned, along with your Committee, that the administrative agency may have established regulations which go beyond the intent of Congress and statutory law. We hope our comments are responsive to this problem. On the other hand, we would be concerned if your Committee attempted to administer the programs of the Department of Health, Education, and Welfare. Thus, while we are generally unhappy with both the February 16 proposals and the May 1 regulations, we believe it is important to establish the principle that neither branch of government encroach into the "turf" of the other.

As we view the combined product of Public Law 92-603 and the regulations under consideration today, we find it necessary to point out that the two are intertwined. We are therefore taking advantage of our opportunity to point to some of our concerns with the language of the law as well as that of the regulations.

ELIGIBILITY

For example, we were very concerned with the provision in the law that required 90% of all service appropriations to be expended on Public Assistance recipients. We think this is an unwise limitation of the provision of services and may well end up being self-defeating in that it will preclude from service coverage many families and individuals who, with access to services, could be self-supporting, but who, without such services, may end up on Public Assistance.

Similarly, we believe that the eligibility limits in the May 1 regulations, while somewhat broader than in the February 16 proposals, remain too restrictive. For example, even with the May 1 modifications, we are concerned that the family of four in the income range of 150%—233⅓% of the State's Public Assistance Standard, will have a difficult time purchasing day care services. Secretary Weinberger's April 26 press release refers to "total cost" as the price of day care services at 233⅓%. If this means what it says, we're faced with the prospect of a family of four in New York State earning $9,500 having to pay $3200 per year for day care. We suggest that this was not the intent of the Congress. We want to make it clear that we are not opposing the concept of the sliding scale of fees. However, we do take exception to mandating the States to charge 100% of cost at the 233⅓% income level, if the Secretary's press release is to be taken literally.

As a general principle, we believe that the social services provided under the Social Security Act should be available to those who need them. In our judgment, this includes the near poor or working poor as well as those on Public Assistance. The February 16 proposals appeared to be designed to limit services almost entirely to the current Public Assistance case load. The May 1 revisions made some modifications in income eligibility, but not in the definition of "former" and "potential" recipients. We think this is a serious shortcoming in the regulations. Further, our constituency has made the case strongly that the States should have some prerogatives in this area. It is our opinion that we will not solve the economic dependence problem without some semblance of preventive services. The record of the Congress would seem to indicate some sympathy with this position. It appears that the current Administration is less sympathetic. If our observations prove to be accurate, we commend this area to your attention for legislative correction.

ALLOCATION OF FUNDS

Another area in which our concern may be as much with the statute as with the regulations is that of the allocation of funds. We take serious exception, for example, to the allocation formula used in the case of the legislation which established the ceiling on Social Services. We do not understand why the Congress failed to take into account either the "Poverty" factor or the degree to which States were already attempting to deal with their own problems. Your own publication on the regulations (Staff Data and Materials on Social Services Regulations, dated May 4, 1973) is ample testimony to the effect of this provision on our State. In Federal Fiscal 1972, the Federal Share of Social Services Expenditures in New York State was more than 588 million dollars, a one year reduction of more than 62%. New York State is one of only five States to have

suffered thusly at the hands of the new law. In the face of this fact, it should be noted that some other States' allocations under this formula have been multiplied manyfold from Fiscal '72 to Fiscal '73.

It is also interesting to note that the estimates of total expenditures under the program for Fiscal 1973 come to 500 million dollars less than the ceiling imposed in the 1972 law. This leads us to a second point, namely our belief that HEW should be allowed to and perhaps mandated to redistribute unspent Social Services funds to those States who can make a legitimate claim on them. It seems to us that the Congress has the protection of the expenditure ceiling and would be interested in seeing the funds spent purposefully within that ceiling.

DEFINITION OF SERVICES

We are concerned with the failure of the new regulations to mandate more than three services in the Family Services program and to mandate none in the Adult Services field. This may have been inspired in the name of State flexibility, but past experience indicates that the States need to be "pushed" when it comes to the provision of services. In our opinion, the relative absence of mandated services in the new regulations represents an important role reversal on the part of the Federal government. This apparent abdication of Federal responsibility will be much more telling in the program than whatever flexibility inures to the States. We suspect, for example, that many State plans will contain a minumum number of "Defined" services for adults, when the regulations require only one.

In the matter of foster care, we were pleased to note the move away from total reliance on judicial determinations. However, we were somewhat confused by the language of Section 221.9 (b) (8) which adds ". . . and at the potion of the State, at the request of the legal guardian. . ." as an alternative means of authorizing foster care. In order for this to be meaningful, we believe the wording should be "*or* at the option of the State. . ." Without this change, the apparent intent of the additional option has little meaning.

When Secretary Weinberger appeared before you last week, we understand that some dialogue developed over the inclusion or lack of inclusion of legal services in the Social Services framework. We were advised that the Secretary's position was to the effect that legal services did not have to be included within the roster of social services (except for the one work-related inclusion) because they would appear in other contexts, such as the Administration's Legal Services Corporation bill. We believe, however, that legal services are a most important component of the Social Services system and should be so considered.

FRAGMENTATION

This brings us to another major concern, which relates to the "grand plan" of the Administration in the area of the social services. We're beginning to have the feeling that we're involved in a kind of "shell game." For example, some of our expressions of concern about programs which the President's Budget proposes to terminate have been answered by references to Special Revenue Sharing proposals. This legislation is not only not yet enacted, but it could not possibly be in place before current programs terminate. Secondly, we have the further feeling that in falling back on the various Revenue Sharing mechanisms, the Administration may be "spending" the same money several times.

Thirdly, we now seem to be in a state of perpetual motion in response to the Administration's proposals. Simultaneously with our appearance here today, we are beginning work on their Legal Services Corporation bill and we are holding our breath for what comes next. We are all too aware of the difficulty in arousing the community time after time. While we don't think we are playing "Wolf" with this issue, the impact on our constituency is likely to be the same.

Therefore, we would like to suggest to the Committee that in future communications to Secretary Weinberger and other members of the Administration, you specifically request some kind of overall package of their long-range plans for the administration of social and health programs in our country. Otherwise, those civic groups and voluntary organizations throughout the country such as ours who are seriously interested in this segment of our national effort, will be constantly running to plug holes in the dike. Further, we will be put in the position of not really knowing how to respond, because of intimations of programs as yet not available for scrutiny.

RESOURCES

Under regulations in effect until May 1, individuals otherwise eligible for services have not had to undergo an asset test. We deem it to be a seriously retrogressive step and one of the most serious of all the changes in the new regulations to now begin to enforce what amounts to a second "Means test" on those who have otherwise established their eligibility. Among other things, this means that any family with a life insurance policy beyond token value will have to cash it in or reduce it in value in order to qualify for services. Any family with a car, even one of middling age, would be likely to be disqualified.

While we haven't had time to do the arithmetic, we've had an estimate from one of the public agencies in New York City to the end that as many as half of the recipients of service in their program would be disqualified by the enforcement of this regulation.

We, therefore, urge that the former practice of not testing for assets of service recipients be restored.

CITIZEN PARTICIPATION

It has taken several years but in New York State there is now an advisory committee on social services at the State level. This resulted from the old regulations which required that such groups be established at both the State and local level. It is our conviction that the creation of these committees is of major significance if we are to effect any kind of effective partnership between the public and voluntary sectors. It further seems to us that this is more important than ever now, because of the added interest in service programs that has been kindled by the dialogue of the recent past and the present.

We, therefore, urge you to consider the legislative implications of this problem as well as the concerns of the administering agency. While we understand that such groups are not proscribed by statute or regulation, we believe that the importance of citizen participation is such that it ought to be given cognizance and encouragement by the Congress, as well as through appropriate regulations.

CONCLUSION

If we were to summarize the thrust of our comments, it would be to the end that the Social Services regulations which were issued by the Department of Health, Education, and Welfare on May 1, 1973 are likely to have the opposite effect of the Administration's oft-announced concerns for the working poor. It is our judgment that the greatest single effect of these regulations will be a tendency to limit services to the Public Assistance population only. We are further convinced that the failure to provide needed services to the near poor in ways in which they are able to make use of them will have the long-run effect of increasing dependency on cash assistance programs rather than reducing it.

While the Administration can point out that there have been some modifications from their proposals of February 16 to the regulations as issued on May 1, we have to question the validity of that position. We believe that, above all else, the objectives of these changes is cost cutting. We would point out to you that it must say something most unusual to the rest of the world when our federal Administration says, as it has on a number of occasions, that a people-oriented program has to be rejected because of its "inflationary" implications. We should indeed take a good look at our national priorities.

Thank you, Mr. Chairman, for the opportunity to present our views to you today. My colleagues and I will be happy to respond to any questions you want to pose to us.

The CHAIRMAN. That concludes the hearing on social services.

[Whereupon, at 12:20 p.m., the hearing was concluded.]

APPENDIX A

Communications Received by the Committee Expressing an Interest in the Subject of Social Services Regulations

94-943—73—pt. 2——17

STATEMENT OF CONGRESSMAN ROBERT J. HUBER ON BEHALF OF HIMSELF AND CONGRESSMEN JOHN M. ASHBROOK, DEL CLAWSON, JOHN B. CONLAN, PHILIP M. CRANE, EDWARD J. DERWINSKI, EARL F. LANDGREBE, AND FLOYD SPENCE

Mr. Chairman and members of the committee: This statement will not be a lengthy one. Those who disagree with the new social services regulations find it necessary to engage in a great deal of explanation and justification in the hope of having the regulations relaxed. They apparently desire regulations under which we can work ourselves back into the absurdly expensive miasma of welfare nonsense which Congress last year took steps to correct by imposing a $2.5 billion limit on Federal expenditures for social services. Our position can be stated much more simply. We have reviewed the new regulations, and we are satisfied that they are a major step in the right direction. We were even more favorably disposed toward the regulations before they were modified by the Department the last time, but we do recognize that some of the modifications may be reasonable concessions to equity and workability, given the handicap of trying to coordinate them with other programs which Congress still needs to modify.

The primary reason for our statement is to let the Committee know that we recently had lunch with Secretary Weinberger and several members of his staff to discuss the new regulations. We asked to talk with the Secretary because we felt that the modifications to which he had agreed were not entirely necessary and suspected that some of them had been made in response to the great amount of pressure to which the Department had been subjected by those who had some ax to grind in wanting more lenient regulations. We also suspected there had been relatively less pressure from those who concurred with what the Secretary was doing. It is the nature of things, unfortunately, that that is usually the case.

To our amazement, Mr. Chairman, we discovered that the Department had received communications from more than 200,000 people who opposed the regulations as being too strict. Many of these communications were in the form of petitions containing many names, and, as might be expected, they came largely from people who had some personal interest in seeing the regulations relaxed again. What was far more astounding was that the only communication the Secretary received favoring the new regulations came in the form of a letter which a number of my House colleagues joined me in sending.

We believe the Secretary implicitly when he says that he was not unduly swayed in his decisions by the volume of mail he received because he recognized the vested interest which most of it represented—either directly or as mail generated by those who had a vested interest.

But we have a very deep concern that one of the reasons we have become so deeply embroiled in having the Federal Government provide assistance and intrude so far into private lives in ways that it has no business doing is because government officials—be they Members of Congress or the Executive Branch—hear only from people who have a vested interest in Federal programs and hear little or nothing from those who would like the Federal Government to get out of their lives and their pocketbooks. Such people write often to complain in general terms, but they do not have the time or inclination to follow the myriad of Federal programs so as to be on hand to comment specifically when hearings are held before a Congressional committee or regulations are being promulgated by an Executive agency.

We are absolutely convinced that if the American people understood the social services issue and knew what the Secretary is trying to accomplish with these new regulations and how they will work, then a national vote or poll would produce results about 200,000 to one in favor of the effort instead of 200,000 to one against it.

We felt, therefore, that we should come here as one voice representing those who will not be heard because they are busy being productive citizens and have no immediate personal involvement in the outcome. For the most part, they are likely to be unaware that this hearing is going on. But they are the taxpayers who will pay the bills and they constitute the vast majority of the people we were elected to represent.

Mr. Chairman, in closing I would say that we have reviewed some of the testimony of those who want the regulations relaxed. We discover a good deal of complaint that under the new regulations some States may not get this year the entire amount of their allotted share of the $2.5 billion they seem to assume is due them. We would say that, in our view, when Congress places a $2.5 billion ceiling on a program, this means it is the maximum amount which can be spent. It does not say that Congress guarantees to spend that amount or that the State

is entitled to its share of that amount regardless of any rules, regulations or provisions of law. That is certainly the interpretation of those Members who voted in favor of the ceiling last year.

The fact that so many seem to view the $2.5 billion as a floor rather than a ceiling is indicative of a prevailing attitude that Federal subsidies are a right and whenever they are withdrawn or limited in any way some vested right has been denied or abridged. That is an absurd and erroneous idea. It presupposes that once Congress has embarked upon a program it can only expand it. The facts of the present situation might well lead a foreign observer to reach that conclusion, but it is a conclusion unsubstantiated by anything in the Constitution or the laws of the land.

Any Federal subsidy represents a decision by the free people who pay the taxes that they are subsidizing a bona fide need—that their tax dollars are being spent for a necessary and justifiable purpose. That decision is made through their elected representatives. When the American people decide that a program is being badly abused and should be curtailed, that is their right. They decided that, with regard to the social services program, when their elected representatives voted to limit expenditures for the program to $2.5 billion per year. If we now turn around and capitulate to the badgering of those with a vested interest in the continuation and expansion of the program, simply because the taxpayers do not set up as great a howl, then the people have been betrayed. If Congress, having last year demanded an end to the abuses of this program, now reverses itself and enacts legislation to undo the regulations which the Department has adopted to implement the will of Congress, then representative government has lost its meaning and the people are justified in wondering if they have any reason to trust and respect their government.

If legislation comes before the Congress to weaken these regulations, we want to give notice now that we intend to keep faith with the silent majority by opposing that legislation.

Thank you.

STATEMENT OF HON. JOSHUA EILBERG, A U.S. CONGRESSMAN FROM THE STATE OF PENNSYLVANIA

NEW SOCIAL SERVICE REGULATIONS SHOULD BE REJECTED

Mr. Chairman, I appreciate this opportunity to express my concern over an opposition to the final social service regulations which govern the social service programs under the Social Security Act.

The new regulations were first proposed on February 16, 1973. The people immediately voiced their disapproval of the proposed changes. HEW received over 208,000 letters of protest and Congressional offices—my own included—were visited by hundreds of people who were to be tragically affected by the new rules.

As a result, legislation was introduced in both houses of Congress to prevent the implementation of the new regulations. After it became obvious that these regulations were not only unacceptable but a misrepresentation of the legislative mandate for social services set forth in the Social Security Act, the Administration went back to the drawing board. The result appeared on May 1, 1973 with the issuance of the final draft of the social service regulations.

The revised regulations do contain modifications which reflect some awareness of the objections to the original proposal, but in most instances they still create more problems than they solve.

In some vital areas, however, no relief from the misguided meat-axe of those who are butchering our social service programs is proposed at all. A case in point is the Community Legal Services program. It is estimated that over 40,000 Pennsylvanians were assisted in various actions this past year through the efforts of 107 young attorneys working in this project. Community Legal Service's vital importance is more fully appreciated when it is kept in mind that it has been the means for many of the disadvantaged in American society to be shown that there is something in the system for them. We have let the poor, the elderly, and the minorities know that justice can be a reality and not merely a pious sounding abstraction. To eliminate this new hope would be tragic.

I am inserting at this point in my statement, Mr. Chairman, a letter I have received from an old friend who is the current Chancellor of the Philadelphia Bar Association. He forcefully describes the community wide benefit accruing from the work of the Community Legal Services program in my native city. I commend Mr. Bongiovanni's comments to the members of the Committee and echo his call that this fine program be maintained.

PHILADELPHIA BAR ASSOCIATION,
OFFICE OF THE CHANCELLOR,
Philadelphia, Pa., May 14, 1973.

Hon. JOSHUA EILBERG,
House of Representatives,
Washington, D.C

DEAR JOSH: The new social service regulations promulgated by the U.S. Department of Health, Education and Welfare really emasculate our Community Legal Services, Inc. by severely limiting permissible legal services to "service in solving legal problems of eligible individuals to the extent necessary to obtain or retain employment." We need help to have these regulations changed immediately.

As you and I are well aware, we are fighting for survival in the cities and the survival of the cities is threatened by many of the disadvantaged who feel, sometimes with justification, that our institutions do not provide any means to redress their grievances. As a result of a good deal of missionary work, we are beginning to persuade some of these people that our institutions do provide the means to redress their grievances and we do this by indeed providing the means. The means are C.L.S. which is only possible due to the generous financial support of the federal and state government and, more importantly, the selfless dedication of so many of our younger lawyers who have been working in this program, not only with zeal but with real skill. The new regulations bring down an iron curtain on the whole thing.

This comes at a time when the main source of funding for legal services through the Office of Economic Opportunity is gravely threatened with extinction. The uncertainty surrounding the future of legal services and the administrative hassles which the Office of Legal Services in O.E.O. are thrusting on programs in the field, caused the effective continuation of C.L.S. in Philadelphia to be in immediate jeopardy.

We need your help now.

Sincerely,

JOSEPH N. BONGIOVANNI, Jr.

In the case of eligibility for day-care center services, the people who need this type of help, perhaps more than any other group will be deprived of its services.

In my district, in Northeast Philadelphia, there are a large number of families in which both parents work. Many of these families have young children who must be cared for during the day, but the parents cannot afford to send them to private day-care centers or to nursery schools.

Up to now, these parents have placed their children in Federally funded day-care centers. This situation is perfectly proper, both for the parents and the government. Both parents hold jobs and they pay taxes. They do not act as a drain on the community, they contribute to it. In return, the government plays its proper role by supplying them with a necessary service.

However, the new regulations will force many of these people, perhaps thousands in Philadelphia alone, to take their children out of the day-care centers. The result will be that one parent will have to stop working and the family's income will be lowered by a drastic amount.

The new regulations limit free day care to the children of families with an income which is no higher than 150 percent of the state's assistance payment standard. They also provide for a sliding schedule of fees up to 233⅓ percent of that standard. In Pennsylvania these rules will limit free day-care service to families with an annual income of no more than $5,634 and the sliding fee basis for a family of four with an income of up to $8,764 a year.

According to Pennsylvania State Department of Welfare, the average cost of maintaining a child in many day-care centers in Philadelphia exceeds $2,000 a year.

This income restriction, as bad as it is, has even been carried to a further extreme. The new regulations include not only income, but income resources. In other words whatever is in the family's bank account must be added to the gross income along with the value of savings bonds. Even the value of a piece of inherited jewelry or the wife's engagement ring must be included in the total of a family's income. (If the Administration was as diligent in collecting taxes from the giant corporations which seem to be living on welfare, it would not even have to try to foist these incredible rules on people which need its help.)

As you can see, a family of four with a combined annual income of $8,764 would be ruined if it had to pay for even half of the cost of maintaining one or two children in a day-care center.

The situation is even worse for the parents of mentally retarded children who have been receiving help at Federally funded centers. While the new regulations will permit them to keep their children in the centers under the old guidelines until the end of the year, they will then have to meet the new income regulations or take the youngsters out of the programs. New applicants will have to meet the new guidelines right away.

I am sure there is no need to describe what this policy will do to families in the middle and low income brackets.

In some cases these people will be induced to go on welfare in order to get the necessary care for their children.

(It has always been my understanding that it is the Administration's policy to encourage people to work whenever possible, not to force them to give up jobs.)

There are several other aspects of the final regulations which need our immediate attention. The first has to do with recipient participation in the social service system. The old regulations called for recipient participation in the State Advisory Committee on Day Care. The recipients or their representatives were to compose at least one third of the Advisory Committee membership. The new regulations eliminate the requirement of recipient participation. In addition, there are no provisions for parent participation in the choice of day-care services for the child or determination of the adequacy of such services.

This seems to be contrary to what the Administration believed in 1972. In President Nixon's State of the Union Address he said, "Today it often seems that our service programs are unresponsive to the recipients needs." If in theory the Administration believes this, how can elimination of recipient participation be justified within that framework? How can we not act to rectify this situation?

Another provision of the regulations which needs to be examined is the eligibility definitions of past and potential recipients. A past recipient under the final regulations is an applicant for or recipient of financial assistance within the previous three months. There was a two year permissible span under the old regulations. The final regulations concerning potential recipients would cut the time period within which an individual may become eligible for welfare from five years to six months. The regulations would also eliminate group eligibility which allows services to be provided to those in low income neighborhoods. These provisions not only discriminate against working people but cumulatively defeat the purpose of social services. We do not want to force people on welfare; we want to encourage people to work. They cannot do this alone; they need supportive services to help them get on their feet and stay there.

We cannot allow the Administration to continue this assault on the living standards and goals of working people. We cannot allow the Administration to talk about getting people off the welfare roles and putting them to work while it forces them to do just the opposite.

Very early in President Nixon's first term, the then Attorney General John Mitchell told the press, "Don't listen to what we say. Watch what we do."

Well, now that we see what the Administration is doing, we must realize that we are facing a crisis. Services now provided to the people from other sources such as the Office of Economic Opportunity and Model Cities are also on the verge of elimination at a time when they are needed more than ever before.

I am urging this committee and all of Congress to play a constructive role in guaranteeing the American people the services they need to live happy and productive lives.

We have the resources to see this through. What we need is a united, dedicated effort on the part of Congress and the American people to ensure this goal.

I thank you for allowing me to testify here today.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 16, 1973.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee, U.S. Senate,
Dirksen Senate Office Bldg., Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased that you have seen fit to conduct hearings on the impact of Social Services Regulations issued by the Department of Health, Education and Welfare, as well as statute limitations placed upon Social Services programs in the General Revenue Sharing Act of 1972. This is to ask that this letter and enclosures be made a part of the hearing record.

Submitted herewith is a copy of H.R. 4404, legislation I have introduced in the House, a copy of a section-by-section analysis of the bill, as well as a copy of comments on the bill which I have received from the Pennsylvania Department of Welfare.

Briefly, it is my view that many features of the regulations promulgated by HEW should instead be established by statute, both to carry out the actual intent of Congress with regard to Social Services, as well as to prevent arbitrary changes which tend to subvert the intent of Congress. I refer particularly to the eligibility requirements for receipt of services.

If they are to be at all effective to reduce dependency upon welfare, the services should be provided those who meet certain income requirements and not simply those poor who are welfare recipients or are regarded to be potential recipients of welfare within six months as HEW now requires. This change is necessary because the working poor have been excluded from many of the Social Services while the welfare recipient receives both welfare benefits and Social Services. If, as I believe the intent of Congress was to help the welfare recipient enter the work force and become substantially self supporting as well as to help the working poor continue to be substantially self-supporting and off the welfare rolls, then Social Services eligibility must be based on income rather than his immediate or imminent receipt of welfare benefits.

Second, I believe that the 90–10 ratio of recipients to non-recipients on which program funding is based, as the result of inclusion of this ratio in the Revenue Sharing Act of 1972, is arbitrary and discriminatory. Such funding provisions discriminate against the working poor, the elderly, the retarded, and against those living in target areas such as children of migrant workers, who presently receive benefits under block grants but will no longer receive these benefits their parents will not submit to the redetermination procedures.

Third, the sliding fee scale created by the guidelines must be a reasonable one and probably should be similar to that used in Head Start programs. This could best be achieved by statute. If the Secretary of HEW contemplates a sliding fee scale on which a person with an income level of 233 percent of the state's assistance level must pay the entire cost of Day Care, then it will be impossible for persons at that level and persons with less income, to participate in the program. Thus, the sliding fee scale will be rendered a farce.

Fourth, the aged living on Social Security should be exempted from the 90–10 ratio. Many of this group are too proud to consider themselves welfare recipients, or potential welfare recipients, and for these reasons will deny themselves the services they need but cannot really afford.

Fifth, possibly the most alarming aspect of the new regulations is the fact that legal services could only be rendered when they are work-related. I am concerned how the still-to-be-issued guidelines will define "work-related." Also, I question how a legal aid attorney can distinguish what operating funds are to be spent on clients whose cases solely are work-related and what operating funds can be spent on clients who meet the minimum income limitations established by the Office of Economic Opportunity. At the very least, the paper work alone will obstruct an effective program and distract from time which would be better spent in aiding clients.

Finally, in my view the $2.5 billion expenditure authorized by Congress for Social Services should be appropriated and actually distributed to the states in proportionate shares based upon provisions of the Social Services Amendment to the Revenue Sharing Act. If this were done, and my bill provides for it, and if the regulation changes I suggested above were also accomplished, then the states would have sufficient flexibility and sufficient funding to offer Social Services in a manner which could accomplish our purpose—to help the poor and near-poor become productive, self-supporting citizens as well as to provide that the elderly and those citizens with particular handicaps receive the services they require and deserve.

Your consideration of this statement and the enclosures during the course of your deliberations on this very important matter will be appreciated.

With kind personal regards, I am

Sincerely yours,

FRED B. ROONEY, M.C.

Enclosures.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF PUBLIC WELFARE,
Harrisburg, Pa., April 27, 1973.

Hon. FRED B. ROONEY,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROONEY: Secretary Wohlgemuth, in her letter to you of April 5, 1973, indicated that I would provide you with a Departmental position on H.R. 4404, your "Social Services Revenue Sharing" bill. I want to thank you for providing us with the opportunity to do so.

Our general reaction is favorable. We believe that your proposed legislation would resolve, or lead to the resolution of, several of the most pressing deficiencies in the existing legislation and the proposed social services regulations. The following is a section by section comment:

Section I.—Although we agree that those in greatest need, as evidenced by their condition of being financially dependent upon the State, have first priority in the provision of services, we object to the arbitrary 90–10 ratio for the allocation of service dollars as contained in the Social Services Amendment to the General Revenue Sharing Bill. We believe that the States are in the best position to determine the proper proportional distribution of services and dollars between current, past and potential recipients. Pennsylvania is acutely concerned about preventing persons from reaching the condition of financial dependency and views the 90–10 ratio as effectively hindering the development of programs with this goal. We fully endorse Section I.

Section II.—We agree that Congressional intent was ignored by the Department of Health, Education and Welfare in its definitions of non-recipient eligibility for social services, and, as a consequence, that congressional action is justified to correct the situation. As with the legislatively established 90–10 ratio, the past and potential recipient defintions preclude States from providing services to the substantial population which is at-risk of joining the public assistance roles. The impact of these definitions on existing service consumers has been well documented and it is devastating. Our preference, however, would be for a return to the existing definitions of the past and potential categories with Federal financial participation at the 75% level. We endorse your direction in Section II but have trouble pin-pointing the rationale for a reduced level of Federal financial participation for particular sub-categories of past and potential recipients. Should our preference not be obtainable, we would consider your proposal to be a reasonable and desirable compromise.

Section III.—Adoption of the proposed social service regulations would have a tragic impact on the effective relationship developed over the years between the public and private sectors, and more importantly, on people in need of the products of those relationships. Critical to the continuation of this relationship is Federal acceptance of private funds and in-kind services as the State's share of the program costs. To the extent that Section III would achieve that end, we endorse it.

Although adoption of H.R. 4404 would contribute significantly to enabling Pennsylvania to fulfill its social service obligations to its citizens, the legislation does not, or cannot, address all of the repressive characteristics of the current proposed social service regulations. Those have been enumerated in letters from Governor Shapp and Secretary Wohlgemuth to Caspar Weinberger, Secretary of Health, Education and Welfare and Philip Rutledge, Acting Administrator of the Social and Rehabilitation Service. I am enclosing copies of these letters for your review and trust that you can, and will, support our effort to secure constructive, consumer-oriented regulations.

Thank you for taking the initiative to improve the ability of Pennsylvania, and other States, to respond intelligently and meaningfully to the needs of their least advantaged populations. We are anxious to work with you toward that end.

Sincerely yours,

JEFFERY N. BALL.

THE LIBRARY OF CONGRESS,
Washington, D.C., May 7, 1973.

LEGISLATIVE REFERENCE SERVICE
To: Honorable Fred Rooney.
From: Education and Public Welfare Division.
Subject: Analysis of H.R. 4404, a bill amending the limitations on Federal funding of social services.

This is in response to your request for a section-by-section analysis of your bill H.R. 4404 which would eliminate some of the restrictions currently imposed by law or regulation on the Federal funding of social services under the welfare titles of the Social Security Act.

Section 1

Section 1130(a) of the Social Security Act provides, in part, that at least 90 percent of the Federal funding provided to match each States' expenditures for social services (other than certain types of services specifically exempted from this restriction) must be used for services to actual (rather than former or potential) applicants for or recipients of assistance under the Act's public assistance titles (I, IV, X, XIV, and XVI). Section 1 of H.R. 4404 would eliminate this restriction on the extent of Federal funding of social services for former and potential recipients.

Section 2

The public assistance titles of the Social Security Act (I, IV, X, XIV, and XVI) authorize Federal matching for social services provided to individuals who are likely to be applicants for or recipients of assistance "within such period or periods as the Secretary may prescribe." Section 2 of H.R. 4404 would add a new section 1131 to the Social Security Act requiring that the periods so prescribed by the Secretary of Health, Education, and Welfare be not less than 1 year in the case of services subject to 75 percent Federal matching and not less than 2 years in the case of services subject to 50 percent Federal matching.

Section 3

Section 3 adds a new section 1132 to the Social Security Act which would specifically authorize the use of donated private funds or in-kind contributions as the States' share in claiming Federal matching for expenditures under the various programs funded under the Act. (Note: This section is apparently intended to offset a proposed regulation, which has now been modified, which would have prohibited any use of donated private funds for the State matching share of social service costs. The provision of H.R. 4404, is, however, not restricted to social services but would appear to apply to any State matching requirements under any of the provisions of the Social Security Act.)

Section 4

Section 4 of H.R. 4404 is a technical section to make the provisions of section 2 of the bill conform to the changes in the Social Security Act as of January 1, 1974 under Public Law 92-603. (On that date, the State administered social services and cash public assistance programs for the aged, blind, and disabled under titles I, X, XIV, and XVI of the Act are replaced by a new State administered services program under title VI and a basically Federal income maintenance program under a completely redrawn title XVI.)

JOE HUMPHREYS.

[H.R. 4404, 93d Cong., first sess.]

A BILL To amend section 1130 of the Social Security Act to repeal the provision presently limiting to 10 percent the portion of the total grants for social services paid to a State which may be paid with respect to individuals not actually recipients of or applicants for aid or assistance, and to amend the public assistance provisions of such Act to specify the minimum periods within which an individual (not receiving aid or assistance) must have been or be likely to become an applicant for or recipient of aid or assistance in order for expenditures for services provided to him to qualify for Federal matching

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1130(a) of the Social Security Act is amended by striking out "shall be reduced by such amounts as may be necessary" and all that follows and inserting in lieu thereof the following: "shall be reduced by such amounts as may be necessary to assure that the total amount paid to such State (under all of such sections) for such fiscal year for such services does not exceed the allotment of such State (as determined under subsection (b))."

SEC. 2. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"MINIMUM PERIODS RELATING TO FEDERAL PARTICIPATION IN CERTAIN EXPENDITURES FOR SERVICES

"SEC. 1131. (a) The period prior to any calendar quarter which is prescribed by the Secretary under section 3(a)(4), 403(a)(3), 1003(a)(3), 1403(a)(3), or 1603(a)(4) as the period within which an individual (not actually applying for or receiving aid or assistance) must have been an applicant for or recipient of aid or assistance under the applicable State plan in order for payment to be made to the State under such section on account of expenditures in such quarter with respect to services provided to such individuals shall be not less than—

"(1) 1 year for purposes of subparagraph (A) of such section, or
"(2) 2 years for purposes of subparagraph (B) of such section.
"(b) The period following any calendar quarter which is prescribed by the Secretary under any such section as the period within which an individual (not actually applying for or receiving aid or assistance) must be likely to become an applicant for or recipient of aid or assistance under the applicable State plan in order for payment to be made to the State under such section on account of expenditures in such quarter with respect to services provided to such individual shall be not less than—
"(1) 2 years for purposes of subparagraph (A) of such action, or
"(2) 5 years for purposes of subparagraph (B) of such section."
(b) Section 3(a) (4) (iii) and (B), 403(a) (A) (ii), 1003(a) (3) (A) (iii) and (B), 1403(a) (3) (A) (iii) and (B), and 1603(a) (4) (A) (iii) and (B) of such Act are each amended by striking out "within such period or periods as the Secretary may prescribe" and inserting in lieu thereof "within such period or periods as the Secretary (subject to section 1131) may prescribe".
SEC. 3. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"PRIVATE CONTRIBUTIONS MAY REPRESENT THE STATE'S SHARE"

"SEC. 1132. (a) Donated private funds or in-kind contributions may be considered as the State's share in claiming Federal reimbursement."
SEC. 4. Effective January 1, 1974—
(1) section 1131(a) of the Social Security Act (as added by section 2 of this Act) is amended by inserting "603(a)(1)," after "403(a)(3),";
(2) section 1131 of such Act (as so added) is amended by striking out "aid or assistance" each place it appears in subsections (a) and (b) and inserting in lieu thereof "aid, assistance, or benefits"; and
(3) subparagraphs (A)(iii) and (B) of section 603(a)(1) of such Act are each amended by striking out "within such period or periods as the Secretary may prescribe" and inserting in lieu thereof "within such period or periods as the Secretary (subject to section 1131) may prescribe".

U.S. SENATE,
Washington, D.C.

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

DEAR MR. CHAIRMAN: As I am sure you know, the new social service regulations announced April 26 by Secretary Weinberger are expected to have a significantly adverse effect upon my constituents in the State of Texas. While these new regulations are an improvement over the earlier proposals, they require a much more complex documentation of an individual's eligibility for social services for federal financial participation and more narrowly define persons eligible for services.
Enclosed is a statement prepared by Governor Dolph Briscoe illustrating the problems anticipated by these new regulations. Of particular concern to me, however, are the restrictions placed on child welfare and protective services for children. The new regulations will have the effect of cutting staff and services by approximately fifty percent for non-AFDC related children's protective services. Abandoned, abused, neglected and battered children are certainly not limited to low-income families. Experience has shown that children from all segments of our society are in need of protection. It is, therefore, my firm conviction that children should not be denied protective services on the basis of financial status.
I urge you and the members of the Committee on Finance to give this matter most careful reconsideration in your deliberations on social services.
Sincerely yours,

JOHN TOWER.

STATEMENT ON THE SOCIAL SERVICES REGULATIONS (45 CFR, PART 221), BY HON. DOLPH BRISCOE, GOVERNOR OF TEXAS

The HEW news release announced by Caspar Weinberger on April 26, 1973, suggested that the new social services regulations are intended "to get families off the welfare rolls and onto the job rolls—and keep them there." Furthermore, Mr. Weinberger implied to the Revenue Sharing Act provided a "legislative

mandate" to limit the availability of such services. He expressed the opinion that "these regulations will not force any low income family back onto welfare because of child day care expenses." Finally, he said the regulations will carry out both the intent of Congress and "the directions of the President" that social service programs be focused directly on those most in need.

Unfortunately, an analysis of the impact these regulations will have on Texas social services programs illustrates that Mr. Weinberger's evaluations are incorrect. Although the final regulations are an improvement over the proposed regulations which were published in the Federal Register on February 16, 1973, they are still a giant step backward. Contrary to the statement made by Mr. Weinberger, these regulations will restrict the availability of social services for many needy Texans and will force many low income families and individuals back onto the welfare rolls. In addition, the regulations will increase administrative red tape and expenses beyond the level reasonably necessary to assure efficient, effective administration of the social services programs. It is highly doubtful that Mr. Weinberger correctly interpreted the intent of Congress if he really believes these regulations reflect that intent.

The problems these regulations will create are more fully described and illustrated by the following comments:

I.

The definitions of eligible individuals in the final regulations are a slight improvement over the proposed regulations, but they remain incredibly restrictive. If, as Mr. Weinberger said the purpose of social services is to get people off the welfare rolls, these regulations fail miserably to achieve that goal.

For instance, in Texas, the AFDC payment level for a family of four, with no income, is $140.25 per month. In order to be eligible for free social services as a *potential* recipient, the family could have income of no more than 150% of that level, namely *$210 per month*. The family could have income up to 233¼% of that level (i.e., $327 per month) and receive social services in the form of day care, provided they paid an increasingly greater share of the cost of such care when their income went over $201 per month.

By way of contrast, if a family is receiving AFDC they are entitled to an income disregard for earned income. The first $30 of earned income and ⅓ of the balance may be disregarded in determining the amount of an assistance grant. In addition, some of the expenses of earning the income (including the cost of day care) may be deducted before the amount of the grant is established. But there can be no income disregards in determining eligibility for social services as a *potential* recipient. This, a working mother of three not on welfare and earning $328 per month would not be eligible for social services (even day care). On the other hand, an AFDC recipient could go to work and earn up to $349, continue to receive a small AFDC grant and also be eligible for social services (including day care) and Medicaid coverage at no cost to her. Needless to say, the excessivley restrictive financial eligibility criteria for potential recipients are counter-productive.

The following are examples of cases which were qualified under previous regulations as potential recipients of assistance and therefore eligible for day care. Each received day care for all children in the family at a cost of $147.68 per month per child, which was paid by the Texas DPW day care program.

Mrs. B.—Works five days a week in hospital making $276 a month. Has never received AFDC. Has three children, ages 1, 5 and 6. Cared for by grandmother until she was forced to go to work to maintain her own home. Mother pays fee of $2.00 per week. Would have to quit her job and go on AFDC if this care were not available.

Mr. and Mrs. P.—Have three children, ages 2, 4 and 5. Mother has Muscular Dystrophy and cancer. Requires hospitalization. Father has job paying $5,500 per year, but was forced to stay off job to care for children until day care could be arranged. Never received AFDC. If day care had not been arranged, this man would have lost his job.

Mrs. J.—Has three children, ages 2, 4 and 8. Mother never married. Works 9:00 to 5:30, five days a week as clerk at department store. Earns $320 a month. Never received AFDC. Her job was threatened because of irregular attendance resulting from unstable child care plan prior to day care placement. She pays about $4.00 per week for care of her children in a day care center. She would have been fired if her work attendance had not improved after placement of children.

Mr. and Mrs. E.—Have six children, ages 1, 3, 4, 5, 7 and 8. The father is emotionally ill and in and out of home. The mother is employed as a barber, making $134 a week. This family formerly received AFDC. If the mother had to quit work to care for children, the family would have to go back on AFDC.

Mrs. L.—Has four children, ages 2, 5, 6 and 7. She is separated from her husband and has trained under the WIN program. She is employed in a hospital at $350 a month. She will have to return to AFDC rolls if child care at minimum fee is not available.

The financial eligibility criteria for potential recipients are equally counter-productive in the adult categories. Since Texas cannot supplement SSI payments, no aged, blind or disabled individual can be considered a potential recipient unless his income is less than $195 or less than $292.50 for a couple. If services such as chore services and homemaker services were more widely available, many of the elderly and disabled poor could be kept out of nursing homes and other institutions, ultimately reducing the expenses of Medicaid programs. Without the availability of such services, many of the elderly poor are forced into nursing homes at tremendous expense to the State and Federal government.

In addition to the financial eligibility criteria, other requirements of eligibility are excessively restrictive and self-defeating. For instance, to be eligible for social services as a potential recipient, a person or family must have a problem which, if not corrected, is likely to cause them to become recipients within six months. At that point it is frequently too late to expect social services to have any viable preventive function. Under this requirement an elderly person must be 64½ years old before he can be eligible for any services as a "potential."

This six month time period is especially absurd in regard to family planning services. How can a woman of child-bearing age who is not pregnant and has no children be provided family planning services? She cannot become a recipient within six months, and therefore she is ineligible to receive family planning services as a potential recipient prior to pregnancy. The time limits for eligibility as a former recipient are also restrictive. Only limited kinds of services may be provided to former recipients for three months after they leave the rolls. Such restrictions are certain to assure that many of those getting off of welfare will be forced to return.

Another eligibility requirement to qualify for services as a potential recipient is that available resources not exceed permissible levels for financial assistance. This requirement is an administrative nightmare, but more than that it is analogous to allowing a drowning man to go under for the third time before pulling him out and giving him oxygen.

II.

Not only are eligibility requirements unduly restrictive, but also the types and scope of services which may be provided are very limited compared to those permitted under previous regulations. Although the Revenue Sharing Act (P.L. 92-512) indicated Congressional intent that a substantial effort be made to meet the needs of the mentally retarded, the alcoholic and the drug addict, the range of services available under these regulations is not of significant help to these groups of people and their problems.

In many instances the services described are limited to referring people to other systems (e.g. education, health, employment, etc.), even when the other systems are incapable of handling the volume or types of people being referred. Many of the services which could help keep people from becoming recipients have been eliminated or restricted by the new regulations. They include such services as character building out-of-school programs for pre-teen children; child guidance clinic services for disturbed children; half-way houses for alcoholics and drug addicts; self-care training for the retarded; and, programs for pregnant teenage girls which permit them to learn child care, develop vocational skills, continue their education and otherwise better prepare themselves to meet their responsibilities as mothers.

The regulations also eliminate the availability of Title IV-A funds for non-AFDC child welfare services. Although the authorized level of funding for such services has been increased under Title IV-B, those funds have not been appropriated. Consequently, the new regulations have the effect of eliminating staff and services by approximately 50% for non-AFDC children's protective services. In Texas this amounts to a loss of approximately $3.5 million in Federal funds.

The limitations on eligibility, the exclusion of certain services and the restrictive definitions of other services, particularly educational services and services for the mentally-retarded, will have a significant impact on social service programs in Texas. These new regulations will probably result in a total loss to Texas of more than $50 million in Federal funds next year. Such a loss will obviously affect significant numbers of people. Precise estimates of the numbers affected are not yet available; however, the following estimates are representative of the numbers of

persons who will be deprived of services due to these new and more restrictive regulations. Services to the mentally-retarded and mentally-ill will be drastically curtailed. The best estimates available indicated that 17,649 persons receiving services for the mentally-retarded will no longer be eligible for such services. Likewise, 23,693 individuals will no longer be eligible to receive mental health services. Furthermore, initial estimates indicated that vocational educational services will no longer be available to some 3,562 previously eligible persons. Social services to families, including home management and certain other functional educational services directed at maintenance of the home will not be available to some 16,319 persons. Delinquency prevention services will not be available to an estimated 6,828 children and some 110,000 children have received licensing services which will not be available under the new regulations. Furthermore, the new regulations affect foster care services to 3,700 non-AFDC related children and protective services to approximately 50,000 non-AFDC children. Approximately 4,250 persons will not be eligible for family planning services. Information and referral services, whereby persons are advised of and directed to other community resources will affect some 22,290 persons.

III.

In addition to defining eligibles so restrictively that it is more profitable for them to remain on the welfare rolls, and reducing the effectiveness of social services by narrowly defining the services available, the new regulations also increase the bureaucratic red tape and administrative expenses of providing such services. The eligibility determination process is as rigorous, and therefore will be as costly, as an eligibility determination for a grant of assistance. Especially time-consuming is the matter of checking resources other than income. Such requirements prior to delivery of services create unnecessary administrative obstacles to the provision of needed services. They will cause delay to recipients and reduce the time available to staff for service functions. In some instances, such as in the provision of emergency and protective services, any delay will effectively eliminate the benefits such services are intended to provide.

The administrative paperwork required by these regulations, particularly in the individual determination of eligibility, is difficult to reconcile with the statutory criterion of administrative efficiency. The accountability and effectiveness of social service delivery can be assured much more efficiently and with much less red tape than these regulations create.

Numerous legal objections can and have been made against these regulations. It has been said that various provisions contravene the letter and spirit of the Social Security Act, the Revenue Sharing Act (P.L. 92-512) and other indications of Congressional intent. When these regulations were published in proposed form, a record number of comments were made. According to HEW, 208,515 comments were received from 198,759 individuals and organizations. Despite this unprecedented response, the changes made by the present Administration have been minimal. In most cases, the changes have been piecemeal and quantitative rather than qualitative in nature. In short, the final regulations are overly restrictive, and they will reduce the effectiveness of social services programs thereby defeating the purposes of previous Congressional enactments.

STATE OF WASHINGTON,
OFFICE OF THE GOVERNOR,
Olympia, May 14, 1973.

Hon. RUSSELL B. LONG,
Old Senate Building, Washington, D.C.

DEAR SENATOR LONG: The members of the Senate Finance Committee and yourself as Chairman are to be commended for your continuing concern with social services to our citizens and the time and energy you are devoting to the new HEW social service regulations.

The social service regulations being proposed by the Department of Health, Education and Welfare appear intended to define a program content that would remain within Congressionally established expenditure ceilings and assure more specific fiscal and activity control. The new regulations evidence the good faith with which HEW has worked with the states and represent a major and responsible step forward from the earlier draft of such regulations.

However, I should like to suggest for the consideration of the Senate, a somewhat different approach to the problem. In order to maximize from available

funds the dollars allocated for direct services, I strongly urge that the present system of Federal matching and tight Federal mandating of social services be replaced by a special program of revenue sharing in the social service area. The intent and general guidelines for such a revenue-sharing program should be clearly stated and the states should be required to provide sufficient data on experience and expenditures for program evaluation and financial accountability. Within this framework each state should be free to prioritize its expenditures in terms of its own social problems and objectives and to implement such innovations in program content and objectives as in its judgment appear necessary or desirable. The amount of Federal funding for any specified period would still be limited by the ceiling established by Congress and by a formula for allocating funds to each state. As an interim step, Congress might wish to use a block grant approach to assure appropriate emphasis on such important areas as the six already defined by Congress in its social service legislation of 1972.

If neither of the foregoing alternatives can be implemented promptly, I am concerned that some portions of the proposed regulations you are now reviewing impose unnecessarily detailed Federal restrictions on the administration, operation and content of state programs and could necessitate diverting already scarce resources to essentially unproductive activities.

In addition, the regulations could, at least in the State of Washington, and I am sure in other states as well, involve changes in state priorities and affect the quantity and/or quality of social services provided. Conditions and alternatives vary by state. In some geographical areas, problems may have become so acute that at best only services to mitigate the worst crises or to provide some sort of treatment can be practicably mounted. In other areas, where substantial remedial efforts have been productive, greater emphasis on prevention might justify a higher priority. The states should have the opportunity and authority to make optimum use of the Federal and state resources available in meeting their particular complexes of problems.

Some of my more specific concerns about the proposed regulations are:

(1) The narrow and specific time limits on the definitions of *former and potential recipients* and the fixed income ceiling for eligibility will contribute to serious "notch" problems with which this Committee is all too familiar from its consideration of welfare reform. As you are aware, "notches" can contribute materially to continued dependency, and can be counter-productive from the standpoint of preventive measures. Additionally, the restrictive definition of former and potential recipients appears to contradict specific Congressional intent, in that Congress intended to allow broad preventive and ameliorative use of funds in the six categories "exempted" in the 1972 legislation, categories such as drug abuse, alcoholism and so forth, by allowing former and potential eligibility for services in these areas. The harshly restrictive definition of the regulations frustrates that intent and severely limits these very needed services.

(2) The definition of mentally retarded is unduly restrictive. At a time when progress is being made—at least in the State of Washington—in retaining and maintaining the mentally retarded in the community, eligibility for the needed services should not be curtailed.

(3) Applicability of rigid eligibility restrictions to *alcoholics* and *drug abusers* is unacceptable since it is essential that no deterrent for service in these areas be created lest the problems become cumulative and more critical. In addition, these services must be clearly and explicitly matchable.

(4) The *target area concept* is retained only for certain mentally retarded individuals and for day care services to migrant workers and for these groups, only until January 1, 1974. Elimination of the target area concept would significantly restrict eligibility among minority and other disadvantaged groups as well as increase administrative costs. In the State of Washington the impact may well be most severe on Indians and migrant Chicanos, both critically in need of services.

Basically, I recommend that Federal social service regulations be limited to those definitions and constraints mandated by Congress in present law and to such requirements for accountability and evaluation as will permit objective evaluation of state programs by the Congress and the Department of Health, Education and Welfare.

I assure my support and that of my staff in working further with the Congress and HEW in developing workable regulations. We will assist in any way possible toward the more definitive solution of a much needed revenue sharing approach to social services.

Sincerely,

DANIEL J. EVANS, *Governor.*

Testimony Submitted for the Record by Governor John A. Burns, State of Hawaii

On May 1, 1973, the U.S. Department of Health, Education and Welfare formally published its regulations for Service Programs under Titles I, IV, X, XIV, and XVI of the Social Security Act. The HEW rationale for this particular set of program regulations is to effectuate fiscal control and effective program management over the social service program. HEW was, according to Administration statements, responding to Congressional intent as expressed in Title III of the General Revenue Sharing Act passed last year and other related legislation.

It is my distinct feeling that Administration statements about the new regulations are not borne out by facts. Because of their restrictiveness, awkwardness, and inequity, the regulations seem sure to deter the development of social service programs. The effect of these regulations is really to impound Congressionally-approved funding through administrative manipulation of program regulations. The impact on the State of Hawaii is a good case in point:

The State has engaged over the last year in a special project designed to develop and implement a program of social services utilizing Title IV-A and XVI funding. We had decided, despite being discouraged by HEW because of the lack of Federal regulations over several preceding years, that the State should utilize these funding sources to expand child day care, foster care, services to the mentally retarded, family planning and other social services.

We developed a program of social services which will significantly expand the scope of services and the numbers of clients served. Our proposed program is without question an expansion program. There is no supplanting or refinancing of state monies with federal monies.

We have also developed an administrative and fiscal structure to run the program which will guarantee accountability to the State and Federal governments. After all, Hawaii must underwrite a significant portion of the costs so there is every incentive to effectively and carefully design this program.

In terms of the needs of the citizens of the State, we feel the expanded program is very responsive. In terms of the procedures and methods which would normally be expected, we feel our approach and procedures are in many respects models to be followed by other states. In terms of the intent of the Social Security Act, we have responded both to the letter and the spirit of the law.

Unfortunately, this carefully developed program cannot be put into effect. The regulations as promulgated by HEW do not allow funding significant portions of the program.

Because the problems with this particular set of regulations and the Administration's posture have been subject to much debate and dispute over the past year, I do not feel it necessary to again catalogue the long list of what we feel are inequities and arbitrary restrictiveness. Suffice it to say, the regulations are unduly restrictive in the following areas: Eligibility standards, eligibility determination, service definition.

Furthermore, we take particular exception to the "new money" concept imbedded in Section 221.54(b)(3) of the new regulations. This section provides that services can be purchased, and Federal matching will be available, only to the extent of increased expenditures as compared with fiscal 1972 expenditures by the provider agency; over the succeeding four years based on a formula, this requirement is phased out. Section 1117 of the Social Security Act, which originally authorized such maintenance of effort provisions, was specifically repealed by the 1967 Amendments to the Social Security Act. By this repeal Congress clearly removed and denied authority to impose such restrictions. The proposed regulations seems a thinly-veiled attempt to accomplish by regulation a maintenance of effort provision, couched in slightly different terminology but designed to accomplish the same effect which Congress has specially mandated against.

HEW claims that their analysis of social service funding in fiscal 1972 shows that "purchases by the welfare departments from other State agencies accounted for 80 percent of the 1972 increase in Federal-matched social services costs. The States were refinancing otherwise totally-State supported activities of their education, mental health, mental retardation, corrections, and health departments, calling them social services, and then seeking 75 percent reimbursement from the Federal government. The new regulations are designed to slow down the refinancing and assure that any growth in service expenditures represents a true growth in services."

I do not believe the regulation will do what the Administration says. Instead, the regulations will prevent more than 20 states (see attached list) not participating in the social services program prior to February 16, 1973, from significantly expanding their services; in the case of Hawaii, the regulations will cut out

approximately half of the proposed funding of social services although the program is without question an expansion program. At the same time the regulations leave untouched all ongoing programs in other states which have been refinanced.

In sum, the "new monies-new services" provision of the regulations creates inequities in access to social service funding. This is apparently in violation of the equal protection provisions of the Fourteenth Amendment of the U.S. Constitution and provides the basis for injunctive relief through legal actions pursued in federal district court.

HEW publicly claims that the "new monies" measure will save $225 million of the $2.5 billion authorized and appropriated by Congress last year under Title III of the General Revenue Sharing Act. These regulations seem sure to essentially impound funds and render the current social service program inoperable.

In the last year, our State Director of Social Services and Housing has had to spend considerable time in Washington working with other public welfare directors in attempting to restrain HEW from promulgating restrictive welfare regulations. He believes along with many other state welfare directors that enough time has been spent in meetings and negotiation trying to cooperatively improve the Federal-State welfare program. The consensus now is that the Administration has forsaken its efforts to achieve welfare reform and is instead moving to retrench the program by restrictive and regressive administrative procedure.

We are somewhat perplexed at recommending a course of action to you and your colleagues. On the one hand, we feel there is sufficient legislation already concerning the social service program. Normally, the legislature leaves to the discretion of the executive the implementation of legislation. In this case the executive is misusing that authority in an effort to serve its own ends. It is unclear whether legislation such as the proposals of Congressman Ogden Reid and Senator Walter Mondale legislating social service regulations will end these efforts.

At a minimum, we would support legislative relief, particularly in the areas of new money, eligibility standards, eligibility determination, and service definitions. The purpose of the relief should be to insure the states' access to the $2.5 billion allotted by Congress. If successful, a serious Constitutional confrontation can be avoided. If this approach fails, the affected parties will have to enter court and seek an injunction forcing the Administration to operate within the bounds of existing laws.

STATES ADVERSELY AFFECTED BY NEW MONEY CONCEPT

Arizona, Arkansas, Hawaii, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Missouri, Montana, Nebraska, Nevada, New Hampshire, North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Utah, Virginia, West Virginia, Wyoming.

STATE OF CONNECTICUT,
EXECUTIVE CHAMBERS,
Hartford, May 9, 1973.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
New Senate Office Building, Washington, D.C.

DEAR MR. VAIL: On April 26, 1973, the Department of Health, Education, and Welfare announced final regulations governing social services programs for families and children (under Title IV of the Social Security Act) and services programs for aged, blind and disabled persons (under Title I, X, XIV, and XVI of the Act). Federal requirements governing the purchase of services by public welfare agencies (as authorized by the 1967 amendments to the Act) are also included in these new regulations.

I have been waiting two years for such a change in the social services regulations that had made welfare an attractive alternative to working. It has long been my contention that the previous social services regulations were too vague and too wide open, thus allowing the states too much leeway in deciding who could be included in their social service programs and what services could be provided.

This was especially true in the case of determining who were the former and potential recipients that could be included in these programs. There was also no clear definition from HEW as to what were the services that would be reimbursable under the purchase of services arrangements.

Because of the vague nature of the old regulations, abuse resulting from liberal interpretations by the various states was widespread. This permitted the states to greatly expand the concept of welfare (that is the provision of free social services) to include many people earning income far beyond recognized public assistance income levels.

Thus, a second level of welfare recipients was created, a level made up of people who would become dependent on the government for services they could afford to pay for themselves. And so, nationwide costs skyrocketed from millions to billions of dollars within a short period of time when these new definitions of eligible recipients included persons who might be former or potential recipients.

Finally, in order to halt the alarming increase in the cost of social service programs, the Congress enacted legislation that would limit the amount that the Federal government would pay the states, and directed the Secretary of Health, Education, and Welfare to draft new regulations to govern the reimbursement for services. These new regulations which were issued last month contain two features that I think are quite important.

First, they define more clearly what services the states can provide for former and potential recipients. And second, they wisely limit the eligibility requirements for persons classified as the former and potential recipients who are able to take advantage of free services. This will assure that services will be provided for those in real need but not for those who can afford to pay for them. I think that these are major improvements over the old regulations.

The goal of President Nixon's administration on the national level, as is the goal of my administration in Connecticut, is to decrease dependency and to stimulate self-sufficiency among welfare recipients. We are trying to make working moms out of welfare moms. Because of this I am extremely pleased that the new social services regulations, while tightening up on most of the old policies, will still continue to subsidize and even expand child day-care programs to help welfare and low-income families to find and keep jobs. And the fact that such services will be provided to recipients on a sliding fee scale based on their ability to pay will go a long way to stimulate self-sufficiency. This is a most important program that will contribute significantly to the independence of those people who cannot afford to pay for such services.

Therefore, I ask that you include this statement in the printed record of the hearings. I give my unqualified support to these new social services regulations not only as a concerned citizen, but also as the representative of the opinions of the vast majority of the people of Connecticut.

I believe that this new direction being taken by President Nixon and Secretary Weinberger demonstrates to the American people that they can administer welfare programs with compassion while showing a real concern for fiscal responsibility. The American people are beginning to see a more sane, sound and sensible approach to solving the problems of the needy. The poor and disadvantaged need and deserve our help, and the taxpayers need and deserve our adherence to sound fiscal policies.

I ask that you consider these opinions as you review the new regulations.

With best wishes,

Sincerely,

THOMAS J. MESKILL,
Governor.

TESTIMONY OF HON. MILTON J. SHAPP, GOVERNOR, COMMONWEALTH OF PENNSYLVANIA

Pennsylvania is pleased to have the opportunity to add its voice to those of other States and organizations in commenting on the new social service regulations promulgated by HEW on May 1. We have no quarrel with the goals of self-sufficiency, self-support nor with the fiscal accountability provisions. It is the circuitous, tortuous, and expensive path chosen by HEW to reach those goals and the needy people who will not be served that are the basis of our disagreements. We also believe that restrictions in the regulations which will bar people from services go beyond congressional intent.

The regulations will make it impossible to spend up to the 2.5 billion ceiling. Congress's commitment to social services is clear in the record. Congress's willingness to have the States spend up to the ceiling also seems clear. HEW's regulations are clear—they make spending up to the ceiling impossible to achieve. It appears to us in Pennsylvania that not only does HEW not hear our voice, but it also has shown its reluctance to listen to Congress.

More importantly, however, is the effect of the new regulations on people and on the services people need.

The elderly, for example, are severely affected by the regulations and by the 90/10 provisions of the Revenue Sharing Act. We in Pennsylvania are committed

to encouraging care and self-sufficiency outside of institutions. The 80 year old woman, living on social security and support from her children relies on home health care and the daily visit of the meals on wheels for her nutrition, will be forced out of her home and into a nursing home when these programs are discontinued.

The Congress I know has not turned its back on this elderly woman and others like her, nor has Pennsylvania. Congress in 1956 amended the Social Security Act to encourage the states to provide services to the elderly on assistance and to those in danger of becoming dependent. That commitment has since been reinforced by other congressional acts. Pennsylvania has also acted to help its elderly citizens by providing them property tax relief and by developing innovative programs such as meals on wheels, nutrition programs, socialization and "Late Start" centers, homemaker services, transportation and educational services. These programs have all been directed at those already on assistance or *likely to become dependent.* Because of the new regulations, we are all but precluded from serving many who are likely to become dependent, by far the largest group among the elderly, a group we were able to serve under the former regulations particularly after the 1967 amendments.

The White House conference on the aging raised the hopes of many older people with its recommendations encouraging a wide and adequate range of services for the elderly to enable them to live decent and dignified lives in their own homes. These recommendations incidently were wholly endorsed by the President. The regulations proposed by HEW bear little relation to the recommendations of the White House conference except to preclude us from further implementing programs for the elderly.

Many foes of welfare and social service spending are fond of referring to the "worthy poor." They generally include the elderly in that category. There are very few cases of abuse of the old age assistance category. If anything, it is probably the most underutilized of any assistance category. For reasons of pride, or tradition or other considerations many elderly people choose to cling to a borderline existence rather than to accept cash assistance. It is these people we are cutting off from the services they so desperately need. Keeping these people in the community is important both to them and to us who live there. We damage ourselves, and we damage them, when we place them in institutions instead of investing the few dollars it takes to keep them at home. HEW says that they have made no cut in the 2.5 billion dollar ceiling on social service expenditures. This is not so. They have so severely limited eligibility as to make that 2.5 billion dollar figure merely wishful thinking. If you in Congress indeed intend that 2.5 billion dollars be spent on social services, then you must act legislatively to forestall these regulations.

We are only beginning to realize the full impact of these regulations in Pennsylvania. At first glance they appear to be much less damaging than those proposed in February. The proposed regulations were obviously restrictive; the final regulations are insidiously restrictive. For instance, it appears superficially that services to the mentally retarded are restored, but on closer reading we find that the definition of "Retarded" restricts service to only the most severely and permanently retarded. In other words, those capable of being rehabilitated cannot be served.

We hear from HEW that these regulations are designed to allow maximum flexibility in developing our own social service programs. If you have ever seen what happens to an uncooked spaghetti noodle when it's bent, you can appreciate just how much flexibility we will have in our social service program if these new regulations become effective in this form on July 1.

How much flexibility can there be when you are told who you can serve, what you can do, how little you can provide and how much you can spend with no exceptions? You in Congress exempted certain groups and services from the 90/10 limitations last year. These included the mentally retarded, drug addicts and alcoholics, family planning, day care and foster care. The new regulations ensure that exemptions or no exemptions these groups and services will be just as restricted as all the others. We are only now beginning to assess the administrative implications involved in the massive redeterminations of eligibility for all those now receiving social services. The cutbacks and restrictions in our day care program are difficult to digest.

There are many other areas and items which we could address, but you have been fortunate to have input and comments from distinguished spokesmen for family planning, the aged, the mentally retarded, welfare administrators and recipients as well as from representatives of all levels of Government, and I

could add little to what they have already told you. It is clear to us in Pennsylvania that unless Congress acts promptly these regulations will indeed become effective on July 1. Much, if not most of the good which has been done, planned or could be done in social services will be undone or will die on the drawing board. And we will all lose because of it—you in Government in Washington, we in Government in Pennsylvania and most importantly the people we both are dedicated to serve and who depend on our judgment.

OFFICE OF THE MAYOR,
Jacksonville, Fla., May 2, 1973.

Hon. LAWTON CHILES,
U.S. Senate,
Washington, D.C.

DEAR LAWTON: I would like to take this opportunity to express my support for legislation of the pending House Bill (HR5626 sponsored by Representative Ogden Reid) and Senate Bill (S1220 sponsored by Senator Walter Mondale).

In particular, we support the many Senators and Congressmen who have filed legislative remedies for the regulations and we concur in the statements of the American Public Welfare Association and the Washington Research Project. We join in the opinion that the regulations have the effect of "impounding" at least 1 billion dollars of the authorized 2.5 billion funds and that these funds can be made available by issuing regulations that reflect the intent of the Congress.

The Public Housing administering agencies that have been able to bring social services to their residents by matching local and HEW funds will be severely handicapped by the new regulations, and we recommend the detailed changes cited below.

Our major recommendations, however, is retention of the past policy on services—which the new legislation does not affect in any way: the proposed regulations on eligibility are outside the stipulations of the legislation. In the case of public housing, past regulations made all public housing tenants eligible for services on a group basis. Under the proposed regulations, only welfare recipients (former, present, and potential) are eligible, with definitions of former and potential so confining that local public housing administering agencies would face extreme administrative hardships in following them, plus cutting off thousands of families from the services. We propose that the definitions of "former" and "potential" not be changed; that they remain as they were in the previous regulations.

It is our position that giving public housing residents group eligibility would cut down administrative costs dramatically, releasing such funds for badly needed services. By definition, all public housing residents are low-income families. Their income status is verified before they are eligible to move into public housing and there is a periodic reverification required for continued occupancy. Thus, by accepting all residents as a group because of their already certified low-income status, the whole elaborate eligibility process established in the regulations is obviated. We strongly urge that the regulations in effect as of the first of the year continue in effect and that the limitations imposed in the proposed regulations be dropped on the basis that they overreach the requirements of the law and violate the intentions of the Congress.

Additional recommendations are:

1. That the reexamination period for individual service plans be extended to one year to allow agencies time to do more than write and rewrite plans.
2. That the regulations on matching contributions restore the eligibility of private donations; that the use of in-kind contributions be accepted as a federally matchable share; and that these in-kind contributions may be applied against a total services program rather than matched to individual components of the program.
3. That, under optional services, there be included health related services, housing improvement, educational services, special services, employment, and day care.

Since the City of Jacksonville operates public housing, these matters are of great concern to us here. I would appreciate any assistance you can provide in connection with the services that are so badly needed for our indigents.

Sincerely,

HANS G. TANZLER, Jr., *Mayor.*

STATE OF UTAH,
OFFICE OF THE GOVERNOR,
Salt Lake City.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I wish to comment on the May 1 HEW Social Services regulations.

I appreciate that some changes were made in the new regulations, such as allowing use of private donated funds for the State's share in obtaining Federal reimburseemnt on services.

However, it appears generally that the new regulations continue to be overly restricted in nature. I have no problem with the heavy emphasis placed on the self-support goal, but I do have problems with the numerous new restrictions which make it extremely difficult for us to develop and carry out comprehensive prevention programs in the State of Utah.

The attached material itemizes my various concerns with these regulations and provides two examples of preventive programs which may be restricted.

I would also like to take this opportunity to urge removal of the statute requiring that 90% of Social Service funds be for present welfare recipients. This provision restricts our best efforts to prevent dependency on the system.

Thank you for the opportunity to submit comments on this important matter.

Sincerely,

CALVIN L. RAMPTON, *Governor.*

COMMENTS ON HEW SOCIAL SERVICES REGULATIONS, PUBLISHED MAY 1, 1973, STATE OF UTAH, MAY 18, 1973

1. Removal of 85–15 Matching Provision: Under the present Rules and Regulations, paragraph 220.63, it states that service expenses that jointly provide Title IV-A & B programs may be allocated using any reasonable basis or may be changed entirely to IV-A or B if they are considered a primary benefit to such program. The Title IV-A program may be considered to be primary benefit if the number of AFDC Children served represents at least 85% of the total children served.

We have used this regulation to claim federal participation at the 75% level for all staff serving non-AFDC cases. Since the new regulations eliminate this provision, the Division of Family Services will lose matching funds for staff who are serving adoption cases, non-AFDC protective service cases, and non-AFDC–FC foster care cases. It is estimated that the State will lose matching for approximately nine adoption workers, fifteen foster care workers and approximately fifteen protective service workers.

2. Matching Funds for Diagnostic Assessment Eliminated: Paragraph 221.53 of the new regulations eliminates the possibility of purchasing diagnostic services. This, in effect, eliminates federal matching for children in shelter or residential care. This will affect matching for those children served by the Children's Center, Primary Children Hospital, and the first fourteen days of shelter care.

3. Broadening of Eligibility for Former and Potential Recipients: With the increase to 150% of state financial assistance payment standards for services to former and potential recipients, and with a sliding scale to 233⅓%, many more women will be eligible for day care. The present budget of $1,500,000 for day care for FY 74 will be inadequate.

4. Redefinition of Education Programs: Paragraph 221.53(g) states that educational programs and educational services cannot be purchased except those defined in paragraph 221.9(b–4)(5). An interpretation is needed on whether tutoring services or other educational services now developed with the Nebo and San Juan School Districts come under that definition.

5. Effect on Purchase of Service Contracts: We do not see where the new regulations will affect our contracts with our group home providers or the providers of foster care or services to unmarried parents. As indicated earlier, it would affect whether or not we get matching funds for each child, as these matching funds will now be restricted to those eligible for AFDC–FC. The regulations may eliminate our contracting with the Primary Children's Group Center and the Children's Center Group Home.

6. Specialized Foster Care: The new regulations specifically state that foster parents cannot receive a service fee. This does affect our specialized foster homes because they have been established on this premise. Approximately $80,000 of State money will be required to meet this service need. Because of the success of this program, it appears that strong consideration will need to be given to continue with the program out of State funds.

7. Eligibility Determination: It is obvious that the new regulations require more detail for determining eligibility than in the past. This will take staff time which could be spent in providing direct services.

8. The new regulations allow Legal Services as an optional service, whenever such a service is required to assist eligible individuals to obtain or retain employment. We feel this definition is far too restrictive. Disadvantaged people require Legal Services for many other kinds of problems such as bankruptcy, evictions, housing, divorces, annulments, and juvenile court cases. Where OEO programs are functioning or a private Legal Aid Society is available, these needs are fairly well met; however, in the rural areas in Utah, Legal Services are not available to disadvantaged people. This provision should be broadened.

9. 221.6 defines mentally retarded individuals to be anyone who is mentally retarded from infancy or before reaching 18 years of age. Most mentally retarded people would fall in this classification. This should be broadened, however, to include mentally retarded individuals who become such after the age of 18 due to accident, injury or illness.

10. The new regulations allow Federal financial participation only for giving information related to employment. This regulation should be broadened to allow Federal match for all cases coming to our attention that require information and referral. We believe this will cause undue accounting procedures and restrict our ability to utilize other community resources.

11. Alternate Care Program: The State of Utah has initiated a number of programs designed to keep many of our adults and older people in their respective communities by permitting them to live in their own homes, with relatives, or in substitute care arrangement. This type of alternate care is much more acceptable to these people than placements in nursing homes or institutions. These latter resources are also very costly. To strengthen our alternate care program, we have purchased services from relatives, alcoholic rehabilitation centers, multiple handicapped centers, and other similar resources. It appears to us that the new regulations eliminate the opportunity to provide a fee for service utilizing Federal funds. If we are to continue with these beneficial programs to our aged and handicapped individuals, the cost will of necessity have to be assumed by the State, which is something that we are not prepared to do at the present time without the help of Federal funds.

12. Two examples of prevention programs seriously affected by the proposed changes are as follows: Utah has been interested in developing a Big Brother Program in order to assist in the provision of services for AFDC families and children. However, our Denver Regional Office advises us that unless these services can be directly related to the goal of self-support for the AFDC mother or her children age 16 or older, that we cannot qualify it for 75% Federal financial participation under the new regulations. In other words, we simply cannot relate this vital prevention program to the mandatory or defined services in the new regulations.

We have also been working very closely with our educational system in the State in terms of providing services to disadvantaged children in order to strengthen their educational activities and their social community relationships. This sometimes involves costs related to tutoring services. The regulation restricts us from implementing this program in that we cannot adequately relate it to a specific Federal Regulation. We feel programs of this nature are vital to our prevention efforts and would in the long run assist children and youth in becoming independent and self-supporting individuals rather than continual recipients of Public Assistance Programs.

STATE OF IDAHO,
OFFICE OF THE GOVERNOR,
Boise, Idaho.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee, U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: This letter shall serve as the written statement of the Executive Office of the State of Idaho to the U.S. Senate Finance Committee regarding Federal HEW–SRS regulations as published in the *Federal Register*, May 1, 1973.

I inform the Committee that the State of Idaho protests the following provisions and guideline areas of the recently published HEW regulations:

1. The *elimination* of group eligibility provisions, and the requirement for services to be provided only to categorically linked individuals. (Sec. 220.52, *Federal Register*, January 28, 1969)

2. The provision requiring 90% of funds to be expended for categorically assisted recipients, thus allocating only 10% of available funds to non-recipients. This section will prevent the State of Idaho from providing services to a number of needy potential recipients. (Sec. 221.55d, *Federal Register*, May 1, 1973)

3. The *elimination* of the provision allowing regional HEW officials the option of allowing individual states to include additional optional services.

4. The requirement for prior approval of Purchase of Services Contracts by the HEW–SRS regional office. We view this as a violation of State prerogative. (Sec. 221.30, *Federal Register*, May 1, 1973)

5. The definition of educational services, which drastically limits types of services the State may provide in assisting individuals to receive needed education. (Sec. 221.9-4, *Federal Register*, May 1, 1973)

6. The definition of foster care, which eliminates payment for maintenance of a child in a foster home or facility and the transfer of such payment to cash assistance. This will require us to develop a new system of funding for foster care maintenance, as well as reducing the quality of foster care services that we are now providing to children. (Sec. 221.9–8, *Federal Register*, May 1, 1973)

7. The *elimination* of "target area" eligibility, which will force us to reduce needed services to families and individuals in designated low-income areas. (Sec. 220.52, *Federal Register*, January 28, 1969)

8. The provisions for determination and redetermination of services eligibility. This will greatly increase paper work and create new burdens for our already over-burdened social service personnel. (Sec. 221.7, *Federal Register*, May 1, 1973)

I hope that the Senate Finance Committee will take appropriate action on these points regarding the HEW–SRS regulations.

Your concern is appreciated.

Sincerely,

CECIL D. ANDRUS, *Governor.*

STATE OF CONNECTICUT,
EXECUTIVE CHAMBERS,
Hartford, Conn., May 18, 1973.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finances,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: On April 26, 1973, the Department of Health, Education, and Welfare announced final regulations governing social services programs for families and children (under Title IV of the Social Security Act) and services programs for aged, blind and disabled persons (under Title I, X, XIV, and XVI of the Act). Federal requirements governing the purchase of services by public welfare agencies (as authorized by the 1967 amendments to the Act) are also included in these new regulations.

I have been waiting two years for such a change in the social services regulations that had made welfare an attractive alternative to working. It has long been my contention that the previous social services regulations were too vague and too wide open, thus allowing the states too much leeway in deciding who could be included in their social services programs and what services could be provided.

This was especially true in the case of determining who were the former and potential recipients that could be included in these programs. There was also no clear definition from HEW as to what were the services that would be reimbursable under the purchase of services arrangements.

Because of the vague nature of the old regulations, abuse resulting from liberal interpretations by the various states was widespread. This permitted the states to greatly expand the concept of welfare (that is the provision of free social services) to include many people earning income far beyond recognized public assistance income levels. Thus, a second level of welfare recipients was created, a level made up of people who would become dependent on the government for services they could afford to pay for themselves. And so, nationwide costs skyrocketed from millions to billions of dollars within a short period of time when these new definitions of eligible recipients included persons who might be former or potential recipients.

Finally, in order to halt the alarming increase in the cost of social service programs, the Congress enacted legislation that would limit the amount that the Federal government would pay the states, and directed the Secretary of Health, Education, and Welfare to draft new regulations to govern the reimbursement for services. These new regulations which were issued last month contain two features that I think are quite important.

First, they define more clearly what services the states can provide for former and potential recipients. And second, they wisely limit the eligibility requirements for persons classified as the former and potential recipients who are able to take advantage of free services. This will assure that services will be provided for those in real need but not for those who can afford to pay for them. I think that these are major improvements over the old regulations.

The goal of President Nixon's administration on the national level, as is the goal of my administration in Connecticut, is to decrease dependency and to stimulate self-sufficiency among welfare recipients. We are trying to make working moms out of welfare moms. Because of this I am extremely pleased that the new social services regulations, while tightening up on most of the old policies, will still continue to subsidize and even expand child day-care programs to help welfare and low-income families to find and keep jobs. And the fact that such services will be provided to recipients on a sliding fee scale based on their ability to pay will go a long way to stimulate self-sufficiency. This is a most important program that will contribute significantly to the independence of those people who cannot afford to pay for such services.

Therefore, I ask that you include this statement in the printed record of the hearings. I give my unqualified support to these new soical services regulations not only as a concerned citizen, but also as the representative of the opinions of the vast majority of the people of Connecticut.

I believe that this new direction being taken by President Nixon and Secretary Weinberger demonstrates to the American people that they can administer welfare programs with compassion while showing a real concern for fiscal responsibility. The American people are beginning to see a more sane, sound and sensible approach to solving the problems of the needy. The poor and disadvantaged need and deserve our help, and the taxpayers need and deserve our adherence to sound fiscal policies.

I ask that you consider these opinions as you review the new regulations.

With best wishes,

Sincerely,

THOMAS J. MESKILL, *Governor.*

CHILD DAY CARE ASSOCIATION OF ST. LOUIS,
St. Louis, Mo., May 4, 1973.

Hon. STUART SYMINGTON,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR SYMINGTON: The Child Day Care Association has received a preview copy of the new HEW regulations for social services provided for under the Social Security Act. We have attempted to analyze these regulations and their implications for the future as they may affect day care services to current, former and potential recipients of public assistance.

In general, we find the regulations to be considerably improved over the proposed regulations previously published by HEW. There are, however, some sections which still concern us. These are as follows:

221.5 (b)(1) Mandatory services are still limited to family planning, foster-care services and protective-care services for children. Day care, as well as many other supportive services, is an optional service States are not required to provide.

221.6 (1)(2)(3) and 221.6 (i) The definitions of current, former and potential are reasonable and we have no objection to day care services being limited to families wherein the parent must be working or in training.

221.6 (ii) The limitation on resources may present a problem to the potential recipient. A widowed, divorced or deserted working woman with children (no matter how many) would under Missouri standards, be allowed to have only $1,500 in available resources (cash and other resources convertible to cash). As soon as her resources exceeded that amount, she would be ineligible for service regardless of her income, expenses or number of children.

221.7 (a)(1) and (2) These sections require the State Division of Welfare to make individual determinations of eligibility and will, as a result, place a mountainous burden of paper work on the Division which could easily have the effect of making it impossible for an eligible family to be certified. This could also mean that day care centers providing care might be placed in the position of serving persons for whom the state should be paying but because of certification delays, is not.

Under our current contract, staff in our day care centers verify eligibility by requesting the recipients' IBM card issued to ADC families and recording the case number thereon. A recent HEW audit of our program disclosed that after two and one half years of operation, we had only a 0.2% rate of error in determining eligibility.

221.7 (b)(1) through (4) This section requires periodic redetermination of eligibility. If the Division of Welfare assigns case numbers to former and potential recipients as well as current recipients and will be satisfied with a comparison with Division of Welfare records, this ought not present an insurmountable problem.

GENERAL COMMENTS

When women have a job or are about to start work, they need day care and they need it in a hurry. Any process which delays the placement of children in day care programs threatens the mother's job or promise of a job more and more with each passing day.

Those regulations which require the mother to wait while staff of the Division of Welfare work up a "plan" for her and "determine her need", are essentially self-defeating. The fact that she has children, is the only parent available and has a job, is all the evidence required.

Under our current contract, day care center staff can determine need and eligibility following guidelines set down by the state. The great advantage of this delegated authority is that it allows us to provide the care as soon as it is needed and requested. Under the new regulations, this problem solving capability will be lost.

Under previous regulations, potential recipients were geographically determined (Model City—public housing, etc.) and could be declared eligible simply by verification of their place of residence. The present regulations open up the entire community to participation by shifting eligibility for potential recipients to an income basis. We generally approve of this but note that these families will now have to present themselves to the Division of Welfare and submit to an investigation of their family situation and financial resources. We feel that many families will not subject themselves to this. *We would recommend that the resources requirement for former and potential be eliminated from the regulations as it discourages families from saving for the future. Eligibility for former and potential recipients should be based only on the size of the family, family income from all sources, the work/training requirement and the lack of anyone else in the home to provide care.*

221.9 (b)(3) This section eliminates the Federal Inter-Agency Guidelines for Day Care and substitutes wording to the effect that day care services "must comply with such standards as may be prescribed by the Secretary".

We strongly suspect that HEW will water-down the standards as they have already sought to do. The current Federal Inter-Agency Guides for Day Care should stay as they are or be strengthened.

221.30 (a)(2) This section indicates that purchase of service agreements will have to meet "requirements prescribed by SRS" but does not indicate what those requirements are. The whole intent and purpose of the Title IV purchase of service program could be circumvented if SRS drew-up requirements which public and/or private organizations could not meet. Having just undergone an HEW audit, I can assure you, *it would be very easy to do.*

In summary, we would say that the new regulations appear to be much better than the regulations originally proposed by HEW. We have serious reservations about:

(1) The ability of the State Division of Welfare to accomplish the certification/re-certification process without substantial delays which would destroy the working mothers employment plan.

(2) The resources limitation placed on potential and former recipients and their willingness to submit themselves to investigation of their private lives and financial resources.

(3) The requirement of a "plan" before services can begin. We don't object to the plan per se but to the delays this process will cause.

We hope you will find these observations useful. Please call on us if we can be of any further assistance.

Sincerely,

DONALD CHECKETT,
Executive Director.

CUMBERLAND RIVER REGIONAL MENTAL HEALTH-MENTAL RETARDATION BOARD, INC.,
Middlesboro, Ky., May 9, 1973.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
Room 2227, Dirksen Office Bldg., Washington, D.C.

DEAR SIR: I am writing this letter in hopes that it will be entered into your records as a strong dissent against the new H.E.W. restrictions which will so severely limit the number of persons who may receive services under Title IV A monies of the Social Security Act.

In 16 counties of Southeastern and Eastern Kentucky, we have begun a program called the Kentucky Infant and Preschool Project. Our ability to carry out this demonstration project of child development and related family services will be destroyed by H.E.W.'s gross disregard to the needs of poor people.

The problems of Central Appalachia are known nationwide, and I will not bore you with a recount, however, they are getting worse. This cycle of endless misery and despair must be stopped at this point in time or perhaps it will never be reversed.

We must teach our children how to function in and adapt to a society that is alien to them or we will face the destruction of what was once known as proud and independent people.

The lawmakers, politicians, and persons in decision making roles have a moral responsibility to see that this does not happen. Their actions of neglect will be our genocide and their burden for years to come.

Sincerely,

JANROSE CROCKETT ZINGG,
Kentucky Infant and Preschool Project.

FEDERATION FOR COMMUNITY PLANNING,
April 30, 1973.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: The Federation for Community Planning is an association of citizen leaders and over 200 Greater Cleveland public and voluntary health, social service and civic organizations. The principal work of our agency, which is to develop and implement plans to improve community health and social services, is accomplished by a vast network of citizen committees.

I am writing to you in reference to the hearings about to be undertaken by your Committee with respect to the Department of Health, Education, and Welfare's proposed new regulations on social services.

Without reservation, our organization can totally accept the proposed goals of these regulations, namely "self-sufficiency" and "self-support". However, it is our belief that the regulations themselves, as proposed, cannot possibly achieve these goals. Quite the contrary is true.

If implemented, the regulations would:

Vastly increase the number of persons financially dependent on government at all levels, and,

Increase the amount of government dollars necessary to finance the administration and operation of the public welfare system.

Relative to the increased cost for administration of public welfare social service programs, the proposed requirements for quarterly determination of eligibility, the development of a social service plan, and a requirement for state agency determination of eligibility and authorization for service provision will greatly increase the welfare staff time and paper work activity required in comparison to existing procedures. Here, it should be noted that the proposed process relative to social service provision would exceed the already costly procedure now required to make a person eligible to receive financial assistance under existing public welfare regulations. In addition to the fact of greatly increasing the operating cost of the social service program, one must also take into account the substantial hardship which the new regulations would impose upon clients in need of service, brought about by the delay following the client's initial request for that service and the actual determination with respect to his eligibility to receive it.

Relative to our assertion that the regulations would increase the number of persons financially dependent upon government for basic subsistence, please consider the following.

The proposed time limitation for former recipients to receive services would be reduced from five years to three months. The related proposed income ceiling (133⅓% of the state's assistance payment level) would drastically reduce the number of persons eligible for such services. Many of these persons, the "near poor", would not be able to remain financially independent without some of these services such as day care, homemaker, and health related programs.

To take a case in point. Presently, a mother of three residing in Ohio and earning $4,500 per year is eligible for subsidized day care under current service regulations. Under proposed regulations, her income could not exceed $3,200 per year. Being ineligible therefore for subsidized day care, and unable to pay for it herself at a rate of some $1,000 to $1,500 a year from her meager salary, she would be unable to work because of her need to remain in the home to care or her children. Her only alternative therefore, and the only alternative for thousands of other families in similar situations in Greater Cleveland, would be to become financially dependent upon the AFDC program.

Simply and clearly, reducing the availability of these critically needed services will, in turn, substantially increase the need of many now self-supporting families to become totally dependent upon public welfare.

I would like briefly to comment on two other aspects of the proposed regulations and what we believe to be their implications relative to the financing and operation of public social service programs in the future.

At a recent Senate hearing, HEW Secretary Caspar Weinberger indicated that the proposed prohibition on the use of private donated funds as a portion of the state's share for Federal reimbursement will probably be eliminated from the proposed regulations when promulgated. If this prohibition were in fact implemented, it would not only drastically curtail the type and availability of presently existing community services, but it would also seriously erode the historical partnership of the public and voluntary sectors in the development and provision of comprehensive services for the poor.

In a similar vein, the proposed regulations presently fail to require the existence of any advisory committees within the public welfare system, except in relation to day care. This provision would virtually eliminate thousands of local citizens from the opportunity to assist in the development of service programs and to have a direct local impact upon the character and effectiveness of these programs.

In our view, the above provisions run contrary to the expressed intent with respect to the regulations and the newly proposed revenue sharing plan which seek to return more power and decision making authority to persons at the state and local community levels.

In conclusion, we wish to offer the following recommendations for your consideration:

(1) Determination or reduction of any service program resulting from the implementation of the proposed regulations should occur only as a result of

thorough evaluation, and not as a consequence of financial expediency. In order to avoid abrupt and harmful disruption of the lives of persons currently receiving these services, a period of at least six months should be allowed for the phasing out of such programs.

(2) With respect to programs scheduled for elimination under existing Federal departments and destined to be transferred to the jurisdiction of another, the alternative program must be announced and, in fact, "in place" prior to phasing out the existing program.

(3) The initially proposed prohibition on the use of private donated funds as a portion of the state's share of matching funds for Federal reimbursement must be eliminated.

(4) The existing definitions of "past" and "potential" recipients of public assistance should be retained and not made more stringent as proposed in the regulations under consideration. Concurrently, income eligibility for receipt of such programs should come at minimum, be equal to the officially defined Federal poverty level.

(5) The proposed costly requirements relative to determination of eligibility for public social service should be changed to permit the immediate provider of service, in Ohio the local County Welfare Department, to determine eligibility on an annual basis subject to reasonable post-audit by the state agency.

(6) In order to sustain existing quality control relative to public social services, requirements for adherence to the existing standards of the Federal Government and other national standard setting bodies should be explicitly stated in the Federal regulations.

(7) And finally, in the interest of retaining the critically needed opportunity for citizen involvement in the development of public social service programs, Federal regulations must require the appointment and use of citizen advisory committees at the state and county levels.

I wish to thank you for your attention to this letter and strongly urge your consideration of our comments and suggestions.

Sincerely yours,

FREDERICK M. COLEMAN,
President.

HIGH POINT KINDERGARTEN FOR THE HANDICAPPED,
High Point, N.C., May 9, 1973.

HON. RUSSELL LONG,
Dirksen Office Building,
Washington, D.C.

DEAR SENATOR LONG: I would like to respectfully request that I be allowed to submit a written statement to the Finance Committee concerning proposed Title IV-A funds. The area that I am very concerned about is the possibility of "group eligibility" for all handicapped children independent of income. Although with the exception of the affluent.

High Point Kindergarten for the Handicapped is a developmental day care center that presently serves sixty children with mental and physical handicaps. Due to the special needs of our children our cost of operation is above the operating cost of Developmental Day Care Centers for normal children. Because of our higher cost handicapped children of low and moderate middle income families are prevented from utilizing our much needed services.

The reason that I would strongly encourage you and your committee to consider possible exceptions for handicapped children are as follows:

(1) Medical costs that parents of handicapped children must absorb.

(2) The scarcity of qualified Developmental Day Care Centers dealing with handicapped children. That is, quality Developmental Day Care.

(3) The necessity of all mentally and physically handicapped children receiving important training in the early years. Example: 13% of our children at High Point Kindergarten for the Handicapped will enter regular first grade this fall.

(4) Families consisting of more than one child must absorb the regular cost of rearing normal children plus the costs of an exceptional child.

(5) Many physically and mentally handicapped children at age six are prevented from entering the Public School system due to their lack of training in self-help skills, socialization, language acquisition and fine and gross motor skills.

I would like to bring to your attention that these problems occur to all handicapped children independent of income. In other words the middle class handicapped child is trapped within a vicious circle of which there is no escape.

Thus, I ask you respectfully to consider special exemptions of income requirements for the handicapped child. Enclosed you will find a letter I received from a parent who does not qualify under Title IV–A guidelines. It is my opinion this letter reflects the general dilemma that parents of mentally and physically handicapped are presently experiencing. Also, included is some information about what outside agencies think about our Developmental Day Care Center and the social good as well as economical savings we perform for society.

Respectfully yours,

DENNIS W. RENSHAW,
Director.

Enclosures.

APRIL 30, 1973.

DEAR MR. RENSHAW: Rodney hasn't been able to attend school but about half this month because of sickness. I have had to pay another sitter for him and have had him to the doctors twice. We simply cannot pay more than $40.00 for him this month. If this isn't alright we will have to take Rodney out of kindergarten.

MR. & MRS. DALLAS LAMBETO.

CHAPEL HILL TRAINING-OUTREACH PROJECT, LINCOLN SCHOOL,
Chapel Hill, N.C., April 11, 1973.

HIGH POINT KINDERGARTEN FOR THE HANDICAPPED, INC.,
P.O. Box 5109,
High Point, N.C.

DEAR ————: Thank you again for letting me share Mrs. ———— visit to your center. It was exciting to see and hear about your program, and reassuring to know that ———— will have a chance to attend school there. I am especially happy that the ———— will have a larger group of parents with whom to interact there than they have had here.

If we hear of other families moving to the High Point area who have handicapped children, you can be sure we will refer them to you.

Sincerely yours,

GLORIA MARTIN,
Family Program Coordinator.

MARCH 15, 1973.

MR. & MRS. ————
Rt. ———— Box ————
Thomasville, N.C.

Re: Mark ————

DEAR MR. & MRS. ————: Dr. Stuart noted that Mark had made significant progress in many of his self-help skills since he was in our Center last year.

Dr. James Frazier, our Psychologist, reported that Mark is functioning like a child who is three years of age which places him in the mildly retarded range of mental development. Our Speech Pathologist, Mrs. Barbara Stern, noted that Mark has shown significant progress in his speech and language skills during the past year. Mark's receptive language skills, his ability to understand what is said to him, has improved from 24 months noted last year to 34 months of age this year. His expressive language ability, his ability to speak understandably, has progressed from below an 18-month level last year to 26-month level this year. As you can certainly tell, these scores represent significant progress since last year.

Our entire team which saw Mark was quite pleased with the significant progress he has shown since last year. It would appear that the kindergarten Mark is attending is providing an excellent educational and social resource for him. We do encourage that you follow through on the behavior management suggestions we gave you at the time of the interpretive. Unless other problems arise and because Mark seems to be in excellent kindergarten placement, we do not feel that it will be necessary for our Center to re-evaluate Mark until March of 1975.

Sincerely yours,

BLAN V. MINTON, ACSW.,
Social Work Supervisor,
Division for Disorders of Development and Learning.

GUILFORD TECHNICAL INSTITUTE,
Jamestown, N.C., April 25, 1973.

Mr. DENNIS RENSHAW,
Director, High Point Kindergarten for the Handicapped,
High Point, N.C.

DEAR MR. RENSHAW: With the completion of this cycle in the Kindergarten/Guilford Technical Institute Dental Care Program, I feel a few remarks on the program are in order.

In essence, the program this year consisted of an in-house treatment and education service, and an extra-mural pre-conditioning and post-treatment evaluation.

In-house, our 1st year dental hygiene students performed oral prophylaxes on 53 children and applied fluoride topically on 14 children. All children were examined by the director. Additionally, each child received re-inforcing instruction on oral self-care on a one-to-one basis keyed to capabilities within individual limitations. The children exhibited interest and happiness in this activity. True management problems were at an absolute minimum.

Extra-murally, senior dental hygiene students visited the High Point Kindergarten For The Handicapped on Friday, March 23, 1973 to provide initial dental health education. A return visit was made on Friday, April 13, 1973 after many of the children had attended the clinic for dental services. Preliminary indications show there was a markedly favorable change in attitudes of the children during this second visit due to their recent visit to our clinic.

These occasions were a meaningful learning experience for our dental hygiene students. The opportunity was afforded our students to become cognizant of problems associated with the handicapped patient and their management in a dental environment. Our students were called upon to exercise their imagination, ingenuity, and judgement in adapting techniques for providing optimum dental hygiene care.

We feel the children benefited in several ways. Primarily, they received necessary dental hygiene care. But almost as important, this care was introduced and performed under the most favorable circumstances. Their dental visit was a group activity in which they participated with their class friends after initial instruction and preparation for the sequence of events. They also benefited in the slow or low key one-on-one provision of care not ordinarily found in the private office.

It was a pleasure to work with the kindergarten staff and students, and we look forward to doing so again. We wish to thank the kindergarten staff for the opportunity to work with their children and the enormous amount of cooperation they afforded us.

Sincerely,

GEORGE F. MAYER, D.D.S.,
Chairman, Dental Science Division.

HIGH POINT KINDERGARTEN FOR THE HANDICAPPED

MONITORING REPORT

The program for handicapped children is being monitored by a psychologist on the UNC-G staff and his student, including the type of service and the delivery of service as it relates to the individual child. As a result of this on-going evaluation, the program changes to meet the needs of the children.

Program Components.—Services offered:

(1) The child care program in the Kindergarten for the Handicapped Centers is quite impressive and appears to be well balanced with opportunities for learning and for social and emotional growth. This program seems more truly child-centered than the other with more varied activities, more field trips, etc. Some of the children have apparently made remarkable progress in their level of functioning due to their experience in the program.

(2) The Kindergarten for the Handicapped has a comprehensive diagnostic and screening service through the local Developmental Evaluation Clinic for each child admitted, as well as following up planning and services when children leave the program.

(3) Transportation is provided for those who need it. Both programs operate their own van and school bus on regular routes.

(4) The Kindergarten for the Handicapped employs its own social worker who works with families in relation to the child's admission to and experience in the center program and the child's and family's adjustment to his handicap.

Program administration.—Staff of the Kindergarten for the Handicapped are qualified and experienced in their specialties and center teachers are apparently energetic and creative in their approach to programming activities for the children.

Parents and community involvement.—The Kindergarten for the Handicapped has very active and supportive involvement by parents through what they call Center P.T.A's.

Training component.—The Kindergarten for the Handicapped plans and implements its own training in relation to the special needs of the group it serves. They make use of a variety of resources, have on-going consultation from the local DEC in programming special activities for remedial learning, and during the past year have had the services of a graduate student in psychology from University of North Carolina at Greensboro to assist in designing and carrying out training.

HIGH POINT KINDERGARTEN FOR THE HANDICAPPED—EVALUATION

RECOMMENDATIONS AND SUGGESTIONS—CLASSROOM

The Kindergarten's classroom programs are on the whole extremely effective. The Kindergarten is fortunate in having one of the most enthusiastic and dedicated group of teachers that this evaluator has seen in any school. This enthusiasm shows in the effectiveness of their teaching and the positiveness of their approach. As a result the children both learn efficiently and develop positive attitudes towards the learning process. This is most important for handicapped children who have met with repeated failure in learning throughout their lives and will undoubtedly improve their future chances for success in the public school system.

With respect to most social skills and some technical skills many of the Kindergarten's teachers are superior to many teachers recently out of special education programs.

STATEMENT OF MRS. RUTH HAGENSTEIN, BOARD OF DIRECTORS, CHRISTIE SCHOOL, MARYLHURST, OREGON

Mr. Chairman and Members of the Committee, my name is Mrs. Ruth Hagenstein. I reside in Portland, Oregon. I am a member of the Board of Christie School and chairman of the Program Development Committee. I wish to speak to you today primarily about the negative impact these proposed regulations by the Department of Health, Education, and Welfare would have on our agency.

Christie School is a private, non-profit charitable institution operating a successful program to aid severely emotionally disturbed girls. We have 45 girls living on our campus at any one time. The girls we serve come to us from throughout the State of Oregon, a majority of them upon referral from our State Department of Human Resources. These referrals are usually girls who meet the federal eligibility requirements under present HEW regulations. The State of Oregon does not have a state institution for emotionally disturbed children, but has elected to purchase this type of service, as needed, from private agencies. Studies have shown this to be the most cost-effective approach with excellent results in meeting the needs of the children served. In other words, a private agency can provide this service at a lesser cost than the state could in a state owned institution.

Any successful program of treatment for emotionally disturbed children is necessarily expensive. Christie School operates a residential program twenty-four hours a day, 365 days a year. This makes for high staffing costs. However, we are informed by the Child Welfare League of America that our costs are lower than those of many similar institutions throughout the United States, while our program is effective. Our budget for 1973 ($508,000) indicates that we are operating at an approximate cost of $32.00 per day per girl. The average length of stay in 1971, the most recent year for which our figures are complete, was 15.1 months. Thus our average total cost of treatment per girl at today's prices would be $14,500.

In studies to determine how our "graduates" are surviving in society, it was found that 64% of the girls discharged in 1971 were maintaining "good" adjustments. In 1969, a similar study indicated that only 41% could be so rated, and in 1970, 50%. Our increased success in treatment can be directly related to increased funding available to us when it became possible for the state to use federal funds to match private donations 3 to 1. These additional funds used to purchase our service allowed expansion and upgrading of staff so that the girls could be better served in a shorter length of time. As I mentioned earlier, our average length of stay in 1971 was 15.1 months—in 1969 it had been 20.6 months.

A recently received, unsolicited, letter from one of our discharged girls might be of interest to you to show what our program means from the human side:

"I am truly grateful for all the things you have done for me during my stay at Christie. I would hate to think what I would be like if I hadn't been guided by you. You have helped me face reality, be responsible and be myself. That is something not everyone gets the advantage to learn. I will always be thankful and I owe all of my achievement to you. I tried and you helped so together we achieved, and that is beautiful. I know there were times when I could have given up. I thought for sure that I wasn't being helped. I'm glad I didn't give up. I payed up. I like to remember Christie School as my home and my friends."

In 1972, the average age of girls admitted to Christie was 12 years. Four were accepted who were 14 years old, and the youngest admitted in 1972 was 9 years old. While it is well documented that early identification and treatment of troubled children leads to best and quickest results, it is also true that we have many older children desperately in need of help because the service was not available to them in their younger days. Christie School is fairly unique in being willing to accept teen-age girls and in working successfully with them. The girl in her early teens who is emotionally disturbed is obviously a most vulnerable child. If these girls cannot be reached, and helped, the chances are high that they will be public charges, in one way or another, most of their lives. They may require institutional care or they may form a reservoir of mothers and children in need of public assistance. When judged by over-all social and economic costs if help is not received, the cost of treatment falls into perspective and does not seem excessive.

Interpretations under present HEW regulations have allowed states to purchase needed services from private child caring agencies such as ours under Title IV A, covering service programs for families and children. The treatment component of our service is purchased under this Title, while the maintenance component is funded by federal monies under public assistance and direct medical costs are covered under Title XIX. In a program to serve emotionally disturbed children, the treatment component is by far the most costly, and, indeed, comprises over 80% of our total costs. We feel that the use of federal monies to match private donations to purchase the treatment component is well within the legislative intent of Congress, and we can see no reason to discontinue this practice.

Discontinuance would amount to leading a horse to water and then tying its mouth so that it can't drink, and yet under section 221.9(b)(8), the proposed HEW regulations will make it impossible for a state to use any federal funds under Title IV A to purchase treatment components provided by private child caring agencies. This section states "foster care services do not include activities of the foster care home or facility in providing care or supervision of the child during the period of placement of the child in the home or facility.", and we would suggest that this language be changed by dropping the word "not" in the quoted sentence.

As I mentioned, Christie School has a 1973 budget of $508,000 to maintain our residential program at its present level. If we lose federal funds for the treatment component, this could result in a loss of $406,400 and could mean gross jeopardy of an established, successful program. I do not believe that this can be the intent of the Congress.

I have been told by HEW officials that agencies such as ours would be eligible for federal money under other federal programs. Obviously the funds available to us under public assistance payments for maintenance or under Title XIX for medical costs, while important, are minor from our over-all program needs. The Department of Health, Education, and Welfare seems to feel that the treatment costs of our program could be federally assisted under Title IV B of existing law. In checking this with our Oregon officials, I am informed that, while it might be legally possible, federal funds have not been appropriated in large enough amounts to make expectations realistic under Title IV B.

The ability to receive federal matching funds for private donations has led to increased effort on the part of our Oregon United Appeal, the agency that traditionally raises money state-wide to help meet the financial needs of many private agencies. Some of the funds raised by the Appeal are now turned over to the Oregon Department of Human Resources to be used as the Department sees fit to buy specified social services by providing the private match for federal funds.

The Christie School Board also continues strenuous efforts to generate private contributions directly to the institution. We have increased our drive for dues paying members and have also increased our emphasis on money raising projects conducted for our benefit by associated women's guilds. I mention this to empha-

size that Christie is not just looking to public monies to finance its programs. I also wish to make it clear that Christie is in no way looking for a handout. We are offering a unique service that is badly needed, and when our state department decides that our service is indicated for a girl for whom the state has responsibility, we feel that the state should pay us a fair price for the service being provided. Since the service is one that meets the Congressional intent of promoting individual self-sufficiency, we feel that the state should be able to use federal funds under Title IV A in making the desired purchase of service.

While I can understand the desire of the Congress to place a ceiling on federal expenditures in the area of human needs, I feel that the proposed regulations go far beyond the mere saving of money and show no regard for their devastating effects on good on-going programs. I am sure that total federal expenditures could be reduced, and perceived abuses could be corrected, without emasculating the ability of the states to build comprehensive programs to meet social and rehabilitative needs through the use of funds drawn from state, federal and private sources. No sector can solve these problems alone, and such a partnership makes good sense.

Whatever device Congress may use to provide the federal dollars for purchase of needed services from private agencies—restoration of the power to purchase treatment under Title IV A, adequate funding under Title IV B, or entirely new legislation—it is essential that it be done in such a way that there is no discontinuance of funding and, therefore, no interruption in the delivery of the service. Substantial interruption of funding, even on a temporary basis, could wreak havoc with an institution such as Christie. It could mean that we would have to release up to 50% of our girls before treatment was completed, because the State could no longer purchase from us the service they needed. Because these girls have already exhausted all other community resources before coming to Christie, there is no place else where they can go for help. The money already invested in them would be lost, and, even more important, the chances are that the girls themselves would be lost as future productive citizens. In addition, staff would have to be dismissed and might not be available again when funding resumed.

There is one further point upon which I would like to touch. Since help for the emotionally disturbed child can require delivery of service for an extended period of time I think the eligibility requirements should allow such special services to be continued even if the child's family leaves the welfare roles. It would be highly unlikely that such a family would be able to continue to purchase the needed service without assistance, and all federal help should not be lost. Otherwise, families desperately in need of this service might continue on welfare longer than necessary for this reason alone.

To recapitulate, the Board of Christie School strongly urges that federal money be available to aid in the purchase of the service needed, and that the 3 to 1 federal match of private donations be continued. We would also urge more realistic eligibility rules. Indeed, once it is established that an applicant is eligible for assistance, why not allow the states to use whatever federal funds are alloted to them in whatever manner is determined to be most appropriate to meet the need of the applicant? This could easily be done within the context of an approved state plan.

Coalition for Children of New Jersey

Background: The Pool, the Flow, and Backwash

My name is Mary Anne Rushlau. I am an officer of an association of individuals and organizations concerned with the well-being of children. It is our opinion that the regulations to be imposed upon the Social Security Act will not enhance the well-being of children and will cause irreparable harm to the nuclear family structure among the poor and near-poor. These regulations are a classic example of the letter of the law being totally inconsistent with the intent of the law as originally legislated by the Congress of the United States.

Any failures or inadequacies in the administration of these programs must be the sole responsibility of the Executive branch of government now in office because the amendments of 1967 did not begin to be implemented until 1968. That branch has, by law, had more than sufficient authority to monitor and evaluate these programs. The logical cure is to replace the slipshod administrators, but the penalty has been leveled on the poor.

The original intent of the terms "former" and "potential" recipients of assistance being incorporated in the Social Security Act was to limit the size of the assistance pool. The authors recognized that there are periods, sometimes recurring, in the lives of individuals and families when the unit is not financially, physically, and/or emotionally self-sufficient: that a bit of preventive medicine during these periods could keep the unit from becoming totally and permanently dependent upon public support. Thus the size of the assistance pool could be minimized by limiting the flow into the pool and facilitating egress from the pool. The current regulations, in the name of providing services to the "most needy" will reverse the effect. Flow into the pool will be accelerated and egress will be impeded if not completely dammed because the services essential to the unit will be available only to Welfare recipients. More precisely, egress will be limited to ten percent of the pool and the budget will be inundated by the backwash of persons who neither wish to be nor need to be recipients of assistance grants.

THE 90/10 FALLACY

The only difference between the regulations proposed February 19 and those issued May 1 exists for only ninety days. Under the former regulations, non-welfare clients receiving services would have been removed from programs on April 1. Under the latter regulations, the same clients will have to be denied services on July 1 to permit the states to satisfy the 90/10 requirement. Otherwise, in order for the states to continue service to the "potentials", they must increase the number of current recipient services by two or three fold. This is not only insane but it is impossible because of the 2.5 billion ceiling which, by impoundment, will be limited to 1.8 billion this year. The fallacy is that the apparent easing of income restrictions is a total fiction. This hoax will soon become apparent to the 208,000 persons who protested the February 19 proposal. As one of those who protested, I feel the current regulations are totally unresponsive to the expressed concerns of the public.

MENTAL RETARDATION AND OTHER MACRODISABILITIES

The inclusion of mental retardation as a basis for eligibility for day care services is the one positive note in the regulations. But what of the other macrodisabilities? Cerebral Palsy, blindness, deafness and other major birth defects frequently lead to permanent institutionalization of the adult when adequate early training is absent. In New Jersey, pre-school and elementary school level training of severely disabled children costs less than $3,000 per year on a day care basis. Institutional care of the adult costs in excess of $8,500. If the child receives such care from birth until age fifteen and such training is successful in only one out of seven cases in preventing the need for forty years of adult institutionalization, $25,000 and at least one human life is salvaged. Certainly Mr. Weinberger can appreciate the arithmetic, if not the other benefits of the example.

STATE LEVEL CONTINGENCY PLANS FOR JULY 1, 1973

The administration contends that the states may use their revenue sharing money to realign priorities and thus maintain any needed and useful programs affected by federal cutbacks. On March 28, 1973 I testified before the New Jersey Joint Appropriations Committee. That testimony stated that, disregarding inflation and population increases, the state would have to appropriate an additional seven million dollars to maintain only day care for children of working mothers. The committee responded to that request by appropriating twenty million dollars for secondary roads leading to the new Playboy Club and Sports Complex. After one thousand parents of children in day care centers gathered on the State House steps Governor Cahill refused to meet with their representatives and conveniently left town. In a fit of paranoia the police locked the State Assembly gallery to keep out a group of school children studying Democracy in action. The State of New Jersey may come up short on human priorities but it is certainly not lacking in comic relief.

SUGGESTED CHANGES TO THE CHANGES IN THE PROPOSED REGULATIONS AFFECTING THE ADMINISTRATION OF THE SOCIAL SECURITY ACT

We recommend that: the 90/10 provision be stricken from the regulations; that the term "Mental Retardation" be changed to "Severe Debilitating Condition Which May Lead to Institutionalization or Permanent Dependence Upon Dis-

ability Assistance"; that the 2.5 billion ceiling be removed and impoundment prohibited; that a hold-harmless clause be inserted to prevent a person now receiving services being dismissed for reasons of eligibility; that the definition of past and potential recipients of assistance be returned to the pre-February language; and that the sliding fee scales be left to the determination of each state as its individual economic conditions dictate.

STATE OF IOWA, DEPARTMENT OF SOCIAL SERVICES,
Des Moines, Iowa, May 8, 1973.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
Dirksen Senate Office Building,
Washington, D.C.

DEAR MR. VAIL: The Iowa Department of Social Services appreciates the time and effort the Committee on Finance is taking to hold hearings regarding social service regulations currently being promulgated by the Department of Health, Education, and Welfare. In lieu of a personal appearance we ask that our written comments be included in the printed record of the hearings. We have been deeply concerned about the effect these regulations will have on the delivery of social services to the people of Iowa, particularly in the areas of child care, foster care, and job training.

We have had an opportunity to review the amendments to the proposed regulations and see only limited moves toward eliminating our major objections. Enclosed is a copy of our letter to the Social and Rehabilitation Services Administrator containing our comments on the original proposed regulations. Most of these concerns still stand. The latest amendments do broaden the definition of a potential recipient by increasing the income limitation from 133⅓% to 150%; however, other restrictive portions of the definition were retained, i.e., six months prior potentiality and public assistance resource limitations. As a result the definition is still unduly restrictive. As an example, our letter to Social and Rehabilitation Services pointed out that the six months limitation effectively precludes our attempting to prevent births out of wedlock for non-current recipients since the woman would have to be three months pregnant to meet the six months requirement. The definition of Family Planning Services specifically states that one intent of the service is to "prevent or reduce the incidence of births out of wedlock." It will be difficult to prevent a pregnancy that is already three months along.

It is also a conflict of goals to set the limit of "potential recipient within six months" for the adult programs since there is an age eligibility requirement. The preventive effort to extend independent living would be reduced to services for only those persons who needed help after age 64½. Studies have demonstrated that where sufficient effort is made and services rendered, people suffering chronic disabilities can stay in their own homes instead of nursing homes if assisted in the early stages of their illness.

The 150% provision will apparently be applied unequally to cases related to Title IV–A and those related to the adult programs. Participants in the adult programs, at least in Iowa, come out with even less than those under Title IV–A. In the adult programs the 150% is based on the Supplemental Security Income benefit level ($130) plus any state supplementation ($0 for Iowa) as opposed to our defined need of $139. The net result is the 150% will be based on a smaller benefit level in the adult programs. Many states pay much higher grants in the adult programs than we do and for them the problem will be only compounded.

No changes have been made in the regulations to permit us to pay for vocational education or job training. We have two very successful programs in Iowa, one of which will be eliminated and the other severely curtailed. Our state has been operating a youth employment program aimed at low-income, problem youth with the goal of providing work experience that will provide a sound base for future employment. This program has been highly successful, not only in providing work experience, but also in reducing delinquent behavior by providing a constructive alternative to many youths. This program will be eliminated. We have been working hard to provide an opportunity for ADC mothers to obtain vocational or job training. Since the Talmadge Amendments to the WIN program WIN has been less of a resource to us and we have made increased use of our Individual Work and Training Program to supplement the WIN Program. These regulations will preclude our paying for vocational or job training in this program. While the stated intent is to provide services to help people stay off, or get off assistance, such limitations actually seem to say the opposite.

The Department of Health, Education, and Welfare has made only limited changes in the original proposed regulations. Some soften or delay the blow of eliminating people for eligibility for services; others individually appear to broaden the scope of eligibility or service. The fact still remains that collectively the impact will still be to drastically reduce or eliminate present social service programs. The original intent of the social service programs, to prevent the need for public assistance, has been eliminated and now we will only be serving people so deeply trapped in their problems that the continued fall into the public assistance programs will be inevitable. We firmly believe these regulations to be a step backwards. The Committee's concern is appreciated.

Sincerely,

KEVIN J. BURNS,
Commissioner (Acting).

STATE OF IOWA DEPARTMENT OF SOCIAL SERVICES,
Des Moines, Iowa, March 16, 1973.

ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE,
Department of Health, Education, and Welfare,
Washington, D.C.

DEAR SIR: This letter is in response to the proposed Regulations, New Part 221, Service Programs for Families and Children, and for Aged, Blind, or Disabled Persons; Purchase of Service, published in the Federal Register of Friday, February 16, 1973.

The Iowa Department of Social Services, after reviewing the proposed regulations, strongly urges that they be withdrawn. These regulations would seriously restrict the current services being delivered within the State of Iowa. Our concern is not the possible loss of a large amount of federal matching in the area of services, but that we will be forced in the focus of our services to move away from the areas of protective and preventive services and helping to prevent the need for public assistance to serving only those who are currently receiving public assistance. We believe it is extremely important that we serve current recipients and, when possible, help them become totally or partially self-supporting. We also realize that if we are able to intervene and provide services to individuals and families before they are forced into applying for assistance that their chances of staying off and maintaining themselves at a level of self-support are much higher. We believe these services will also be much cheaper to provide. One major concern is the proposed definition of "potential recipient." In the case of an ADC potential child or family, the definition of potential recipient will almost require that the families or individual be eligible for assistance. They are required to have resources which fall within the public assistance guidelines and the income limitation for Iowa will actually be lower than the income level for persons with earned income to be eligible for public assistance.

We are in agreement with the change in the regulations to remove from the general requirements some of the administrative rules, such as use of professional staff, use of sub-professional personnel and staff development. We are concerned that reference to some of these items was excluded from the sections dealing with expenditures in which federal financial participation is available. Reference is made only in very broad terms and we believe that serious question can be raised as to whether any of the activities will, in fact, be matched. An example of this is the requirement for advisory committees. Our agency feels that it is important that we continue to use the services of advisory committees, particularly at the state and area level. Under the present regulations such committees are required and expenses for these committees are clearly reimbursable at the 75% rate. In the proposed rules, reference to advisory committees other than the state day care advisory committee have been removed from both the general administrative provisions and the provisions regarding expenditures for which federal financial participation is available. We understood that the general administrative provisions that were being removed were removed on the basis that the states would normally be following these provisions in the course of administering their programs and that having them in the regulations did not serve any real purpose. We further understood that the federal agency still supported these activities as positive features of service programs and that federal financial participation would be available. We believe that there is now serious question as to whether these provisions will be reimbursable.

Specific concerns center in the following areas:

Section 221.2(c).—We strongly disagree with moving from the requirement in the present rules for a fair hearings and appeals process to a grievance system. We believe that having a grievance system alongside a fair hearings and appeal system will be confusing to recipients of services, will mean duplication of an already established system, while denying clients what we believe is their right to a fair hearing. The very use of the phrase "grievance system" is obviously intended to lessen the stature of the procedure and we believe this would be a step backwards.

Section 221.3.—At several points throughout the regulation, terminology "services which are available without additional cost" is used. This phrase is also frequently used in the old regulations but was never clearly defined, and we feel that the regulations must contain some definition of what availability without additional cost means.

Section 221.4.—We heartily support the concept of giving a client the freedom to accept or reject services. There is one major exception to this freedom of choice in the case of protective services. Having protective services mandated and then giving the client the freedom to accept or reject services is incongruous. We believe this section of the regulations needs to have a clearly stated exception covering protective services for families and children.

Section 221.6(c)(2).—We believe the definition of former recipient is too restrictive. The present definition should be retained.

Section 221.6(c)(3).—As mentioned earlier, we are particularly concerned about the definition of potential recipient as contained in this regulation. Such a definition is so restrictive that it will not enable states to serve people and prevent people from going on assistance and will instead lead to an increase in the assistance roles. During the past five months, the ADC caseload in Iowa has been decreasing. We believe these regulations will reverse that trend. The most glaring example of the inadequacy of this definition relates to the prevention of births out of wedlock. The regulations clearly place a responsibility on the states to attempt to prevent or reduce the incidence of births out of wedlock with the goal of keeping people from going on assistance. Under this proposed definition, a person who is not currently a recipient of public assistance will have to be three months pregnant before we can define her as a potential recipient of assistance and thus then try to prevent the birth out of wedlock. We are concerned about the income limitation since, first, it does not indicate whether it is gross income or net income, and second, as mentioned before, any person in Iowa who has earned income and can meet the income guideline will already be eligible for public assistance. Couple the income guideline with the resource limitation and you have effectively eliminated the category of potential recipient since most people will be eligible for assistance if they meet these guidelines. If the goal of social services is to prevent people from becoming dependent upon assistance, then such restrictive guidelines are self-defeating. We are further concerned about the severe age limitations with regard to the adult programs, again from the standpoint that being able to provide services only when a person is on the threshold of eligibility for income maintenance often is too late. In most cases, the person will go ahead and fall into the income maintenance program and then it is a much more difficult and a much more expensive job trying to extract him. With the aged, much preventive work can be done to forestall the problems of aging which lead to the need for assistance. We believe that for all practical purposes the proposed definition of potential has eliminated the category of potential recipient. There are a maximum of six conditions of eligibility that have to be met and failure to meet even one of these conditions means that the person does not meet the definition of potential. We strongly urge that this definition be broadened so that we can provide services before the person has already started on an irreversible course toward dependency upon public assistance.

Section 221.7(a).—We believe it is impractical and, in most instances, administratively impossible, to make an eligibility determination prior to the delivery of some service. Eligibility should be determined early, but in some instances it cannot be determined before the start of services.

We believe that the information and referral services, offered by public welfare offices, are a vital service to the community. The proposed rules should provide for these services, acknowledging that complete information and referral services may involve several interviews with the person and contacts with other people and community resources. Also, protective services are, by nature, such that service should await eligibility determination.

We believe protective services should be an exception to the proposed rule, allowing public welfare service workers to intervene in all cases of neglect, abuse or exploitation. For people of all ages, this is urgently necessary since no other social service agency is specifically charged with this responsibility and none are equipped by experience to handle these cases, in most communities.

Section 221.7(a)(1).—We are concerned that this regulation will require us to set up another administrative procedure which will be rather complicated and which we feel could possibly be accomplished in other ways. The regulation does not appear to permit any latitude in the method of determining a person's current status as a recipient We feel that in Iowa and in possibly other states, this determination could be made on the basis of the Medical Assistance Card, which in Iowa is issued monthly, and indicates those members of the family who are receiving public assistance. We would urge that this regulation be rewritten to give some latitude as to the method of determining eligibility.

Section 221.7(b).—We are concerned that the requirements for re-determination of eligibilty for services will be unnecessarily complicated. The regulation contains four separate time periods for re-determining eligibility, and we believe it will require an extremely complicated, if not impossible, administrative system to comply. It is particularly difficult to understand why in the case of those current recipients of assistance who are receiving services, a re-determination of eligibility for services has to be made every three months, while for a public assistance grant re-determination has to be made only every six months. Also, it seems unnecessary for a separate requirement for re-determination within 30 days when a family or a person goes off assistance. We would strongly urge that this rule be changed to provide for a re-determination of eligibility every six months for all cases.

Section 221.8(a).—As a pilot state for the implementation of the Goal Oriented Social Services program, we strongly protest the attempt in these regulations to move from a system with four goals to a system with only two goals. We believe that this would, in effect, eliminate the concept of Goal Oriented Social Services. Also, the two goals, as defined, are unclear; it is particularly confusing when the term self-sufficiency is not only one goal, but is also used in defining the other goal. We are not able to distinguish between these two goals. Since we already have in operation a Goal Oriented Social Services System, we question whether we will be required to go back and re-do our present system or whether we will be permitted to use the four goals. We believe that the Goal Oriented Social Services program needs to be implemented, along the lines which it had been proposed originally. We believe that the proposed regulations would only give token recognition to the system and in the end will again be self-defeating. Much concern has been expressed over the past five years about the inability of Social and Rehabilitation Services to explain to Congress what is happening as a result of the money being spent on services. We believe that this will continue unless the Goal Oriented Social Services System is maintained as planned before these proposed regulations.

Section 221.8(b).—We agree that the service plan should be reviewed at least every six months, but we would hope that this review could be coordinated with or incorporated into the requirement for service eligibility re-determination. Not having the service plan tied to the eligibility review is very inefficient and only further complicates our problem of trying to determine who has to be reviewed for what and when.

Section 221.8(c).—We are concerned as to how this particular rule might be interpreted. It appears to say that only services which will prevent a person from becoming eligible for and requiring public assistance should be provided. We do not particularly argue with that interpretation except that it could be further interpreted to mean that if it appears inevitable, regardless of the provision of services, that a person would become dependent upon public assistance that we would then not be able to provide him any service. This would be particularly true in a case of the mentally retarded where, regardless of the services provided, we will not be able to correct or possibly ameliorate their mental retardation, and yet if we are able to provide some services we may be able to lower the amount of public assistance they require. We believe this question needs to be clarified.

Section 221.8(d).—Will this section limit purchase of service contracts to a period not to exceed six months?

Section 221.8(e).—This paragraph seems to be in conflict with Section 221.8(a), which requires that before any service can be given that a case plan has to be established. This section indicates that we will be able to help families clarify their need for services, but does Section 221.8(a) mean that before we can help

them clarify their needs, we have to write a case plan saying that we are going to clarify their needs? Does this section say that before an intake (service) is provided, a case plan must be established?

Section 221.9(b)(3).—We believe that the definition of day care services for children needs to be broadened. The title of this service is misleading in that services are not really provided because of the needs of the child, but are initiated and provided because of the needs of a mother or relative for employment or training. This definition needs to be broadened so that it would be possible to provide day care services, in some instances, to meet the needs of the child. This could be particularly important if we are to provide protective services as mandated in 221.5(b)(1). This regulation also appears to prohibit payment of a relative for the care of a child. We believe that there should be an option for paying a relative when it is in the best interest of the child. Many relatives will provide free care, but to expect it in all situations is unrealistic. If a relative says no, then the alternative will be to pay someone else at, most likely, a higher price.

Section 221.9(b)(5).—We are deeply concerned that this regulation will not permit federal participation in the cost of training or education for clients. With the implementation of the Talmadge Amendments in the Work Incentive Program. it has become increasingly important for us to offer employment services other than through the WIN Program. Our experience since the implementation of the Talmadge Amendment has been that the number of people enrolled in the WIN Program has steadily decreased while the use of our Individual Work and Training Program has sky-rocketed. Withholding federal matching in the cost of training or education will further hamper our training program and will make it that much more difficult to move people off the assistance rolls. Of the total costs of the Individual Work and Training Program, the cost for training and education represents 15 percent. While it represents a small portion of the total cost, we believe that it is a very crucial part and that payments for training and education should be retained. Failure to retain these provisions will just further indicate to the states that the federal government is not really interested in providing meaningful programs of training and education to enable people to escape the public assistance programs.

Section 221.9(b)(8).—The definition of foster care services needs to be broadened to include counseling with children while they are in foster care. The regulations include practically every other service that is needed in any foster care program but fails to recognize the child's emotional and reality problems and his consequent need for counseling. The proposed provision for "supervision of the care of such child in foster care" does not seem to contain any provision for counseling or skilled casework with the child. The inclusion of this service is further questioned since the listed services clearly indicate counseling with the natural parent. If the intent is to include counseling for the child, then it should be clearly stated; if not, then we strongly disagree and believe that it should be included. The definition of foster care should also include recruitment and evaluation of foster homes. This is an important part of any foster home program and expecting the states to pay for this part of a foster care program is unrealistic and would result in poor recruitment and evaluation of foster homes for children being cared for under these regulations. We are deeply concerned about the restriction contained in this proposed regulation in regard to the payment of services to the foster family home or facility under purchase of service contracts. The regulation clearly permits federal participation in the cost of the direct service staff who in our agencies provide the listed foster care services. It would only seem logical that if this is an allowable expense for direct service staff, that it would also be an allowance expense in the case of a purchase of services contract.

Section 221.30(a)(9).—We are not clear as to the intent of all parts of this regulation, particularly where it says that we have to assure that recipients pay for their services. There is no statement as to how to discharge this responsibility, or what our responsibility is if the recipients fail to pay. This section would appear to place on us the responsibility of being a collection agency to which we strongly object.

Section 221.52(d).—As mentioned previously, while the rules do require the state's day care advisory committee and clearly spell out that expenses of the day care advisory committee are reimbursable; there is no mention as to whether the expenses of other advisory committees are reimbursable. We believe that this section should be changed to clearly indicate that the expenses associated with other advisory committees will be reimbursable.

Section 221.53(f).—These regulations require licensing of foster care facilities, which we believe is an integral product of the overall evaluation of a foster care facility. In most instances the same person who is supervising the placement of the child in the home and periodically reviewing the placement as to its appropriateness is also the person who submits the material for licensing. Because of these overlapping purposes in workers' visits, we believe it impractical to try and factor out the cost of licensing. Also, in view of the fact that licensing is mandated by these regulations and since it is vital to an overall foster care program, we believe that the cost associated with licensing should be matchable at the service rate.

Section 221.62.—We recommend that this section of the regulations be changed to permit the use of private funds as the state's share. We cannot understand the rationale for abandoning the use of these funds, except for possible misuses and we believe the current regulations contain adequate guidelines to prevent the misuse of this provision if they were enforced. We believe the present regulations should be retained.

Section 221.53(e).—We object to this limitation being placed in the regulations. The WIN Program in Iowa has been moving backwards since the passage of the Talmadge Amendments. The number of persons enrolled in WIN has decreased and while our program was operating strictly on a voluntary basis (with a waiting list), we have now had to resort to mandatory callups. To offset the negative impact of the Talmadge Amendments, we have put more emphasis on our Individual Work and Training Program statewide. Restricting non-WIN employment services to non-WIN areas of the state will mean 80 percent of our assistance caseload will not have this as an option available to them. Further evidence that these regulations will force people to remain on assistance.

We strongly urge that these regulations not be adopted in their present form. While it has been indicated that the purpose of these regulations is to improve the administration of the service programs and to provide the states with more latitude in the operation of their service programs, we believe the opposite to be the result of these regulations. The definitions of persons eligible for services and the definitions of the services themselves are so severely restrictive that there would be very little latitude for states in administering their service programs. The administration of the service programs will become more complicated, particularly with the initial determination process and the re-determination process. A stated goal of these regulations was to reduce federal expenditures in the areas of social services. In our state we believe that the amount of federal participation in social services will not be reduced, and that instead the implementation of these regulations will cause an increase in the cost of the public assistance programs. With the very limited definition of former and potential, we will not be able to prevent dependency; once they are on assistance, the cost of services to help them get off is considerably higher than the cost of helping them stay off initially. We believe there is a need to seriously examine the impact these regulations would have on other programs, such as the categorical assistance programs. We think the end result would be an overall increase in federal expenditures and unnecessary duress and discomfort to many people, especially those who are very poor, yet do not qualify and those in need of protective services. The ultimate effect of the enforcement of these regulations will be testimony to the poor that their full range of service needs will be ignored—that those which relate to employment are considered most important, regardless of individual situations and potential for self-support. Also apparent will be an insensitivity to the social service needs of those at the fringes of poverty, whose incomes may be just over 133 percent of state payment levels.

They will effectively serve to further reinforce the isolation from the rest of American society that has been brought about through other "programs for the poor" in the past. Concentration on this group alone, rather than working to treat all recipients of federal subsidies in a consistent manner is counterproductive to the goals of the Administration for sharing of the "good life" for all Americans.

Sincerely yours,

JAMES N. GILLMAN,
Commissioner.

COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF ECONOMIC SECURITY,
Frankfort, Ky., May 15, 1973.

Subject Social Service Regulations Under Titles I, IV A and B, XIV, and XVI of the Social Security Act.

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

DEAR SENATOR LONG: Having read the statement of the Honorable Caspar W. Weinberger, Secretary of the Department of Health, Education, and Welfare, before the Committee on Finance, Tuesday, May 8, 1973, and having attended a briefing session on the above mentioned regulation in the Atlanta Regional Office on May 9, 1973, it is absolutely essential that the Commonwealth of Kentucky go on record stating that the final regulations remain, in most respects, unchanged from the proposed regulations which were published a month ago and which remain extremely restrictive. It appears that the only way to give states relief from the existing situation will be by legislative action and, if this is not forthcoming, it would appear the only other vehicle would be litigation.

The following actions have lead the present state crisis in delivering social services:

1. Public Law 92-603 becomes effective June 1, 1973, under federal revenue sharing and contains the 90/10 limitation for social service provision. Only ten percent of all monies expended can be for other than the eligible financial assistance client. This in itself causes tremendous restriction of programs and this writer does not feel that all who voted for it understood its implications.

2. The federalization of the adult categories on January 1, 1974, will also throw tremendous financial burdens on the states because of restrictive eligibility requirements being followed by the Social Security Administration. We anticipate in Kentucky that to provide the level of services presently provided we will have to spend approximately $8 million in state tax monies.

3. The final regulations, as they relate to social services, demand that single state agencies determine eligibility for services and that they define the service.

The final regulations ignore the needs of the near poor and poor. The limitations on former and potential clients, in my estimation, will throw more people into the need for financial assistance than has been envisioned.

The assets limitations as outlined create an inequity among the states and individuals eligible for services.

Legal services will be provided only "to the extent necessary to obtain or retain employment." People needing financial assistance need a gamut of legal services which they will be denied.

No services are provided for the aging nor for the entire group of children who suffer with mental retardation. This is a grave concern since we see these services not provided for in any other bills.

The stated intent of the Secretary of the Department of Health, Education, and Welfare to cut costs under the final Social Security regulations will be accomplished. The suffering of people in crisis and of those who need the support of the federal government for income maintenance will be unlimited during the next few years unless some action is taken by your Committee to correct this situation.

There is no state administrator that is not working to make the welfare system more responsive and more sound administratively.

We cannot, however, reverse overnight a situation that has existed for thirty years.

The State of Kentucky, with a population in poverty that would, on a pro rata scale, be eligible to receive programs to the level of $39 million will, based on the regulations, be limited to administer a program of approximately $12 million. This should indicate very clearly the numbers of poor, near poor, aging, mentally retarded, and other groups who will not be served.

We respectfully submit this information in the hope that it, with the concerns of the other states, will receive the recognition that it did not receive from the Secretary's office during the thirty-day period for reaction to the proposed regulations.

Sincerely,

GAIL S. HUECKER, *Commissioner.*

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, Ala., April 19, 1973.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
Washington, D.C.

DEAR MR. VAIL: I am enclosing copies of letters written to the Secretary of the Department of Health, Education, and Welfare, and the Alabama Congressional Delegation, relative to the Social Service Regulations. I would like to have these entered into the printed record of the hearing.

Cordially yours,

RUBEN K. KING,
Commissioner.

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, Ala., March 7, 1973.

Mr. PHILIP J. RUTLEDGE,
Acting Administrator, Social and Rehabilitation Service, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. RUTLEDGE: I am taking this opportunity to comment on the proposed social service regulations published in the *Federal Register* February 16, 1973. The proposed regulations are causing extreme concern throughout Alabama since such proposed rule-making would reduce drastically services now being provided to the State's aged, blind, disabled, and families and children. The regulations, in fact, would appear to defy the intent of the Congress to provide sound, accountable services to the needy, by making it very difficult to fully use the limited amount of funds appropriated by Congress for such purposes.

At present, as mandated by Congress, Social Services includes a wide range of programs and activities designed to help needy persons improve their living conditions, to strengthen individual and community resources, and to encourage localities to fill gaps in existing services. According to the proposed social service regulations, contracts for many comprehensive service programs will have to be terminated that are currently providing needed services to our elderly citizens, mentally retarded, and dependent children. The proposed regulations will restrict severely the determination of eligibility for services offered by our department. Many citizens on the borderline of dependency have been served as "former" and "potential" clients. Such citizens cannot now have the benefit of the services that prevent and reduce dependency.

Many restrictions relating to the determination of eligibility, provision of services, and personnel requirements imposed by the proposed regulations are in obvious conflict with another mandate of the Department of Health, Education, and Welfare to effect separation of eligibility and service functions statewide. The proposed regulations will require a substantial increase in personnel and will require the workers providing services to increase greatly their knowledge of matters pertaining to eligibility requirements of financial assistance programs administered by the State and, after January 1, 1974, the Social Security Administration. The dictum of separation severely conflicts with the restrictions placed on services enumerated in the proposed regulations.

In addition to the above mentioned paradox, we are greatly concerned with many features contained in the proposed regulations; we are citing here those to which we object most strenuously and those which we believe demand immediate clarification and amendment:

1. *The requirement that determination of eligibility as a potential client be limited to 133⅓ percent of the payment level under the state's approved plan (Section 221.6 (3)(i)).*

For Alabama, and other states that will pay only a percentage of the established budgeted need, it will prevent the provision of services to borderline cases experiencing acute problems who could be helped toward self-sufficiency by such services. Clarification must be provided as to whether or not "133⅓ percent of the state's financial assistance payment level" refers to payment level by category or to the average of the total financial assistance payment program of the Department. After January 1, 1974, it is not clear how severely services to adults will be curtailed by this particular requirement.

2. *The prohibition of the use of private funds to qualify as the state's portion for matching purposes (Section 221.62).*

Many worthwhile programs will be terminated resulting in the loss of both the services themselves and the employment they make possible. This prohibition, imposed by the proposed regulations, decreases in the eyes of the taxpayer the maximization of public funds in meeting the needs of the local citizens. This action will discourage local participation.

3. *The necessity of terminating many contracts which now provide comprehensive service programs for the mentally retarded, mentally ill, and elderly citizens (Section 221.8(a) and other sections).*

Approximately $17 million will be lost that would have provided services to our clients in relieving the need for care in mental institutions and serving to return residents of mental institutions to the communities.

4. *Restrictions on those eligible for services as potential and former clients.* These limitations will place a much greater burden on inadequate Child Welfare Service funds, which as yet, *have not been appropriated* (Section 221.6(2), (3)).

5. The provision that *no services can be provided (other than emergency services) until such services are incorporated in a service plan.*

6. *The proposed regulations which prohibit federal financial participation in non-WIN employment services "unless the WIN program has been initiated in the local jurisdiction."* It is important that service workers provide the employment service as defined (non-WIN) in Section 221.9(5). It is impossible to determine at what point in the WIN program services are considered matchable. There is no clear definition of what is meant by "employment." The proposed regulations would serve to refute and restrict non-WIN employment service.

7. *The provision that the issuance of licenses or the enforcement of licensing standards can receive no federal funding (Section 221.53(f)).*

In Alabama the licensing function, by law, carries with it program consultation to the facility to assist in meeting licensing requirements and to help achieve program excellence. The issuance of licenses and the enforcement of licensing standards essentially represent by-products of the program consultation and technical assistance provided by this department.

8. *The lack of clarification of the definition of day care services.*

In Section 220.9(3) the definition includes the purpose of "enabling caretaker relative to participate in employment, training, and receipt of needed services." In Section 221.55 (d)(1) reference is made to the definition of day care and includes incapacity of the child's mother but does not include "or receipt of needed services." It is highly important that incapacity of the mother be included in the definition, as well as "receipt of needed services."

We urge that full consideration be given to these grave matters in developing the final regulations. Our deep concern at this point is that the citizens of Alabama will experience severe hardships if the proposed regulations are finalized as drafted. I look forward to a favorable reply from you and will answer any questions you raise and provide any additional information you request.

Cordially yours,

RUBEN K. KING, *Commissioner.*

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, Ala., March 1, 1973.

Hon. JOHN SPARKMAN,
Member, U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: I am taking this opportunity to comment on the impact upon Alabama of the proposed social service regulations published in the Federal Register February 16, 1973. These regulations—designed to take effect April 1, 1973—are causing extreme concern throughout our State. Their implementation would reduce drastically services now being provided to the State's aged, blind, disabled, and families and children, and would limit sharply what persons could benefit from programs that can be continued. Said regulations, in fact, clearly are in defiance of the intent of the Congress to provide sound accountable services to the needy, because, if allowed to become operable, they will prevent the expenditure of Congressionally appropriated funds for such purposes.

You are aware that at present—as mandated by the Congress—social services include a wide range of programs and activities designed to help needy persons

improve their living conditions, to strengthen individual and community resources, and to encourage localities to fill gaps in existing facilities. Illustrative of these services are individual counseling with a disrupted family by a Pensions and Security service worker, a contractual arrangement whereby local private funds are matched to establish hot "meals-on-wheels" for shut-ins, library services for the partially seeing, or plans for assimilating the retarded into community life. Under present requirements states may tap any available resources for the State's share in funding, and service projects can reach low income and other groups who are not current assistance recipients.

The recently promulgated regulations alter this picture considerably. Among our most serious concerns are:

1. Cutting back on what people can benefit from services by making them available only to public assistance recipients.
2. Prohibition against use of private funds for the State's share in establishing programs. (This will curtail local incentive and close many fine services.)
3. A stipulation as to exactly what services can be financed from Federal funds, thus closing many important programs.
4. Setting an arbitrary ceiling on service funds available to States without relation to need, effectiveness of programs, fiscal ability, etc.

The net results of these and many other rigidities in the February 16 regulations would be discontinuance by the Department of Pensions and Security of many services essential to multi-problem families. Since social services have clearly proved to be a key to reduction and prevention of dependency, it seems highly contradictory that Health, Education and Welfare should promulgate regulations producing the opposite effect. In other words, the changes tend to increase dependency and elevate costs to society.

It can be anticipated further that added and costly responsibilities will be placed on the Department of Pensions and Security at a time when it can ill afford to undertake them. Specific illustrations of immediate effects of some of these regulations in our State would be to deprive several thousand children of day care, to cause about 1700 persons to lose their jobs, to deprive nearly 10,000 emotionally disturbed children and adults of services, to discontinue programs for some 6,000 retarded children, and to prevent the agency from continuing numerous contracts that are beneficial for children and adults.

It is our firm hope that you will take strong action to block or modify the implementation of these regulations. Your services will be invaluable to every Alabamian.

Please feel free to raise questions or request any further information you need. I shall look forward to hearing from you on this matter as soon as possible.

Cordially yours,

RUBEN K. KING, *Commissioner.*

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, Ala.

Senator RUSSELL LONG,
Chairman, Senate Committee on Finance, Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: Again, the Alabama Department of Pensions and Security registers objections and concerns in relation to the Social Services Regulations promulgated by the U.S. Department of Health, Education, and Welfare. Such concerns and objections as registered on March 7, 1973, in a letter to the Acting Administrator of Social and Rehabilitation Service are, for the most part, equally applicable to the final Regulations printed in the Federal Register May 1, 1973. Our strongest protests relate to the following provisions:

1. Requirements restricting eligibility and defining rigidly a potential client, and fixing the maximum fee schedule. The basis should relate to assistance standards rather than payment levels. In Alabama these provisions would place severe restrictions in providing day care for a large number of low-income children whose parents might seek employment if such care were provided.
2. The Regulations will necessitate termination of many contracts which now provide vital and comprehensive services for the mentally retarded, mentally ill, and elderly citizens. (Section 221.9)

3. The restrictions are too rigid in regard to potential and former clients. Further, such limitations place a heavier burden on already inadequate child welfare service funds. (Section 221.6)

4. Federal financial participation should be permitted in non-WIN employment services. (Section 221.9)

5. The provision that the issuance of licenses or enforcement of licensing standards can receive no federal funding is inconsistent with the requirements for licensure cited in Section 221.9(3). (Section 221.53(f))

6. The definition of day care services should be broader.

Other areas which are also severely restrictive and objectionable are:

1. Section 221.4 entitled "Freedom to Accept Services" does not enable the Department to develop a program of protective services for children and their families and adults.

2. Section 221.8 (D) is not clear as to when a service may be purchased by the Department from another agency.

3. There should be clarification of what is meant by remedial services. (Section 221.53(I))

There apparently is some discrepancy between the comments contained in Secretary Weinberger's testimony to you and the Committee on Finance May 8, 1973, and discussion and clarification provided by SRS Regional Office staff May 9, 1973. According to Secretary Weinberger's testimony before the Committee on Finance, "the new regulations permit the provision of child care services for mentally retarded individuals who are otherwise eligible for social services, without regard to a requirement that the care be related to the training or employment of the parent or other caretaker." However, SRS Regional Office staff emphasized that on July 1 mentally retarded children must meet the eligibility criteria contained in the day care definition in Section 221.9(3). To date we have been unable to obtain clarification relative to the above mentioned discrepancy.

Generally the regulations continue to be severely restrictive and essentially limit provision of services to public assistance recipients. There apparently is no provision for claiming Federal participation in providing necessary services to adults and children and their families for services that are not enumerated in Section 221.9. For example, the Department is called upon to assist the courts in providing social service information relative to custody proceedings for adults. Other services routinely go beyond the traditional scope of information and referral activities which can be dispatched without offering additional services, but at the same time would not fall into any one of the services defined in Section 221.9.

We shall be happy to provide additional comments if you request them.

Cordially yours,

RUBEN K. KING,
Commissioner.

HOUSING AUTHORITY OF THE BIRMINGHAM DISTRICT,
Birmingham, Ala., May 14, 1973.

Mr. TOM VAIL,
Chief Counsel, Senate Finance Committee,
Washington, D.C.

DEAR MR. VAIL: Thank you so much for the opportunity to express our concern regarding the eligibility of our people for day care services. May we respectfully call to the attention of this Committee the following facts as related to our facilities and the Title IV-A Child Care Provisions as published May 4, 1973.

This Authority, using HUD Modernization funds, constructed six completely equipped day care facilities accommodating 100 children each at an investment of more than $2,000,000.00. This Authority also operates seven other centers caring for 40 to 50 children each for a total of 13 day care centers caring for 800 to 1,000 children. We are totally dependent on United Way agencies or purchase of care or Title IV-A funding from HEW for operating costs of these facilities.

One-parent families with children are of great concern to us and we have sponsored numerous training programs for our people so that they can be self-supporting and in due time go off welfare rolls. We are pledged to help these families and these children.

Under the proposed regulations only 26% of our present enrollment in these centers will continue to be eligible for services. Therefore, 80% of the working mothers now being served will be forced to return to the welfare rolls. We re-

spectfully call to your attention Table 3 on Pages 24 and 25, and Table 4 on Pages 26 and 27 of said HEW regulations wherein it is obvious that Alabama's annual payment standard is so low as to exclude even those who are making the Federal minimum wage.

The lowest income represented in the above is $780.00 annually with one pre-school child; the highest is $6,000.00 with three children of pre-school age. The average income for the above working mothers who are no longer eligible for child care is $2,049.00 Of the almost 7,000 families we serve in this Authority the average income is less than $3,000.00.

Would it not be in the best interest of all concerned, as well as the highest and best use of Federal moneys, to be able to operate these centers at their full capacities rather than only serving 26% of the numbers the buildings were designed to accommodate? Our people are by definition "low income" or they would not be residents of our communities. We feel it is a waste of Federal dollars to have so much money invested in physical facilities and then restrict and limit the recipients in the services so as to cut off those people who have the greatest need and have made the greatest advance toward being self-supporting. We, therefore, respectfully request that the following eligibility be included in your "determination of eligibility for services:"

"Any family who is a resident of a Federally-assisted public housing community, where there is provided a day care facility constructed by HUD, is declared eligible for day care services with respect to Title IV-A funds or under the State's schedule of fees to be paid for such services for said eligible families."

Your consideration of this request will be highly appreciated.

Yours sincerely,

HUGH DENMAN,
Executive Director.

TESTIMONY PRESENTED FOR THE DAY CARE AND CHILD DEVELOPMENT COUNCIL OF AMERICA, INC., BY MS. HELEN L. GORDON, BOARD MEMBER

APRIL 30, 1973.

After careful study of the new regulations for Social Services as reported by Secretary Caspar W. Weinberger, HEW, April 26, I would like to make the following statements:

1. The cost of living, especially food, is rising rapidly and there is no relief in sight. It is, therefore, ridiculous to think that a family whose income is between 150 and 233 percent of a state's welfare standard can adequately feed the parents and children and pay for day care.

2. In my state of Oregon, welfare budgets are on an 80% basis and not 100%, which makes the living costs even more horendous.

3. Some of the same factors relate to being able to pay total day care costs if the family income is 233⅓ percent of the assistance standard. Again, we must consider cost of living. It's not only food which is sky rocketing, but also utilities, rents, oils for heating.

4. Requiring redetermination of eligibility for each family or individual who qualifies as a "potential" every six months will make it necessary to increase staff in the various State Children's Services programs. This adds to the administrative costs.

5. I think it will be difficult for many families or individuals to say whether they will become recipients of financial assistance in six months. So many families whose incomes are not too high might be left out of services until such time as they actually go on welfare.

STATEMENT IN BEHALF OF UNITED CEREBRAL PALSY ASSOCIATIONS, INC. PRESENTED BY E. CLARKE ROSS, FEDERAL PROGRAMS CONSULTANT, UCPA WASHINGTON OFFICE; AND LYDIA ANN COULTER, EXECUTIVE DIRECTOR, UCP OF LACKAWANNA COUNTY, SCRANTON, PA.

United Cerebral Palsy Associations, Inc., a national organization representing over 300 affiliates providing direct services to developmentally disabled clients, is disappointed that the Committee on Finance could not schedule our organization for an oral presentation. We sincerely hope our written statement will be carefully considered.

potential. UCPA does not favor blanket inclusion but favors the establishment of a fee schedule based upon the family's ability to pay for services. This approach has recently been adopted in the Headstart Program by PL 92-424.

In 1961 when Mrs. Coulter first went to work for United Cerebral Palsy in a small affiliate in western Pennsylvania her supervisor was a physical therapist who said that in his early days as a therapist he had come to the conclusion that cerebral palsy was a disability peculiar to families of attorneys, physicians, and other people of some means. It was when he came to work for United Cerebral Palsy affiliate that the truth dawned on him—only attorneys, physicians and people of some means can afford the private facilities available for victims of cerebral palsy; he found the middle class families in great numbers among the clientele of United Cerebral Palsy.

This fact would appear to have direct bearing on the concern of United Cerebral Palsy regarding the stipulated restrictions on eligibility for social services. A family where there is a cerebral palsy victim has a very serious financial strike against it; all services required to ameliorate the condition and bring the individual to his maximum potential are very expensive. In Scranton, Pennsylvania, physical therapy is charged at $10 a half hour visit. Physical therapy is not helpful to a cerebral palsy victim unless he can have it on a regular basis—the ultimate being at least one treatment a day. For a family in the middle income bracket to try to support this kind of service is entirely out of the question. However most families do arrange for their children to have services such as physical therapy, speech therapy, and other supportive services. The net result is that on the one hand the child (and later the adult) does not receive adequate service to bring him or her to his or her ultimate potential, while on the other hand the standard of living of the family drops well below that of a family in the same income bracket without a handicapped member.

Families who discover that they have a cerebral palsied child go through a traumatic experience which consists of several stages. First, the family refuses to believe that the child is abnormal. Next, the parents shop for a doctor or hospital or agency that will "cure" the child. Thirdly, they enter a stage of despair and depression regarding the future of the child and in fact, the future of the family. And finally, they settle down to doing the best that can be done for the child to bring him or her to his or her maximum potential.

Each of these steps is traumatic—and each is usually expensive. Meanwhile, other members of the family are victims of neglect which is often translated by them into rejection. By the time the fourth stage is reached the family may be bankrupt financially and irreversibly damaged psychologically.

SOCIAL SERVICES BENEFITS TO FAMILIES WITH CEREBRAL PALSY IN SCRANTON, PA., SUBMITTED BY MRS. COULTER

Rather than taking time to deplore what may happen to our children and their families under the new regulations, I should like to trace the progress made by the United Cerebral Palsy affiliate I serve toward full service to our families and what a significant role the social services funding has played.

Chartered in 1953, it wasn't until ten years later that the Scranton United Cerebral Palsy Office was able to muster a program for children. Then it was a 2½ hour day care program for six children, operating two days a week for 32 weeks. Total child-care hours in 1963—960. There were as many children on a waiting list for the service as the number served—six. No lunch was served and no transportation was provided. One staff member conducted the program.

From September 1964 thru June, 1965 14 children attended day care on a split schedule; seven attended Tuesday and Thursday and the other seven Monday and Wednesday. Although there was a teacher and an aide, the staff-pupil ratio had worsened going from one to six to one to seven. Some transportation was available, but no hot lunch, and no supportive services such as psychological testing, or the various therapies.

Head Start Funds in 1966, and later, Follow-Through money, improved the picture somewhat, with all children (total of 18) attending daily through 1 p.m. There were two teachers and two aides and transportation was provided. At this time the program ran for eight weeks during the summer providing more nearly adequate services than ever before.

However, there were always more children on the waiting list; the diagnostic and supportive services were not available, and long gaps in the year's program allowed the condition of the child to deteriorate, as well as the morale of the family.

UCPA is very concerned over several aspects of the new regulations on the Social Services Program established under the Social Security Act. Our statement comments on these aspects and describes what social services means to one of our affiliates serving developmentally disabled children and their families.

DEFINITION OF MENTAL RETARDATION

UCPA believes that strict interpretation of the term "mental retardation" contradicts the programming experience established by Public Law 91-517, the Developmental Disabilities Services and Facilities Construction Act. Developmentally disabled persons were defined as those persons disabled because of mental retardation, cerebral palsy, epilepsy, or related neurological conditions. The trend since 1970 has been not to separate by category particular disabilities but to provide services to disabled persons requiring similar types of services.

UCPA's programming experience has been that terms such as "mental retardation" and "cerebral palsy" are not neat descriptive terms which communicate even reasonably well the etiology, treatment, or program needs of these individuals. These terms alone tell one nothing about a specific individual and his program needs. Programming in terms of categorical labels does not make sense.

Functional needs tend to cluster and programs can be appropriate for individuals with common needs regardless of the etiological diagnostic label attached. Public Law 91-517 reinforced the concept of a coordinated functional approach to services.

The Administration has endorsed this concept of delivering services. In a March 23, 1973 letter to the Honorable Carl Albert, Speaker of the House of Representatives, Under Secretary of the Department of Health, Education, and Welfare, Frank Carlucci, stated, "We have been generally pleased with the operation of the programs authorized by the Developmental Disabilities Services and Facilities Construction Act." In testimony before the Senate Committee on Labor and Public Welfare, representatives of the professional community, the academic community, and the voluntary sector endorsed the non-categorical approach to services established under the Developmental Disabilities Act. But the discrepancy between providing services under the Developmental Disabilities program and under the Social Services program remain.

To correct this *programming discrepancy, which works to exclude non-retarded developmentally disabled persons from eligibility for social services,* UCPA recommends that wherever the term "mental retardation" appears in the regulations, that those sections be amended to read "mental retardation and developmental disability."

DONATION OF PRIVATE FUNDS

Legislators and administrators consistently declare their support for the strong participation and responsibility of the private sector in helping to work towards the solution of society's problems. United Cerebral Palsy Associations, Inc., is just such a private agency. If the private sector is to be encouraged and supported then the restriction in the regulations on donated funds must be removed. If private money is donated to contribute toward the State's share of the financial match, than the contributing private source should be allowed to designate what area of programming and what targeted population is to be served by that match.

MANDATED SERVICES

UCPA is deeply distressed at the severe cut-backs in the services a State is mandated to provide in order to qualify for federal matching. Not only does the provision for a minimum of three mandated Family Services distress us, but the lack of requirement for any Adult Services shocks us.

It has been the programming experience of UCPA, since its formation in 1949, that few states, if not mandated by law to provide basic services to its hand capped citizens, will forfeit its responsibility to provide such services.

ELIGIBILITY FOR SERVICES

Families with cerebral palsied and other developmentally disabled persons are in need of most of the social services whether they receive assistance or not. UCPA requests careful consideration of the inclusion for eligibility of all severely involved developmentally disabled individuals (and in the care of children, their families as well) in order to stabilize their lives and bring them to their maximum

In the Fall of 1970 this agency launched the first developmental day care program funded through the social security act. From then to the present, the benefits dreived from this program have been remarkable. Starting with a full time, five-day-a-week, seven-hour-a-day, year-round program for 49 children, this agency today serves sixty children. Staff includes special educators, rehabilitation educators, registered nurses, along with special trained aides. There is transportation and one of the most enlightened aspects of the program is that handicapped children and non-handicapped are integrated, with the level of the program geared to the handicapped.

Staff ratio is between 4-1 and 3-1. Children are served according to their needs, with the enrollment being divided into four groups. Hot lunches are served and consultative services provide a realistic curriculum for each child, both from the academic and the physical restoration point of view.

Social work support for each family is part of the program, which has proven helpful in every one of the four stages referred to. A total of 11 children have been graduated into regular public school classes; a possibility that would have been very remote without the specialized stimulus and training given each child in the developmental day care program.

On the other end of the spectrum from the children who "made it" is a group of children who will never really "make it"—their disabilities both physical and mental, are too severe for them ever to be self-sufficient. However, each of these children has benefited in one or more of the following areas: has learned to feed self; has learned to dress self; has learned to be separated from mother; has become toilet trained; no longer drools; has become less hyperactive. Only parents of children with any or all of these problems can know fully the contribution these skills make to a more stable home life. One little blind cerebral palsied child who spent his days in a kneeling position and shook his head and hands and rocked constantly has now been fitted with a chair which gives him proper support and helps him find himself in space. He no longer rocks and cries; his mother and father have a much improved home life.

Between the two extreme groups are many children whose progress points to their eventually becoming part of the public school system, at least in the special education department. And another benefit has been the detection of learning problems and other deficiencies among the alleged "normal" children. Having discovered the problems at an early age has made it possible to institute remedial programs which in most cases will get them into "regular school."

Both by the records and by actual observation of the children it is obvious that the program mounted through the federal matching program of social services in the social security act has brought about tremendous improvements in the children. Somewhat more nebulous is the significance to the families and home life. However, certain valid assumptions can be made in this connection.

When a child demands 24 hour a day care, unable to do anything for himself or herself, the home life becomes of poor quality. Whether the mother dedicates her entire life to the child (thereby rejecting husband and any other children) or whether she rejects the child (by outright neglect, or by filling her life with many frantic activities outside her home) the family life is eroded. Mental health deteriorates; divorce and separation may result, and the other children start on the road to delinquency simply as an attention-getting gambit. The handicapped child will then require placement in an institution, thereby reducing his or her potential for teaching his or her optimum potential. The mental health of that family then becomes a minus quantity in the mental health of the community. The Social Services program can alleviate much of this family deterioration."

WHAT HUMAN ENRICHMENT MEANS IN TERMS OF DOLLARS: THE UCP OF SCRANTON, PA., SUBMITTED BY MRS. COULTER

"First, consider 11 children who were placed in regular public school classes after graduating from a developmental day care program supported by social services. In Pennsylvania, according to H.B. 1020 signed into law November 15, 1972, up to $3,500 per child may be spent annually by a school district for day classes in special education for cerebral palsied children. This law is retroactive to July 1, 1971. Cost per child in regular classes in Scranton is $800 per year. Therefore taking an average and assuming that all 11 children entered public school in Fall 1971, this represents a savings to the school district of $59,400 through this school year. Assuming the average of the 11 children was seven in 1971 and projecting the cost of keeping them in school until they are

21 years old (as mandated now in Pennsylvania), the savings represented by those children alone through 1985 would be $415,800. And this figure doesn't project the inevitable increase in the specified costs during that time.

Another facet of the fiscal side of United Cerebral Palsy's day care program is the number of mothers who can (and do) take jobs to upgrade the family's standard of living. Remembering that individual therapy costs $10 a day and must be given at least twice a week, it then becomes clear that a working mother's salary is absolutely essential to provide special care for the handicapped child while permitting the other family members to have an adequate lower middle class life style. Day care services for the handicapped child (and perhaps his young sibling) release the mother to bring in the necessary extra money.

Going now to the group of children at the lower end of the developmental spectrum; in many instances it is only because of the day care hours which relieve the mother's burden that this child remains in her home, rather than being placed in a custodial institution. The dollar savings derive two ways; first, although the child probably will have to be placed in an institution in the future, every year he lives with his family saves the government money; and second, because he does progress farther and develop more fully in the loving warmth of his home, he will be more self-sufficient when he is finally placed, thereby reducing the staff hours required for his care.

Other dollar savings related to the cerebral palsied child and his family are reflected in a stronger home life which hopefully precludes trends toward delinquency on the part of other children, desertion by an overburdened and non-coping parent, and other similar social problems with direct dollar implications.

From the standpoint of employment and staff development there are also great dollar gains through the day care program, the former relating to parents employed as well as staff. At present 31% of all day care mothers are employed; another 3% are enrolled in the W.I.N. program—a training program for individuals on assistance. It can be assumed that the money represented by these mothers earnings is what makes it possible to pay for the handicapped child's extraordinary expenses and still meet the needs of the other family members.

Employment of day care staff by this agency has created 21 full-time positions and five part-time positions, adding 26 names to the tax rolls. In addition, the on-the-job training and inservice training provided are creating a group of skilled child care workers whose abilities will upgrade services to children in northeastern Pennsylvania; if one considers the negative effects of a discontinuation to United Cerebral Palsy's day care program one can foresee 21 individuals collecting unemployment compensation and/or assistance. Of those presently employed full-time in this agency's program alone, seven provide total support for a family, nine are their own sole support and three are helping support a family which includes a handicapped child."

CONCLUSION

There are two points of view from which to consider the provision of social services to victims of cerebral palsy; one is the humanitarian or social, and the other is the financial or monetary. On behalf of United Cerebral Palsy it is urged that a full range of services be made available to cerebral palsy victims in order to achieve optimum success from both points of view. The personal enrichment and self-improvement which is the goal of this agency from the humanitarian viewpoint will also result in more persons becoming self-sufficient and self-supporting, thereby achieving the fiscal goals which must be the concern of this committee.

STATEMENT BY J. D. WHITE, SECRETARY, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, STATE OF DELAWARE

The fantastic rise in Delaware's Welfare caseload has paralleled that of the nation. In June, 1968, 20,358 Delawareans were receiving public assistance. In December, 1972, there were 36,820. This represents an 81% increase. Since 1968, there has been almost no increase in staff to handle this caseload.

Beginning in 1972, Delaware's Division of Social Services undertook a comprehensive management and organizational analysis. This analysis was the first attempt to provide for coordinated delivery of Social Services to clients. The questions asked by this analysis were "Where Are We?". "Where Are We Going?". "How Are We Going To Get There?". "What Resources Will be Required?".

In conjunction with this analysis an extensive purchase of service program was planned and partially implemented. Delaware's Division of Social Services and the Division of Vocational Rehabilitation have cooperated in an innovative three to five year demonstration project to rehabilitate past, present and potential public assistance recipients, and find gainful employment for these persons.

The amendment which placed the ceiling on Social Service funding drastically altered our goals. The State of Delaware had contracts with public and private Social Service agencies amounting to over $30,000,000 in fiscal 1973. Under the new amendment Delaware was to recieve $6,783,000. Immediately, measures were introduced to bring Delaware's service expenditures within the allocation provided by Congress. All of the purchase of service contracts were cut back. As a result of the funding cutbacks, needed services were reduced, and professional staff were laid off.

It is important to note that Delaware is one of only four States in the Nation to receive less Social Service Funding for fiscal 1973 than was spent in fiscal 1972. Delaware began its comprehensive Social Service program in fiscal 1972, with the real emphasis being placed on fiscal 1973. These early expenditures coupled with Delaware's small population created our present funding problems.

One of the first sources of alternate funding investigated was Revenue Sharing. The bulk of the Revenue Sharing funds went to the counties, cities and towns in our State. Our Social Services and Assistance Payment Programs are operated on a statewide basis. Problems arose when local governments were approached for Revenue Sharing funds and the State couldn't guarantee expenditure of those funds within the governmental jurisdiction providing them. In addition, Social Services rated low in priority with the local governments.

Throughout the period, HEW has had several program review personnel going through our financial and case records. Usually these people would come unannounced. This lack of coordination at the Federal level, though unintentional, has disrupted programs, tied up staff time and hindered effective planning for implementation of the new regulations.

The program most affected by the new regulations will be our day care program. To implement the new regulatory ceilings will cost almost one million dollars increase in Federal and State expenditures, (Appendix A), and the program administration will cost $150,000 in additional State and Federal monies just in salaries. The restrictive three (3) and six (6) months limitations on eligibility for past and potential recipients will make the authorized 233.3% ceiling completely meaningless. Because of these eligibility restrictions we won't be able to provide preventive services on an on-going basis for clients who need it most.

The small number of optional services authorized for federal reimbursement if completely contradictory to the professed goal directives; namely, self-support and self-sufficiency. The complete elimination of any non-WIN work oriented (employment services) program makes it impossible for any state to reduce the ever-growing welfare rolls through an efficient and viable training and employment program involving the whole scope of disciplines and available services, thus taking away the incentives for any self-improvement. It is inconceivable to us to count exclusively on the WIN program and block every other avenue which can be and should be explored according to the state's own requirements, in order to reduce the rolls and make self-supporting taxpayers out of dependent welfare clients. The new regulations claim to give greater authority and self-determining responsibility to the individual states, but at the same time, with the restrictive requirements for federal fiscal participation, takes away the possibility and the opportunity from the states to solve their own particular problems with federal help.

The limitation of purchase of services poses one of the greatest stumbling blocks for any progressive social service program. The intent of the regulation suspiciously looks like contravening the congressional intent of the 2.5 billion social service allocation because, for all practical purposes, the restrictions in the regulation make it difficult to spend all of the state's allocated Title IV-A funds. This is particularly damaging to the State of Delaware considering the fact that the State received a substantial cut in its Title IV-A allocation and even that minimal amount of federal Title IV-A funds (6.7 million) can't be spent on vital programs due to the restrictions.

The State of Delaware takes exception particularly to the "new money" provisions which not only hinder any future effort to plan and implement more efficient and more needed programs but are in contradition to the 1967 soical security amendments which were repealed by the Congress. After careful research, we could not find any legal basis for it.

The eligibility criteria which were established in the regulation are restrictive and ambiguous. The definition of potential category and the introduction of the 150% of State financial assistance payment standard is totally confusing and the federal authorities themselves have not been able to explain how the redetermination under this category will be executed. Also, it should be noted that the 6 month limitation for potentials, during which period social services are compelled to correct an existing situation to avoid a permanent welfare status for a recipient, is unrealistic and almost deliberately forces the states not to handle potential cases because of the complicated and very restrictive procedures.

In conslusion, the State of Delaware must most emphatically object to the unnecessary limitations and the restrictions imposed upon it which are going to force the State to cut back drastically on programs and even on personnel at a time when the State social services was just beginning to gain momentum and head for the right direction to start to provide the most needed services in the most efficient way for the greatest number of clients.

It was our hope and intention to provide the Congress with a more detailed and specific analysis of the impact of the new regulations along the following lines:

Program definition; number of clients affected and in what way; number of employees affected and in what way; effects on facilities (space, etc.) needed; management/organization problems; legislative implications (State); legal implications; impact on private agencies.

However, because of lack of guidelines and interpretation, we are not able to come up with hard figures pertaining to the actual fiscal impact of the new regulations.

The State of Delaware, after implementing this new regulation, will be in an untenable position both fiscally and from a management efficiency point of view, to such a degree that even a preliminary assessment of the impact poses almost insoluble difficulties. Because of the ambiguity of the regulations, the complete lack of guidelines and official interpretations, the State will not be able to plan efficiently for the implementation. Because of the peculiar and unique fiscal situation which exists in the State which necessitated the hiring freeze and budgetary constraints, our personnel needs for implementation won't and can't be met. The State's social services programs are going to face a dangerous and unhealthy situation which comes at a most inopportune time when after long years of struggle the State was finally on the brink of developing an efficient reorganization and up-to-date management technique to handle and live up to our responsibilities to our clients and to the State and Federal taxpayers. It is our professional assessment that this regulation is going to create additional and unnecessary red tape and insufficient, time and money consuming bureaucracy, and will be highly detrimental to clients and taxpayers alike.

APPENDIX A

PROJECTED YEARLY COST, DELAWARE NON-AFDC DAY CARE

	County			
	New Castle	Kent	Sussex	State tota
A. Present situation:				
1. Number of cases	301	25	310	636
2. Amount paid by clients	$87,336	$4,848	$60,048	$152,232
3. State expenditure:				
(a) Federal	372,852	32,568	403,860	809,280
(b) State	188,676	16,476	204,360	409,512
(c) Total	561,528	49,044	608,220	1,218,792
B. Maximum eligibility[1] set at 192 percent of AFDC standard:				
1. Projected caseload	382	36	456	874
2. Amount paid by clients	$209,186	$14,904	$188,718	$412,806
3. State expenditure:				
(a) Federal	407,906	41,632	527,436	976,974
(b) State	206,404	21,064	266,914	494,382
(c) Total	614,310	62,696	794,350	1,471,356

See footnote at end of table.

PROJECTED YEARLY COST, DELAWARE NON-AFDC DAY CARE—Continued

	County			
	New Castle	Kent	Sussex	State total
C. Maximum eligibility set at 233 percent of AFDC standard:				
1. Projected caseload	822	66	828	1,716
2. Amount paid by clients	$515,928	$29,013	$364,056	$940,293
3. State expenditure:				
(a) Federal	834,090	75,216	943,518	1,852,824
(b) State	422,070	38,055	477,426	937,551
(c) Total	1,256,160	113,271	1,420,944	2,790,375

[1] According to new regulations.

STATE OF MISSISSIPPI,
STATE DEPARTMENT OF PUBLIC WELFARE,
Jackson, Miss., May 14, 1973.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance, Senate of the United States, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. VAIL: We are pleased to provide a position statement of the Mississippi Department of Public Welfare for inclusion in the record of the Senate Finance Committee hearings on HEW Social and Rehabilitation Service Assistance Programs.

Although Mississippi leads the nation with thirty percent (30%) of its population receiving either public assistance money payments or services, we accept the $2.5 billion ceiling Congress placed on expenditures for social services as both necessary and reasonable, voicing a regret only that population rather than need was the basis of distribution for these funds intended to assist the poor.

Twelve percent (12%) of our population receive money payments, also the nation's highest, and we spend approximately ten percent (10%) of our general budget on welfare programs and administration so we are well aware that practical limits on legislative authorization of expenditures can be and probably have been reached.

We are not sitting back here in Mississippi waiting for Washington to solve all of our problems for us, but we do strongly object to the Title 45 Public Welfare Rules and Regulations as published May 1, 1973, in the Federal Register losing sight of the long-term goal of breaking the welfare cycle by too much concentration on the laudable but short-term goal of converting adults from welfare to workfare.

We specifically object to what appears to us to be convoluted if not specious reasoning in achieving even that limited objective in that Section 221.8 restricts goals to (1) self-support (employment and economic self-sufficiency) and (2) self-sufficiency (achieving and maintaining personal independence and self-determination) while, conversely, Section 221.5, mandates in (b)(1) family planning services, foster care services for children and protective services for children while day care services for children, for example, remains optional.

Nor can many of the other optional services authorized be realistically related to HEW's own restrictive goals, as set forth in 221.8, above referred to.

These regulations reduce the number of services authorized under Title IV–A from 21 to 13 and under Titles I, X, and XIV from 20 to 16, thus narrowing the scope of social services available to the near-dependent and gutting programs designed to alleviate conditions conducive to family and social breakdown, resulting in more and more recipients pyramiding from generation to generation. Additionally, Section 221.6 restricts the number of low income people eligible for social services by changing the time criteria for (2) former applicants from two years to three months and (3) potential recipients from five years to six months, tending toward the same unacceptable result.

We submit there is nothing in the legislative history of the Social Security Act to indicate this is or has ever been the intent of Congress.

It seems to us elementary that the states should be able to expect federal financial participation, so far as funding will allow, to achieve the exclusive twin federal goals of self-support and self-sufficiency. And it appears to us equally elementary, from where we sit astride this monstrosity, that medical care and subsistence, when not otherwise available without cost, must frequently figure in a service plan

directed toward achieving either goal on a short-term basis, and these plus mental health, educational, remedial care, and other maintenance services to get to the roothold of dependency.

Our long range social services objective is to move as many low income people as possible toward self-support and self-sufficiency, too, and to make life reasonably comfortable for those who because of age or degree of disability cannot attain either. It is obvious to us that the best and perhaps the only way to break the welfare cycle for many families is to have a long-run comprehensive service program for children and youth, one that will get the child's family involved and assist the child in removing physical, mental, and environmental barriers so that he can achieve his maximum potential.

We respectfully submit that the current HEW regulations make such a realistic approach to the problems of the poor and near poor impossible and also subverts the will of Congress.

We cannot move forward effectively with the resources eligibility factor now existing that prevents us for all practical purposes from serving anyone other than recipients or without federal financial participation in subsistence, health care, remedial care and educational services in our State plan where they are not available from other sources.

We call on your committee, even while restricting the flow of dollars to us as you must, to permit us to use such funds as are available in the best interest of the people of Mississippi we seek to serve.

Thank you for this opportunity to make our position known.

Sincerely yours,

ROBERT L. ROBINSON,
Commissioner.

STATEMENT OF PETER W. FORSYTHE, CHIEF ADMINISTRATOR OF SOCIAL SERVICES, MICHIGAN DEPARTMENT OF SOCIAL SERVICES, LANSING, MICHIGAN

The greatest concern we have in Michigan about the final regulations is the extent to which they place severe limits on the permissible objectives and scope of services and the persons who may receive even these limited services. The States will be greatly restricted in their capacity to be sufficiently flexible to meet the services needs of the poor as actually exist. Of major importance for your review, the limitations and restrictions do, in fact, appear to be far beyond the law itself and the apparent intent of Congress.

Four basic issues are central to the critical negative impact of the regulations.

A. *Ceilings and percentages as interpreted in the regulations significantly inhibit Michigan's plan for provision of meaningful services under the Social Security Act.*

We accept as necessary and legitimate the Congressional mandate to place an arbitrary total ceiling on social services expenditures at this time. However, within that ceiling, we do not believe that States must or should be bound to restructure and redefine their services programs within the narrow confines and definitions of Part 221. We believe that these regulation provisions greatly contract the expressed intent of Congress as written and frequently updated in the Social Security Act itself. Section 1104 of the Act provides that the right to alter, amend, or repeal any provision of the Act is reserved to Congress, not to an administrative body, yet the Regulations in serious ways do just that.

Congress did add a restriction beyond the overall ceiling by limiting funds for the services for non-recipients (formers and potentials) to 10%. We oppose this limitation as being unnecessarily stringent and believe that it will negatively affect the ability of the States to provide services of sufficient volume and variety to prevent need for assistance in many cases. Prevention of need for assistance has been given far too little attention in the regulatory scheme.

Added to this limitation in the law, the HEW interpretation further restricts the services for non-recipients by specifying in program instructions that the 10% is not 10% of total federal dollars, but 10% of federal dollars after the cost of exempt services is deducted. This interpretation, alone, will lose Michigan several millions of dollars for services to non-recipients and appears totally unwarranted by the Act or any public congressional intent known to us. Whether or not this arbitrary reduction will stand must be clarified before we can proceed in Michigan to plan continued services for former and potential recipients, whether directly delivered or purchased. Since many of these services are purchased from private and public agencies, this severe law and interpretation will have a profound effect

on our relationship and ability to plan cooperatively with these agencies. Much of the constructive partnership with the private sector established to meet the services needs of Michigan's poor is in jeopardy.

Congress should repeal part (a)(2) of Section 1130 of the Social Security Act as enacted by P.L. 92-512. Such Congressional action would avoid the critical negative effect of the 10% limitation by removing it while retaining the overall ceiling on services expenditures as Congress intended.

B. *The IVA-IVB: family services—Child welfare services dichotomy violates the Social Security Act mandate that IVA include child welfare services.*

221.0 specifies service programs under IVA as Family Services and those under IVB as Child Welfare Services. This sets a direction and tone for subsequent regulations describing these services which are not in harmony with the Social Security Act. In part A of Title IV in the Act itself, S. 402(a), it is required that both family services and child welfare services be provided under IVA to recipients of assistance. The regulations impose a limiting factor on the law by specifying IVA as family services only. Correction by redefinition of family services to include child welfare or re-inclusion of the latter is needed.

C. Services goals are more restrictive in the regulations than in the Social Security Act.

Regulation 221.8 permits just two goals for all IVA or adult services programs: self-support or self-sufficiency. There are so all inclusive as to be too vague for usefulness: one goal of "happiness" might be as useful.

The Act provides much more precision in selection of goals for services. S.402-(a)(14)(15) mandates the following goals for IVA—self-support and care; strengthened family life; improved child development; self-sufficiency. It further requires family services described in the Act as being for the purpose of preserving, rehabilitating, reuniting or strengthening the family. The Act also requires, under IVA, child welfare services described as being for the purpose of preventing or remedying or assisting in the solution of problems which may result in the neglect, abuse, exploitation, or delinquency of children; protecting and caring for homeless, dependent or neglected child; protecting and promoting the welfare of children. All of these are goals of the Act and convey much more content of objective than the two currently proposed by the Regulations.

For adult services the Act specifies: self-care; self-support; prevention or reduction of dependency. (The new Title VI of the Act for adult services effective January 1, 1974 specifies these same goals.)

By specifying by regulation that the goals are limited to self-support or self-sufficiency, in spite of the other goals in the Act, HEW sets the stage to severely limit the scope of matchable services and reduce valid efforts by States to fulfill the purposes of the Social Security legislation.

Complaints to HEW about these restricted goals led to this statement by HEW in Volume 38, Number 83 of the Federal Register "Amplification of the goals was considered to be more appropriately placed in the Program Regulation Guide to be issued by SRS shortly" [We believe that formation of goals in service plans for clients is crucial. The issue is too important to fail to address in the Regulations. Meaningful Goal Orientation shouldn't be impeded or mocked by inarticulate general goal formulation or unnecessarily delayed clarification of meaningful acceptable goal definition.

D. *The types of services that will be matchable with Federal funds are severely limited for recipients and non-recipients far beyond apparent congressional intent and the wording of the act.*

The regulations 221.5 and 221.9 set forth the *only* services which may be federally funded and define them in restrictive, narrow terms. There is no provision for matching any other service in spite of the fact that other services are mandated in the Social Security Act, needed and are now being provided to recipients and non-recipients.

Examples of the services which appear to have been removed from matchability status under the regulations effective July 1, 1973 are adoption services; day care services for children with health problems (other than mental retardation); comprehensive social services which are needed as part of a treatment program for mentally retarded, drug addicts or alcoholics; information and referral services except those of very limited scope; community planning services; legal services for other than employment problems; services for aged leaving mental hospitals; services to enable persons to remain in or to return to their homes or communities; services to help persons to obtain employment. Again, these apparent restrictions go far beyond the intent of Congress and limit the Act without any understandable

rationale. Detailing three examples of deletions and their impact may be helpful in understanding the rather subtle undermining of the IVA and adult services programs resulting from these Regulations.

1. Adoption Services

Public adoption services are largely methods for re-establishing permanent family ties for youngsters or sibling groups who have lost their families through court action or abandonment. Adoption services have been federally recognized as an essential and identified component of effective foster care services under IVA for many years. The 1967 SSA amendments added a requirement for child welfare services to be available to each child receiving AFDC, which included AFDC-foster care. These child welfare services are defined in the Act as including services which supplement or substitute for parental care and supervision for the purpose of protecting and caring for homeless dependent or neglected children. Finding a family setting for a young person deprived of parents through no fault of his own is probably the most successful effort at eliminating public dependency and the "welfare cycle" that we know. Its apparent arbitrary deletion flies directly in the face of the stated objective of the administration to delete programs with low cost benefit and support those with the greatest proven pay off. Please do not confuse this area with the field of infant adoption for infertile couple applicants; there is virtually no connection between the two programs. In harmony with the Act, old federal regulation 45 CFR 220.19 of 1969 required that foster care services under Title IVA include services to "otherwise plan for the placement of the child in the home of other relatives, adoptive home or continued foster care as appropriate".

Out of harmony with the Act, the new federal regulation 221.9 in defining foster care services drops the reference to adoptive home. Adoption services do not appear to fit within the remaining broad foster care services definition without further clarification in view of the historical significance of having been specifically within the definition and then being dropped.

To avoid drastic reductions in federal financial participation in present adoption services for eligible dependent children and elimination of the most cost beneficial of all welfare services, I strongly urge that the regulation be changed as follows:

> 45 CFR 221.9(b)(8) –add to the body of the definition for foster care services"; services to otherwise plan for and arrange the placement of the child in an adoptive home or continued foster care, as appropriate; services to follow up on permanent placement of the child whether in own home, relative's home or adoptive home to assure adequacy and stability".

2. Services for aged leaving mental hospitals: services to enable persons to remain in or return to their homes or communities

The Social Security Act for many years has mandated special services for the aged in institutions for mental diseases when the State Plan includes assistance for such persons, as Michigan's plan does. The Act requires an individual plan for each such person to assure that the institutional care provided is in his best interests. It also requires the development of alternate plans of care for persons who would otherwise need care in such institutions, Sec. 2(a)(12). These same requirements are included in the new Title VI, Sec. 602(a)(11), passed by Congress as a part of H.R. 1.

In harmony with the Act, old federal regulation 45 CFR 222.12 required, as a part of the adult services program, services for aged leaving mental hospitals.

Out of harmony with the Act, the new federal regulations do not include such services, or even permit the addition of such services. There is no "other" service allowed. There is reference under health-related services to helping to secure admission to institutions, but not to secure release. The "foster care services for adults" is strictly and specifically limited to those placed in *homes*, not even appearing to permit such services to those placed in group care facilities which are commonly used alternatives to institutional placement. Some more careful thought must be given to the increased unnecessary institutionalization which this change will promote.

3. Services to help persons to obtain employment

The federally supported WIN program has been, and continues to be, strictly limited to serve Title IVA (AFDC) *recipients* only. However, the Social Security Act specifies that self-support goals are appropriate for blind and disabled persons and for former and potential AFDC recipients.

In harmony with the Act, old federal regulations 45 CFR 220.17, 220.51 and 222.45 outlined some matchable employment services for such persons specifying that such services were not limited to those in the outline.

Out of harmony with the Act, federal regulation 221.9 defines the only matchable employment services for such persons to be diagnostic assessments and help to obtain vocational education or training. There is no inclusion of help to obtain a job. Job development, job finding and job counseling are notably left out of the definition as means through which persons may be enabled to secure and retain employment. To lead clients down a difficult and promising path when there has been an intentional erection of a barrier to achievement of the clear and obvious objective seems unproductive and ill-conceived. Yet the Regulations would encourage just that: lead to the water but don't help him drink.

The above examples are only a few of the many ways in which the limited services terms and definitions will not permit the States to have the program flexibility necessary to meet needs as they exist in each State and as they may be expected to change over time. It does not appear that the goal of potentially increased flexibility via revenue sharing will be enhanced by unrealistic and unnecessary rigidity in Social Security Act services programs which will in any event be kept within authorized and appropriated expenditure ceilings.

The Social Security Act requires, for all services titles, that "The Secretary *shall* approve any plan which fulfills the conditions specified in subsection (a)". Subsection (a) in each title, including the new adult services Title VI passed by *Congress* in 1972, does *not limit* the goals and services of the titles in the way or to the degree which the Secretary does in Part 221. By adding these additional and limiting requirements as conditions for plan approval and federal match, the Secretary appears to be violating the mandate of the Act to approve any plan meeting the conditions set forth in the Act.

E. *Severe restrictions upon and unclear statements describing expenditures which qualify for Federal financial participation cause unnecessary problems for services providers.*

1. Medical, Mental Health, or Remedial Care or Services

Regulation 221.53 specifies ffp is not available in expenditures for medical, mental health, or remedial care or services for clients except as a part of family planning under IVA or as a medical exam required for admitting a child to a child care facility. There are no definitions provided for any of these terms or services. What are the mental health services excluded from ffp? This is a new exclusion. Does this exclude ffp in the costs of purchasing diagnostic or counseling services from a public or private mental health services program in the community? Are we promoting placement without proper diagnosis?

Current regulations permit ffp in medical diagnosis and consultation when necessary to carry out service responsibilities, but these services appear to be excluded from ffp in the new regulation as of July 1, 1973.

2. Education Programs and Educational Services

Regulation 221.53 specifies ffp is not available in costs for education programs and educational services except those defined in 221.9 which include only activities to help persons to secure educational or vocational training at no cost to the agency. How are the excluded education programs and services defined? Does this exclude from federal match all services purchased from a public or private educational system or organization? How are they to be separated in an integrated care program? Are we encouraging their deletion as apparently non essential to productive services?

3. Vocational Rehabilitation Services

Regulations which are now being revoked have specifically provided for ffp in vocational rehabilitation services as part of the adult services and IVA services pursuant to an agreement with the State agency administering the rehabilitation program. This provision is removed from the new regulation 221.52 governing ffp. It is unclear what this removal means, i.e., is it an attempt to remove ffp from these services or is it considered that there is sufficient basis for ffp in the law itself so there is no need for mention of it in the Regulation?

Sec. 403(a) and Sec. 1403(a) of the Social Security Act specifically state that vocational rehabilitation services are included in the services to receive ffp under proper circumstances and arrangements.

4. Advisory Committees

Regulation 221.52 provides for ffp in some areas of costs in such a manner that it appears to restrict ffp to the specific items mentioned. For example, costs of advisory committees on day care services for children are specified as matchable, but is ffp available in costs of other advisory committees? If so, it appears this would require special approval by SRS as "other costs". What criteria will SRS use for such approval or denial?

5. Information and Referral Services

Costs of providing information about and referral to community resources for purposes of employment or training are specified as being matchable without regard to eligibility status but is ffp available in costs of other information and referral services without regard to eligibility status? If so, it appears this would also require special approval by SRS as "other costs", under some unspecified criteria.

Information and referral services have been *mandated* previously in adult services and permitted in IVA services, but now it appears that SRS may choose not even to permit federal funds to be used for them beyond a very limited purpose.

6. Services of Foster Homes and Group Care Facilities for Children

The definition in 221.9 of foster care services for children rules out federal match in the costs of activities of foster care homes and facilities in providing "care or supervision". "Care or supervision" is not defined. Is this only meant to rule out ffp in the costs of maintenance for the child or is it also meant to rule out ffp in *social services* provided by such facilities or to children in such homes and facilities, i.e., casework and groupwork services, counseling with children, parents and foster parents, etc? Since the social services of these facilities are most often purchased services from private homes and facilities, the possible restriction is contrary to 221.3 which requires maximum use of voluntary agencies when services are available without *additional* cost, and 221.54 which states that any services available under the respective titles may be purchased from private agencies with ffp if they could be directly provided with ffp.

7. Services to Adults in Group Care Facilities

As mentioned earlier (4, b) regarding restricted services, the new definition in 221.9 for foster care services for *adults* appears to include only services to adults placed in homes, with no permission for such services to adults placed in group care facilities whether the services are provided by the facility or not. The old Regulation (222.74) defined services to adults in foster care in a much broader way to include foster homes and group care facilities. Old Regulation 222.88 provided specifically for ffp in costs of staff work with foster families and "staff of institutions caring for adults, such as homes for the aged".

What is the federal intent behind the different definitions in the same regulation (221.9) for foster care services, i.e., foster care services for children including group care facilitie versus foster care services for adults not including group care facilities?

F. *Narrow, restrictive criteria for potential recipients and the services they may receive, inappropriately limits potentials beyond the intent of the act and thereby adds significant administrative complexity and cost.* (See Table attached.)

I apologize for the length and complexity of these comments, but they contain only the highlights of our deep and serious concerns about the severe negative effects expected from implementation of these regulations. We will appreciate any positive and immediate actions which can be taken by the Senate Committee on Finance to avoid the undercutting of Congressional intent by these regulations. We believe they capriciously and arbitrarily set forth mandates to diminish the effect of law and restrict the States in their legitimate and successful attempts to meet human needs. We strongly support efforts to eliminate ineffective programs and concentrate funds in those most productive in meeting the needs of the disadvantaged. We regret that the current regulations evidence no discernible progress in this regard and impose severe limitations on the ability of States to adjust programs in an orderly fashion in pursuit of such goals and objectives.

OUTLINE FOR SERVICES ELIGIBILITY DETERMINATION

[To establish eligibility initially and every 6 months for a potential recipient, the agency must be able to determine 1 factor in each column (or for exceptions see notes below):]

Title relatedness (A)	[1] Income (B)	[2] Property (C)	Type of Problem (D)	Type of service (E)
Family with children (IVA), or aged (64½), or blind,[3] or disabled [4]	Families with children: less than 150 percent of ADC payment standard, (family of 4—$6,498) except for day care which is up to 233⅓ percent (family of 4—$10,108) except family over 150 percent must pay fee for day care under a State fee schedule. Aged, blind, or disabled: less than 150 percent of the new Federal SSI and the State supplemental benefit level (if any) under Public Law 92-603 (effective January 1, 1974).[9]	Families with children: No resources in excess of State ADC levels. In Michigan, $1,500 for 1 eligible child only; $2,000 for 2 or more persons. Aged, blind, or disabled: No resources in excess of State PA levels (1—$1,500, couple—$2,000) or new Federal SSI levels.[7]	Families with children: Specific problem(s) susceptible to correction or amelioration and will lead to dependence within 6 mo. on ADC if not.[5]	Families with children: Agency provides services needed to correct or ameliorate specific problem(s) [5]
			Aged, blind, or disabled: specific problem(s) susceptible to correction or amelioration and will lead to dependence within 6 mo. on OAA, AB, AD, SSI, or MA, if not.[8]	Aged, blind or disabled: Agency provides services needed to correct or ameliorate specific problem(s) [6]

[1] No definition of income in act or regulations. If it is gross income without any disregards as work incentives (like ADC $30 plus ⅓ of remainder, or AB $85 plus ⅓ of remainder), it results in many potentials having to be poorer than actual recipients. In any case, the income level is less than currently used in Michigan for potentials (family of 4—$7,590; aged, blind, or disabled $3,600 individual, $5,000 couple).

[2] Exempt from property limits in Michigan: Homestead occupied as a home, up to $1,000 of cash surrender value of life insurance, entire value of life insurance for person in poor health, household goods, and wearing apparel, farm stock or implements up to $750, necessary tools and equipment up to $750 for those with plan for employment.

[3] Serious, progressive deterioration of sight (likely to be blind within 6 months) must be substantiated by medical opinion—even though the Social Security Act provides that the eligibility factor of actual blindness for actual receipt of AB financial assistance or of new Federal SSI for the blind, can be determined by an examination by a physician or an optometrist, whichever the individual may select.

[4] Physical or mental condition (likely to result in permanent and total disability within 6 months) must be according to to licensed physicians' opinion.

[5] Note that likely future dependence on MA is not basis for IVA services eligibility although it is for adult services eligibility.

[6] In order for the service cost for the potential recipient to be exempted from the 10 percent limitation on costs fo services to non-recipients, it must be further determined that the specific service provided is one of the exempted services

(a) Day care—if for 1 of the acceptable reasons—establish whether for employment, training, or because of death absence or incapacity of mother (day care for mentally retarded child doesn't qualify as exempt here but may qualify under c below).

(b) Family planning services (does not include medical supplies by definition in 221.9 for adult services, but does for IVA services).

(c) Services for mentally retarded—requires verification of diagnosis as mentally retarded by a State MR clinic or other competent agency or licensed physician, and determination that such services are needed due to MR condition. It is very unclear as to what definition of MR is to be used. The definition in 221.6 (see note below) is very limited.

(d) Services for chemically dependent—requires verification of certification as a drug addict by the director of a licensed drug abuse treatment program, or of diagnosis as an alcoholic or drug addict by a licensed physician and determination that such services are needed as part of a program of active treatment for condition.

(e) Foster care for children.

[7] State PA resources levels for adults same as for ADC, with same exemptions (see 5 above). However, Federal SSI levels, effective January 1, 1974 differ—provide for $2,250 level. Exemptions—home, household goods, personal effects, auto, but not to exceed reasonable amount as determined by HEW Secretary; property essential to self-support subject to HEW Secretary limitations; cash surrender value of insurance if total face value of insurance is $1,500 or less; certain shares of stock held by Alaskan Natives.

[8] It is not even clear whether likely future dependence on State payment only wil be sufficient basis after January 1, 1974 when SSI becomes effective. A person with too much income to receive SSI (Federal payment) may receive State payment only after January 1, 1974. All of these persons will apparently be considered potential only after January 1, 1974 as new S.603(a) of the act defines recipients as only those persons receiving SSI benefits under new title XVI.

[9] Not clear in regulations what income level to apply from effective date of pt. 221 (July 1, 1973) to effective date of establishing SSI (January 1, 1974) and State supplementation level (if any).

NOTES

For aged, blind and disabled persons who are eligible for MA, this may be taken as evidence they are potential recipients. This does not apply to families with children.

For mentally retarded persons meeting old adult services requirements as potentials, this may be taken as evidence they are potential recipients until December 31, 1973. This definition for MR (221.6) requires a licensed physician's opinion that person is so retarded before reaching age 18 that he is incapable of managing independently, or of being taught to do so, and requires supervision, control and care.

For migrant workers meeting old IVA services requirements for day care, this may be taken as evidence they are potential recipients for day care services only until December 31, 1973.

ST. CHARLES CHURCH,
Louieville, Ky., May 15, 1973.

Mr. TOM VAIL,
Chief Counsel, Senate Finance Committee,
Washington, D.C.

GENTLEMEN: Concerned persons in our church, which is located in an inner-city poverty area, have been interested in helping to develop more day care facilities for neighborhood families. We have been working with the local 4-C and a proposal has been ready since November. However, because of the impending changes in Title IV-A regulations, no new contracts have been signed by the State since November, 1972, therefore, no new services. The local matching money has been sitting idle waiting for the regulations, rather than serving children.

The regulations go counter to the best conservative principles in at least three ways:

1. The regulations create more rather than less government. The increased paperwork will require additional staff in the governmental bureaucracies—federal and state. The complexities further discourage private citizens of good will who would like to help but cannot wade through the maze.
2. The limitations on eligibility will make it impossible for a day care center to serve a neighborhood. Local control of government starts from the cohesion of a neighborhood. Families using IV-A centers will not have the resources and strength that come from having an entire neighborhood united. Rather, there will be a stigma on those who must use a IV-A center.
3. We will not be able to assist families needing day care because both parents are working, no matter how low the combined income is. These families who are trying the hardest to help themselves should be rewarded for their strong self-help efforts, rather than put out of day care centers where they have previously been eligible. The new regulations do not encourage self-help.

Ideally, there would be legislation making it possible to serve any child who needs good day care at a cost that the family can afford. The new regulations do not allow us to do this. Title IV-A was not meant to be the answer to the nation's child care problems, but it was the only thing we had. For the sake of the children, please do not take it away until there is something to replace it.

Thank you for your consideration.

Sincerely,

Father VERNON ROBERTSON.

STATEMENT BY DAY CARE AND CHILD DEVELOPMENT COUNCIL OF AMERICA, INC., PRESENTED BY THEODORE TAYLOR, EXECUTIVE DIRECTOR

Mr. Chairman, as Executive Director of the Day Care and Child Development Council of America, I submit to you the following statement on the Social Services Regulations as proposed by the Department of Health, Education and Welfare.

The Day Care Council is a broad and inclusive organization. The Council brings together more than 4500 civic groups, public and private agencies, schools, churches and individuals. Our membership extends to every state in the union, and reflects a full spectrum of involvement in the care of children—from parents who are day care consumers, to practitioners whose daily work is the care of children, to professionals whose research and writings influence the field of child development.

The Council is a common effort by people who are working to achieve quality child care at all levels: local, state, regional, and national. It includes day care enterpreneurs; low, middle and high income parents; Blacks, Whites, Chicanos, Puerto Ricans, Indians, Orientals—professionals and laymen from all walks of life. What brings us together is a shared common concern for the wellbeing of our nation's children.

One year and 8 months ago our President, Mr. John H. Niemeyer, stood before this Committee to speak out on essentially the same issue: The Need for Federal Policies Which Speak to the Plight of America's Children. However, upon this occasion, it is not only our children and their families which stand to lose, but also our adult deprived citizens (Aged, Blind, Disabled). We are concerned about all of America's deprived, in particular its most precious resource: Children.

In February of this year, the following letter was forwarded to our President of the United States:

"Dear Mr. President:

"In 1970 you placed child care as one of the "keystones of federal policy." Your statement at that time was:

> "The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for his health and safety."

It was with much hope that we all listened to those words and waited for the subsequent follow-through-in-action which would have proven serious your verbal commitment to America's children. But the children of America who need and want child care have found you to be a force against the services their growth and survival demand: your veto of the 1971 Comprehensive Child Care Bill, forced-work welfare programs, the 2.5 ceiling on social services, and finally the present proposed social services regulations so unrealistic that we find it difficult to assess their source of production. On the other hand, this same period has seen you take a paternalistic, overprotective interest in the concerns of major industries. Certainly a contradiction that the American public is well aware of and much disturbed by.

More specific to the present situation, the Council has seen the Administration strongly advocating the local initiative of citizens and government. In the wake of this position, we see in the form of the proposed social services regulations guidelines which will almost, if not totally, make this type of local initiative impossible. We speak to the provision which attempts to infringe upon the rights of private citizens and organizations to donate their funds to states to provide much needed child care, as well as to those provisions which further restrict services essential to "bootstrap" initiatives.

Second, the enforcement of eligibility requirements allowing only for a past history of two months on welfare and a potential of within six months, will critically increase the numbers of families totally ineligible for these much needed services. Families who have taken initiative to do for themselves will find that their struggles lead only to deeper entrenchment in the poverty cycle.

Finally, we must think that the Administration is ignorant of the vast differences of living conditions and standards of living existent across the country. If this were not so, there would be no hint of consideration of a set maximum income figure for day care eligibility.

The above Council thinking on the backward nature of these proposed regulations leads us to the conclusion that not only does the Administration not intend to carry out its promise to the children of America, it does not even *have* a plan or policy upon which it is making decisions about these children other than lumping them all categorically in the unwanted list of "welfare loafers." Given these factors, we at the Council raise:

1. What then is the basis upon which the Administration justifies the existence of the Office of Child Development?
2. What then is the basis upon which the Administration is making the decisions for its present actions in the area of children and social services?
3. What then is the basis upon which the Administration justifies its allocation of funds to HEW for children of America?

We would welcome the opportunity to debate these questions with the Administration or moreover, some semblance of explanation so that we may provide clarity to our constituency nationwide which is so confused, baffled, discouraged, disillusioned and frightened by the directions of our country under the blind and apparently hostile leadership emerging from the deaf federal government, particularly at the administrative level.

The Council stands prepared, as always, to provide your office with the benefit of its thinking and expertise in the area of the needs of children and youth of America.

In the interest of the survival of children and families of America,"

Today, we stand before you without having seen very much alteration in those proposed regulations. Yes, the private match has been allowed, but no one is

aware of the program guides which will emerge. Will they present the private with such bureaucratic entanglements that they will become disinterested in providing social service program with financial support?

Despite the increase in income eligibility requirements, we are given to understand that the new 150% of the state's payment standard will still eliminate a large percentage of our working poor families. Child care, the most essential supportive service allowing families to participate in our economy, is only optional.

We could go on with each specific instance in which these regulations serve to indicate that this Administration is not concerned about the human (services) needs of the people of America, and most particularly has no intention of fulfilling the President's long-ago stated commitment to children.

The Day Care and Child Development Council does not intend to allow the American public to be fooled by fancy footwork maneuvers which the Administration would like us to think are concessions to the wishes of the people.

The 200,000 unrecognized responses to the proposed social services regulations are a clear indication that we are now witnessing government by the government rather than by the people. Congressmen have stated over and over again that never has such an issue received so numerous a response as did the social service regulations. What then, is the situation which we face?

We face an Administration which intends to cut social services in order to carry out its program of support for big business and continued aggressive military exploits. Mr. Chairman, we face an Administration which is even unwilling to utilize the experiences and wisdom of the Committees such as yours, for guiding its policies on the human needs of America's socially, economically, educationally, and politically deprived.

The questions of our February 28, 1973 letter still go unanswered. The 200,000 letters of protest have been unheeded. The Day Care and Child Development Council beseeches the Senate Finance Committee to (1) move immediate legislation to halt these regulations; (2) conduct realistic examination of the implications of regulation changes; (3) continue operation under the present regulations until such bases for changes have been validated and deemed workable for the provision of maximum services to needy children and adults of America.

We commend the Committee on the calling of these hearings. And, as always, are prepared to assist you in any manner possible.

STATEMENT OF THE DAY CARE PROGRAM, ADMINISTRATION, EDUCATION AND HEALTH OFFICE, AND PARENT CO-ORDINATOR AND SOCIAL SERVICE, PRESENTED BY JOHN E. KYLE, STEERING COMMITTEE AND STEPHEN B. WOODS, STEERING COMMITTEE

The following statement concerning the H.E.W.—Social and Rehabilitation Service Regulations as published in the May 1, 1973 issue of the Federal Register was drawn up by twelve Directors of Title IV-A Day Care Programs in Western Pennsylvania. These programs serve approximately 1,700 children.

We wish this written statement to be entered as official testimony in the Senate Committee on Finance Public Hearings on the new S.R.S. Regulations:

#221.2(b) *"Advisory Committee on Day Care Services." Parents* should be mandated participants in such a committee.

#221.5(b)-(1) *"Mandatory and Optional Services."* Day Care should be one of the mandatory services that a State must provide and not an optional service.

#221.6(c)-(3)-(i) *"Income Level of Recipients."* The income level of the recipients of services should be based on net income, that is, take home pay. This should be spelled out in the Regulations.

#221.6(c)-(3)-(iii) *"Personal 'Resources' of Recipients of Services."*

We strongly *recommend* that this paragraph be eliminated for those receiving Day Care Services. Again this is a self defeating clause. The new Regulations allow for a schedule of fees for Day Care Services for families whose income is between 150% and 233⅓% of the State's Financial Assistance, *Payment Standard.* In the State of Pennsylvania that means that a family of

four people may be earning between $5,600 and $8,600 a year and still participate in Day Care by paying on the fee schedule. By the time a family works its way off welfare to an $8,600 annual income it is very likely that they may have other personal resources such as a savings account or a home. Everyone would agree that it is wise for such a family to develop some personal resources. To deprive them of necessary Day Care Services because they have been economically wise is a gross miscarriage of justice. Again we urge that Paragraph 221.6(c)-(3)-(iii) be eliminated as a requirement for those receiving Day Care Services.

#221.8 "*Program Control and Coordination.*"

This entire section should be rewritten and *streamlined.* As it currently exists it will tie up the State Agency in Bureaucratic knots. This means that low income families who need services as fast and efficiently as possible will not receive those services until the State Agency has gone through a myriad of time consuming Bureaucratic steps. Services to the poor will become bogged down to the point of utter frustration.

#221.9(b)-(3) "*Definition of Services—Day Care Services for Children.*"

In relation to the section that allows for Day Care Services due to the '*incapacity of the child's mother* and the inability of any member of such child's family to provide adequate and necessary care and supervision for such child' the 'incapacity' should be able to be determined by any Human Service Agency. A referral from such an Agency should be sufficient to qualify a child under the "incapacity" category. This should be spelled out in the Regulations.

Also low income children (under the 150% of the State's Payment Standard) should be permitted to participate in Day Care Programs for Educational Benefits whether or not the mother is working.

#221.9(b)-(3) ". . . *Standards . . . Prescribed by the Secretary.*"

We have great fears that such new Day Care Standards may be so "watered down" as to reduce current quality comprehensive Day Care Services to little more than Baby-sitting.

Our first request is that the current Federal Inter-Agency Guidelines on Day Care remain in effect.

If this request is denied we strongly urge that any new Day Care Standards be developed by the Office of Child Development and *not* by the Office of Management and Budget.

Also funding should be adequate to meet the Program Standards for Day Care.

#221.53(i) "*Payment for 'Medical and Mental Health' Services.*"

Although Medical and Mental Health Services should be available publicly in many locales they are virtually non-existent, grossly inadequate, or poorly delivered. We therefore request that this section of the Regulations be changed to permit payment for Medical and Mental Health Services in conjunction with Day Care Programs at the discretion of the local program.

#221.53(i) "*No Payment for 'Subsistence . . .'*"

This unclear section has been unofficially interpreted by some readers as meaning that the Federal Government will *not pay* for food for children in Day Care Programs. If this is indeed the case then this clause must be changed to exempt Day Care Services since it is ludicrous to think of running an all day program for young children without adequate money for food.

#221.54(b)-(3)-(i)-(a,b,c) "*Federal Financial Participation . . .*"

This confusing section should be rewritten in clearer language. It seems to say that Federal Funds for Services will be systematically diminished over the next three years. If this is the case this section needs to be eliminated from the Regulations. If this is not the case then this section needs to be clarified in writing.

As a closing comment we as a group of people who work with a combined total of 1,700 children strongly urge you as our elected Representatives in Washington to be the Representatives for *all* of the children in our nation and to provide through Legislation for Comprehensive Services for *all* children based on the *needs of the children* and not just on the needs of their parents.

Eleanor Barry,
Pittsburgh Board of Education,
Pittsburgh Board of Education Day Care Program.
Mr. John Kyle,
Allegheny County,
Turtle Creek Valley,
Model Cities Agency,
Turtle Creek Valley,
Model Cities Day Care Project.
Stephen Woods,
McKeesport School District,
McKeesport School District, Day Care Project, Archer Street School.
Dr. Theeron Pursley,
Community Action, Pittsburgh, Inc.,
Community Action, Pittsburgh, Inc.
Ann Croft,
Sewickley Care and Development Center,
Sewickley Care and Development Center.
Lucille Shaffer,
Armstrong County Commissioners,
Day Care Centers of Armstrong County.
Mary Jane Roy,
Erie School Board,
Erie City Coordinated Day Care Programs.
Mary Handloser,
Greene County Commission,
Exceptional Children's Help Organization (ECHO).
Alan Nelson,
Indiana County Commission,
Indiana County Child Day Care Program.
Neil Ruhlman,
Venango County Commission,
Venango Day Care Services, Human Services Center, Inc.
William Isler,
County Commissioners,
Child Development Day Care Mon Valley United Health Services, Inc.
Linda Yahr,
Community Action Committee, County Commissioners,
Washington, Pa.

TESTIMONY PRESENTED BY THE COUNCIL OF JEWISH FEDERATIONS AND WELFARE FUNDS, NATIONAL COUNCIL OF CHURCHES OF CHRIST, AND NATIONAL CONFERENCE OF CATHOLIC CHARITIES, BY SIDNEY H. WEINSTEIN, DAVID M. ACKERMAN, AND MATHEW H. AHMANN

Mr. Chairman and Members of the Committee this testimony is being submitted by Mr. Sidney H. Weinstein, Chairman, National Committee on Urban Affairs and Public Welfare, on behalf of the Council of Jewish Federations and Welfare Funds, Mr. David M. Ackerman, Assistant Director, Washington Office, on behalf of the National Council of Churches of Christ, and Mr. Mathew H. Ahmann, Associate Director, on behalf of the National Conference of Catholic Charities.

We appreciate the opportunity to present the views of our organizations on the regulations issued May 1, 1973 by the Department of Health, Education, and Welfare on service programs for families and children and for aged, blind or disabled individuals. Our concern over these regulations begins, first of all, with a concern for the act which couples social services with Social Security. It is our belief that it is not sound public policy to couple social service programs with income maintenance programs.

But more to the point of the issue at hand, the HEW/SRS regulations of May 1 are a great disappointment to us in the extent to which those families and individuals badly in need of supportive social services are made to suffer by a national Administration of a great and wealthy people. The regulations are troubling, too, insofar as they seem to us to go beyond congressional intent. In addition, it is our experienced observation that curtailment of social services such as have previously been either mandated or permitted, will sharply reduce work incentive and ability and place countless additional people in need of direct welfare assistance.

We wish to make specific comment on the following items:

ELIGIBILITY FOR SERVICES

While the financial eligibility regulations as promulgated for day care are more generous than those proposed originally, they will reduce incentive for employment of mothers with children, and in many situations constitute a real disincentive, thus probably increasing the need for direct welfare payments. The regulations run counter to the often announced policy of the Administration and the public commitment of the leadership of this Committee, "that it should be advantageous for poor people to work rather than to apply for public assistance." The regulations work materially against achievement of the goal of self-support which they declared.

To set an income ceiling at no more than 150% of cash assistance payment standards is in many areas of the country entirely too low. A return to something like the previous regulations would be essential to meet the purposes of the act.

The effect of the requirement that services with federal matching funds are limited, in general, to families or persons receiving assistance or who seem likely to receive assistance within six months works a serious injustice against people with marginal incomes who manage to support themselves over a long period of time without applying for financial assistance. Day care, homemaker, employment and other services should be provided when the result is to enable a family to maintain itself without ever requiring public assistance. The proposed regulations seem to make the working poor, who do not receive supplementary assistance, ineligible for services, and this seems contrary to the announced goal of the program to prevent dependency.

SCOPE OR TYPE OF SERVICES

We are disappointed that in the case of families and children mandatory services are limited to foster care, child protective services and family planning.

Just as we feel that additional services should be mandated, we also feel that the list of optional services is too narrow; the states ought to have the option to include additional services if local need determines them as necessary or helpful in the reduction of dependency.

The child care provisions are inadequate as they are optional and limited largely to care to enable caretaker relatives to participate in employment or training; families do have other, and often urgent needs. In addition the suggestion that there will be greater flexibility on the state level in the definition of day care standards strikes us as regressive. We need clear, strong and national standards in the day care field, or in too many instances, experience shows, day care will turn out to be nothing more than cheap baby-sitting. In addition parent participation should continue to be required on the states' day care advisory committees.

Finally we feel it is regressive to require the states to provide only one of the optional services listed in the case of the aged, the blind and the disabled.

PURCHASE OF SERVICES

While we agree with the necessity of state-wide planning and coordination, we feel that the lack of any provision in the proposed or final regulations for purchase of services is disastrous, and substantially weakens the free choice our citizens should be permitted to make for services they need.

RE-CERTIFICATION

While the final regulations on re-certification have been improved a bit over the earlier proposed regulations, it still strikes us that mandatory 6 months re-certification is a mistake. It can only lead to financial savings by increasing harassment of those who often badly need the services; and then on the other hand it seems likely to vastly expand the public payroll to provide people to do the required investigation for re-certification, rather than to provide services to the end that the individual or family becomes self-supporting. This goal of self-support does not apply, according to the regulations, to aged under the adult services program. Just what is to be gained by putting an elderly person or couple through the perplexing and troublesome-harassment of re-certification every six months? Overall the requirement of such frequent re-certification seems contrary to the stated goals of self support and self-sufficiency, as well as harmful to the self respect of recipients of services.

GRIEVANCE SYSTEM

The regulations state "There must be a system through which recipients may present grievances about the operation of the service program." This is a classic non-regulation, so vague as to permit almost any evasion of fair hearing or due process on the state level. United States citizens, even the poor, deserve better from their government.

In the above respects as well as in several others the regulations as promulgated by HEW/SRS seem not to carry out the intent of a rational program of social services. We urge that the Committee and the Congress make very clear to the Administration what its intent is with respect to the legislation it has passed. We commend the Committee for conducting this hearing as one way of monitoring the implementation of its legislation on social services.

STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, SUBMITTED BY LUCY WILSON BENSON, PRESIDENT

The League of Women Voters of the United States submits this statement to the Senate Finance Committee as a part of the hearing record on the Social Services regulations issued on May 1, 1973 by the Department of Health, Education and Welfare. Even though that particular set of regulations is the focus of the hearings, the proposals should not be viewed as an isolated development. The League finds it necessary, therefore, to comment and make recommendations to the Committee in a broader context which includes such considerations as the following:

The overall federal responsibility for replacing the present patchwork of cash grants and services with a rational, realistic, humane and just system of aid for families and individuals;

The respective roles of the legislative and executive branches in determining the direction of such programs and administering them;

The presently existing high rate of unemployment and underemployment which results in widespread poverty and hardship;

The entire complex of existing law and regulations, *plus* the recently issued (April 4, 1973) regulations requiring states to meet three target dates for progressive reduction of errors among AFDC recipients, and the proposed regulations concerning eligibility requirements, hearings for recipients, and recoupment of payments (issued April 20, Federal Register, Vol. 38, No. 76.)

In addition, there is another consideration to be taken into account in assessing the regulations proposed by HEW: actions taken or not taken by the 92nd Congress. While the last Congress enacted a new federal system of income grant guarantees for the aged, blind and disabled, it failed to enact a new federal assistance program for families and individuals not eligible under current programs.

Instead, Congress took actions which reinforced the popular myths that work is the answer to welfare, and that major welfare reform will have been achieved when there is a reduction in federal spending and in the numbers of people on welfare rolls. For example, in 1971, Congress amended the Work Incentive Program (WIN) to require that all AFDC family heads must register for job training and/or work;[1] and in 1972, Congress set a ceiling of $2.5 billion on federal funds available to match social services provided under state-administered programs.

Neither of those actions faced up to the need for the basic reform necessary to correct the inequities, injustices and irrationalities of the present system. And, capping off that failure, President Nixon, in January, proposed a $1.9 billion expenditure limit in fiscal 1974 for social services, and, in March this year, withdrew his support for welfare reform that would include an income floor for the poor—working and non-working.

All of those actions combined to create a special climate in which the Department of Health, Education and Welfare has been working in recent months. The results? A series of three sets of regulations which seem to take a larger measure of control over the welfare system than can be justified by the Executive branch responsibility to administer laws to carry out the intent of Congress.

The League does not question the motives of the officials at HEW. But there has been an excess of zeal in pursuit of reduced costs. The danger is that the drive toward greater efficiency and targeting of social services more precisely will result in much greater hardship for non-working people who are presently dependent upon public assistance and accompanying social services for a modicum of decent living, and for those who work but have only marginal earnings.

We attach, for the record, copies of the League response to the *proposed* "zero error" regulations of December 5, 1972, and the social services regulations of February 16, 1973. These documents will demonstrate to the Committee that what we say now is consistent with opposition expressed at earlier dates. Local and state Leagues from all areas of the nation responded to the proposed social services regulations in unprecedented numbers. Sample quotes from a few responses are attached to this statement.

[1] Preliminary reports indicate that only 8% of the one million recipients who were registered under the new law between July 1, 1972 and March 31, 1973, have been placed in jobs. Of the one million who registered only one in four (256,678) was certified as able-bodied.

LEAGUE RECOMMENDATIONS FOR COMMITTEE ACTION

The League recommends that the Senate Finance Committee avail itself of the opportunity created by these hearings and by the House passage of HR 3153 (making technical corrections to HR 1, P.L. 92-603) to propose legislation to give clear Congressional direction to the Executive branch departments responsible for administering public assistance programs. Members of local and state Leagues report consistently to us their belief that firm *federal guidance* is necessary to insure fairness in administration of the federal/state cash grant and social services programs. We believe that Congress should take prompt legislative action to require some changes in the social services regulations issued on May 1.

A few examples of the kinds of changes the League wants will suffice to indicate the direction legislation should take to alleviate some of the injustices and hardships which could result from those May 1 regulations.

1. Eligibility income limits for services other than day care. The revised regulation allowing 150% of state payment standards is clearly an improvement over the proposed limitation of 133⅓% of state payment levels. It would, nonetheless, cause difficulties.

Problem. According to Table 4 in the Finance Committee report, "Staff Data and Materials on Social Services Regulations," this 150% eligibility allowance will still place the eligibility level *below* the $4200 poverty level for urban families of four in *sixteen* states.

Recommendation: That a *legislative* floor be placed under eligibility for services, set at no less than the officially defined poverty levels, modified regularly to take into account cost-of-living increases. Such a legal protection would expand eligibility to more working people.

Problem. The language of the regulations does not make it clear whether the income ceiling applies to *gross* or *net* income—a crucial point in determining anyone's eligibility, but especially for the working poor who should be able to disallow from counted income such items as social security payments and basic work-related expenses.

Recommendation: That *net* income be used to compute income in determining eligibility for social services. Otherwise, many working people with marginal incomes will be deprived of services which help make it possible for them to improve their circumstances and become increasingly self-sufficient.

Problem. Regulations require that *resource* limitations as applied to AFDC cash grant recipients must be applied also for social services eligibility. Present regulations make no such requirement.

Recommendation: That basic resources (within reason, as presently allowed) *not* be counted in determining eligibility for *services*. Otherwise, people temporarily in need would have to divest themselves of basic resources just in order to obtain short-term assistance. That could be a "Catch-22" situation leading to long-term dependency.

2. Income limits for day care services. The allowance of 233⅓% of state payment standards is a significant improvement over the initial HEW proposals. The same PROBLEMS apply, however, as apply to the eligibility limits for non-day care services, (with the exception that the ceiling is beneath the poverty level in only 4 states). The recommendations mentioned in the item on non-day care services apply in this instance as well.

3. Day care services.

Problems. The regulations clearly weaken recent efforts to assure quality *child* care which includes health and educative components, the rights of parents to have a "say" as to whether proferred child care is "suitable," and participation by parents in child care advisory boards.

Recommendation: Legislation to require no less than the 1968 Federal Interagency standards in child care facilities, to assure parents of a choice of *child* care facilities, and to return to the requirement that at least one-third of the membership on child care advisory boards (state and local) be comprised of participating parents.

Problem. The regulations do not set any guidelines for sliding scale fees that may be required of parents having incomes between the 150% and 233⅓% of state payment standards.

Recommendation: That legislative direction be given to assure that the sliding scale fee will not permit or require parents to pay the full cost of child care. Even

at the maximum income permitted under the 233⅓% of state payments standards, such charges would be prohibitive for any kind of care except simple custodial, "parking lot" care. If full scale charges should be permitted, parents would be forced to resort to custodial care, and there would be pressure for HEW to set low federal standards for day care. Already, the regulations have substituted the term "day care" for "child care"—another point which needs a reversal in the regulations.

4. Federal matching for privately donated money. Secretary Weinberger testified to you that, as a result of pressure from Congress and the public, proposed regulations denying such aid were reversed, and the decision was made to preserve "the partnership between the efforts of our voluntary agencies and governmental entities." The League, of course, welcomes this change from the proposed interdiction against allowing privately donated funds to be used as part of the states' 25% payments toward the cost of social services. Many local and state Leagues filed comments with HEW on this point, including specific accounts of the numbers of people who would suffer as a consequence of the dollar and program losses under the intially proposed regulation.

Problem. According to Secretary Weinberger, the direction given by this Senate Finance Committee in its report on HR 1 was the principal reason behind the proposed regulation denying use of privately donated funds for federal matching purposes. The HEW proposal was made despite the fact that *Congress* did *not* reverse the 1967 law specifically allowing such federal matching funds, and the fact that statutory law still takes precedence over "legislative history" as made in committee reports.

Recommendation: That this Committee reinforce the 1967 law by proposing firm and precise legislation in support of federal matching for privately donated funds. The Secretary said that HEW is "developing . . . stronger administrative procedures for monitoring the application of donated funds." That is all well and good—and as it should be; but we note also that the revised regulation is subject to further HEW *guidelines*. Certainly, the requirement for written contracts between state and local agencies and donors is reasonable as are the present 1967 limitations on use of donated funds for state matching purposes. The League wants to be sure that legislation permitting use of donated funds is so clear that regulations cannot in effect wipe out many of the programs currently operating.

5. Miscellaneous proposals set forth in the regulations. The League urges legislative protection against such additional proposals in the regulations as those which would:

Narrowly limit the goals of social services to "self-support" and "self-sufficiency"—a definition which could result in a continuing limitation of services to those which are strictly job-related;

Impose strict time limitations for services to past and potential public assistance recipients;

Limit federal matching for legal services to legal assistance related *only* to obtaining and retaining employment. Lower income citizens, as do other citizens, have legal problems related to housing, marital relations, children, etc. Clearly they must rely on subsidized or free legal services.

We believe all those regulatory directives go beyond the spirit and intent of present statutory provisions, and would tend to deprive public assistance recipients of opportunities essential to their ability to escape from poverty and the social and psychological handicaps of dependency.

The League realizes that, no matter how effective the regulations for admini s tering existing welfare programs, and no matter what legislative initiatives are taken to protect against distortion of Congressional intent, such actions will not constitute the basic reform needed. Indeed, the word "reform" is totally inadequate to describe the kind of change necessary to create a new system of public assistance for families, similar to the one initiated in 1972 for the aged, blind and disabled. As we said in our testimony before this Commitree last year, the League membership goal for public assistance is a federal system of aid, based on cash grants to people in the greatest need—those who are unable to work and those who work at marginal wage levels.

Addenda: 1. LWVUS comment on HEW proposed regulations of December 5, 1972, related to eligibility errors in welfare rolls. 2. LWVUS comment on HEW proposed regulations of February 16, 1973, related to federal matching funds for social services. 3. A sampling of quotes from League responses to HEW with regard to social services regulations.

THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES,

Washington, D.C., December 18, 1972.

MR. JOHN D. TWINAME,
Administrator, Social and Rehabilitation Service, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. TWINAME: These comments are directed to the proposed regulations of the Department of Health, Education and Welfare on the administration of fiscal and medical assistance programs authorized under the Social Security Act, appearing as Section 201.5 of Part 201, and Section 206.10 of Part 206 of Chapter II, Title 45 of the Code of Federal Regulations.

The League of Women of the U.S. is particularly concerned with the fairness, efficiency and economy of the welfare system. We would certainly welcome any genuine attempt to cut through the administrative maze presently plaguing the public assistance programs. Simplified administration would not only improve the solvency and public acceptance of the welfare system but would also improve its equity and responsiveness to the needs of the poor.

The League believes that HEW itself must share a major portion of the blame for existence and continuation of the inept administration of the public assistance programs. In order to receive matching funds, states are required to operate under federal regulations drawn up by HEW. These regulations have become so complex, have been changed so many times since 1967, that it is all but impossible to determine who is eligible for what. By issuing the proposed regulations, HEW will effect an across-the-board cut in benefit payments, and add to the administrative confusion on the state level, at the expense of program participants. Equal savings could be made through administrative reform without penalizing the poor. The League believes it is the responsibility of HEW to make a genuine effort to correct the existing inequities.

Specifically the League of Women Voters finds the regulations unacceptable for the following reasons:

Notice of regulation change

Recent public reports indicate that the effective date for the proposed regulations will now be postponed until April. The original proposal of a 20 day notification period was deplorable. It allowed virtually no time for the public to comment and encourage rethinking on the desirability of the changes. Moreover, it obviously would have been impossible for states to forward to HEW their estimates (Section 201.5(a)(1)) for the quarter beginning January 1, forty-five days prior to commencement of the quarter. Without the postponement HEW would have effected a retroactive change in the regulations for the January–March 1973 quarter. It is commendable that HEW has reversed itself and recognized that delay in the implementation of these proposed regulations would not be "contrary to the public interest." (F.R., Vol. 37, No. 234, p. 25853) The fact is that swift implementation, not delay, would be contrary to the public interest, as it would certainly bring about additional administrative confusion, and inequities.

The proposed method of estimating the percentage of cuts in matching federal funds is unclear and unfair

The proposed regulations are, at best, fuzzy as to the exact basis on which reduction of the federal grant to states will be determined. According to Section 201.5(b) states will submit estimates and expenditure reports to regional offices. These are to be forwarded, analyzed and reviewed by the central office taking into account "other relevant information" as to payments for ineligibles. Other relevant information is defined as including "most recent data available obtained by Federal Staff or from independent sources." Does "other information obtained by Federal Staff" mean Current Population Survey Census data? Could "independent sources" mean a private citizen? A university research team? A League of Women Voters study? And which source of information, independent, state or federal, will be deemed more accurate and given more weight in making a final cut determination?

This section is so unclear, as presently drafted, it encourages the League to believe that it was drafted only to enable HEW to make arbitrary cuts.

Equally as serious is the omission of any provision to take into account the 7.6% of recipients who according to an April 1971 HEW Quality Control Study, currently receive payments less than their legitimate entitlements. Does HEW plan to grant states compensatory matching funds to make up for these deficiencies?

The League of Women Voters calls on HEW to meet its responsibility, withdraw these proposed regulations, and direct its efforts toward honest administrative clarification and simplification.

Sincerely,

MRS. BRUCE B. BENSON, *President.*

MEMORANDUM FROM THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, MARCH 14, 1973

Re tentative regulations for federal/state matching social services programs, printed in the Federal Resister, vol. 38, No. 32, Friday, February 16, 1973.

To: Philip J. Rutledge, acting administrator Social and Rehabilitation Service.
From: Mrs. Bruce B. Benson, president.

The League of Women Voters of the United States is dismayed by several aspects of the tentative regulations proposed by the Department of Health, Education and Welfare for state and local administration of social services. If enacted as proposed in the Federal Register of February 16, 1973, the overall impact of the new regulations would be detrimental to the nation as a whole and to the people the social services programs are intended to serve. Furthermore, the proposed regulations contradict the general thrust of the Administration's commitment to a "New Federalism" and its emphasis on the need for "self-reliance."

Local and state Leagues over the country have worked for several years to achieve better public assistance grant and social services programs. During the recent two-year Congressional struggle to develop a new federal welfare program, Leagues in thirty states worked in state legislatures, either to defeat regressive legislative proposals, or to secure improved benefits and more just administration. Leagues in nearly every state carried out community education and/or action campaigns in support of a new federal system of public assistance. I point out those facts to indicate to you that the League speaks to the proposed regulations from a base of solid experience with welfare programs.

The League, therefore, submits comments and recommendations for withdrawal or modification of the tentative regulations in regard to five aspects of the proposals which would effect the most reprehensible changes from the present system. The proposed changes the League opposes have to do with the following points:

1. The elimination of federal matching funds for privately donated money and in-kind services;
2. The unrealistic tightening of eligibility standards;
3. The retreat from federal standards for child care;
4. The arbitrary choice of services mandated for AFDC recipients;
5. The totally unrealistic effective date of April 1.

1. REPEAL OF PRESENT REGULATIONS ALLOWING PRIVATELY DONATED FUNDS AND IN-KIND SERVICES TO BE CONSIDERED AS THE STATE'S SHARE FOR MATCHING FEDERAL FUNDS.

League comment. To reverse the present policy of permitting federal matching for funds and in-kind services donated by private agencies would result in decimating child care centers and programs for mentally retarded children. Those two programs are the ones for which privately donated funds provide a major portion of state funds needed to secure the 75 percent federal matching money. In addition, the proposed regulation change would turn back the clock on a recently-encouraged partnership between private and public programs to meet social needs.

Often child care centers run under joint public/private sponsorship serve two groups: families with dependent children who receive public assistance and low-income families with one parent present. For the latter group, the availability of good child care centers is essential if the parent is to continue to work and avoid resorting to public assistance. Many of the child care centers serving both groups provide mutually enriching experiences to children from many socio-economic backgrounds—a factor which is evidently of special importance to children from the most disadvantaged families. The League asks elimination of this repeal of Federal matching for private funds and in-kind services.

2. THE TIGHTENING OF ELIGIBILITY, WHICH LIMITS SERVICES TO INDIVIDUALS RATHER THAN TO GROUPS IN CERTAIN CIRCUMSTANCES, VIRTUALLY ELIMINATES SERVICES FOR PAST AND POTENTIAL RECIPIENTS, AND SETS AN INCOME ELIGIBILITY CEILING AT 33⅓ PERCENT OF STATE'S ASSISTANCE GRANT PAYMENTS

League comment: Evidently, it is primarily through this regulation that the Department of Health, Education and Welfare expects to save $700 million in social service matching funds. The League believes the result of effecting and enforcing such a new regulation could be to force many people onto welfare rolls—people who are barely making ends meet, but who do manage to avoid resorting to public assistance grants as the major source of income.

The elimination of services to groups of persons living in public housing or model cities areas would result in further isolation of public assistance recipients as a "class" apart. It would cause genuine hardship to elderly people living in special housing. In many such centers most incomes are low, and the dollar difference between eligibility and non-eligibility is so slight that the definition of who may receive services and who may not becomes entirely capricious. We ask elimination of that proposal.

The cut from five years to six months in the definition of a future welfare recipient and a cut from two years to three months in the definition of a past recipient is too drastic. For many people who have very low incomes and/or training or ability, or who have just managed to earn enough income to permit getting off welfare rolls, services may represent the light at the end of the tunnel. It is unrealistic to deny self-help services to those people and it certainly contradicts the Administration's announced policy of supporting programs to foster "independence and self-reliance." The League asks an extension of the eligibility time period for potential and past assistance recipients. The six-month and three-month service eligibility periods are too short to be of realistic benefit to people and would create great administrative inefficiency.

Setting the income eligibility at 33⅓ percent of the amount of state grants to individuals and families would be another wedge driving people onto welfare rolls. HEW reports indicate that as of July 1971, very few states have even *maximum* payments that reach poverty level: thirteen states meet that level for grants to the aged, blind and disabled, and six for grants to families with dependent children. The official federal poverty level income is defined as being suitable for emergency subsistence periods only The League wants this proposed regulation rescinded or changed to increase the income eligibility level, so that through services, aids to self-reliability can be continued for a large group of people who live in very disadvantaged circumstances.

3. THE RETREAT FROM REQUIRING FEDERAL INTERAGENCY STANDARDS FOR CHILD CARE CENTERS AND THE USE OF THE TERM "DAY CARE" RATHER THAN "CHILD CARE"

League comment. The League believes that the retreat from the requirement that child care centers meet federal standards as a prerequisite to receipt of federal matching funds will result in decimation of child care center programs. On the face of it, the regulation appears to be a retreat from the federal responsibility to see that supportive, comprehensive child care is available to children of AFDC families and of low- to moderate-income families.

Many state and local day care standards deal only with health and fire safety—not with the quality of care provided for children. Present federal standards are aimed at requiring care that will enrich the lives of the children involved. The type of custodial "day care" envisioned by the regulations caters to the supporters of the "parking lot" syndrome. Early childhood care that includes health and educational programs is essential to all children, and especially to children from disadvantaged families. Closer regulation to protect against abuse of federal matching funds for child care programs would surely serve the goal of decreasing dependency better than an abrupt withdrawal of federal protective standards. The League wants this provision rescinded. Strengthening the role of State and local governments should never mean the right to use Federal matching funds in ways that would be detrimental to the people least able to mount political pressures in support of their needs.

4. THE ARBITRARY CHOICE OF SERVICES MADE MANDATORY FOR AFDC RECIPIENTS

League comment. To mandate three services for Aid to Families with Dependent Children, and then to mandate no specific service for the aged, blind and disabled is discriminatory and reflects against AFDC recipients.

If states are free to provide only one service—among a list of thirteen—to the aged, blind and disabled, why cannot state and local agencies have the right to exercise comparable choice for AFDC recipients?

The White House indicates it wants state and local governments to have greater responsibility and expanded rights to choose the programs they want for their citizens. To *require* that state and local agencies must provide family planning, foster care services and protective services for abused, neglected or exploited children runs counter to that Administration philosophy. The League has absolutely nothing against those particular three services. We do think that of three services are to be mandated, the State and local agencies should have the right to determine which three are best suited to an individual or a family.

It seems clear, too, that if three particular services are mandated, state and local agencies might not have sufficient funds left over to provide services for which people in their areas have even more pressing needs. Recent reports indicate a dramatic decline in the numbers of children in AFDC families. It may prove true that other services would be more productive in the long run. The League thinks that the regulations should not specify the three services that should be mandatory, but should provide maximum flexibility for state and local agencies to select appropriate services from a broad range of possibilities.

5. THE EFFECTIVE DATE FOR COMPLIANCE WITH THE NEW REGULATIONS: APRIL 1

League comment. Such an abrupt change in federal rules for social services matching funds can only result in severe hardship and administrative chaos. The League thinks the April 1 effective date should be postponed and that HEW should hold hearings after evaluating recommendations submitted in comments to the February 16 proposals.

Conclusion. The League is aware of reports that State and local agencies have abused the social services matching fund program. We have no specific evidence of such abuse, however, or of bad faith administration of services. Local and state League members who have worked with welfare agencies are aware that the regulations have been complex and have changed rapidly over the recent years. We think, nevertheless, that orderly reform and transition is what is needed, not a disruptive imposition of new regulations in a very short time-span. It is sheer MYTH to think that all that is needed to achieve welfare "reform" is tough regulations. What the nation really needs is a new federal system of adequate income for people in need and a greater supply of better supplementary and complementary services. In the absence of such basic reform, it is doubly cruel to issue regulations which could result in increased deprivation for the very people who are in greatest need.

LEAGUE OF WOMEN VOTERS OF THE UNITED STATES,
Washington, D.C., May 18, 1973.

EXCERPTS FROM LEAGUE RESPONSES TO THE INITIALLY PROPOSED SOCIAL SERVICES REGULATIONS OF FEBRUARY 16, 1973

(Addendum to LWVUS Statement to Senate Committee on Finance in Relation to Hearings on Social Services Regulations)

CALIFORNIA

LWV of San Francisco.—". . . The stricter interpretation of what constitute "potential" and "former" welfare recipients will mean that of the 45,000 children receiving day care in the State of California, 30,000 will no longer be eligible. This will have a severe impact on San Francisco because of the large number of low income parents here.

". . . The proposed refusal to fund any "educational" services will eliminate the statewide preschool program which serves 22,000 children in the state, at least 480 of whom are San Francisco children." (Kathryn S. Blalock, President and Virginia Jordan, Human Resources Chairman.)

FLORIDA

LWV of Cape Kennedy Area.—The letter indicates that withdrawal of the use of private funds for state matching purposes would wreck the child care services programs over the entire state. In Florida, the program is limited to children of AFDC mothers who must work. (Mrs. Marvin Olsen, President.)

GEORGIA

LWV of Marietta-Cobb.—"It appears to be a backward step to eliminate mandatory federal day care standards. Although few day care agencies in Georgia were able to meet all these standards, they did serve as useful and constructive guidelines for delivering quality service to children."

"In summary, the League of Women Voters of Marietta-Cobb County encourages the Administration to revise these regulations to allow the $2.5 billion appropriated . . . to be spent on progressive programs for those on public assistance as well as others in situations of dependency." (Barbara Williams, President and Helen Swift, Human Resources Chairman.)

MARYLAND

LWV of Maryland.—"The lowering of the income level for potential client eligibility fails to recognize the prevention aspect which can keep people from becoming dependents. We are especially concerned with the impact of this in day care. In Baltimore, more than 1,000 working mothers whose children will no longer be eligible for subsidized day care, that enabled them to take jobs in the first place, may have to "go on welfare." The strict income standards for day care would discourage thousands of welfare mothers of small children to "get off welfare". If they took a job earning $68.00 a week they would no longer be entitled to public day care services. We feel that a scale should be established which gives greater recognition to a family's ability to pay than does the proposed one.

"We are concerned, too, that the 'red tape' written into the proposed regulations seems to be designed to prevent or unduly complicate the use of services. We refer to the instruction for intricate procedures to relate each service to a specific time period for achieving a specific goal and the requirement of authorization before services are given." (Gloria C. Cole, President.)

LWV of Montgomery County.—While the aim of the regulations may be to maintain reasonable fiscal restraints and/or to enable employable parents receiving AFDC assistance to take job training or jobs, the real impact hits hard at children. For example, in Montgomery County, Maryland there are 11 centers with which the county has purchased care contracts. Combined capacity is 616 children, of whom 237, or 39% are potential AFDC recipients who would no longer have been eligible under the proposed regulations. How many will be ineligible because the parents are not in training?

Of the 165 children in Family Day Care Homes, 90 are "potentially" eligible for AFDC, and would thus become ineligible except for 3 months service. The director reports that it appears that most of these children would be eligible for AFDC. Would the smart move now be for these parents to go onto AFDC? In that case they would supplement their earned income somewhat and could take advantage of the free or sliding-scale fee day care. If they are not on the AFDC roles, however, they would have to pay the full cost of day care UNLESS their incomes are less than 150% of the state's payment standard.

In the Takoma Day Care Center, 25 children are current recipients, 16 in the "potentially eligible" classification. If the families of these 16 should pay for day care at the $32.50 per week cost in that center, would they then be eligible for AFDC (because that $32.50 work expense allowance would bring their incomes down to within the range of AFDC eligibility)? (Examples of specific child care situations from Montgomery County.)

MASSACHUSETTS

LWV of Massachusetts.—"The debate in Congress during October 1972 on the social service amendments to the Revenue Sharing Act put a ceiling on social service expenditures, but did not imply a change of direction. We feel that these guidelines change policy beyond the power of the Executive Branch.

"The proposed regulations are inconsistent with the professed goals of the social services provided, i.e., to get people into the work force and off assistance grants. Because of the continued high unemployment rate (above the national average) in Massachusetts, the Division of Employment Security cannot place, either in jobs or in training, recipients who have been certified for employment under the Talmadge Act. Because of the high unemployment in our state, the Division of Employment Security cannot accept all those who apply voluntarily for jobs. For those who do get jobs, especially mothers with children needing after-school care or full-day care, the regulations defining former recipients make it disadvantageous for her to continue to work unless she receives about $7000 income. The average income for those recipients placed in jobs by the Division of Employment Security is $5000." (Mrs. Charles E. Lynch, President and Mrs. Eleanor R. Searle, Welfare Chairman.)

NEW JERSEY

LWV of Hopewell Valley.—"These new rules would be especially detrimental to the success of much needed child care programs here in Mercer County. All thirteen child care programs in our county would be affected with a loss of about $385,200 in federal funds and loss of eligibility of 213 families. As no other source for child care is available, this would represent a loss of one million dollars in earned income and additional welfare costs for the county, state, and federal governments for those families who would have no other source of income." (Anne Hammond, President.)

LWV of Wayne Township.—"In New Jersey there has been a lack of commitment to child care programs on the part of state and local governments. The majority of child care programs, therefore, which are funded through Title IV A contracts depend on private donations as sources for federal matching funds. These programs are in danger if the new regulations are implemented." (Margaret W. Newell, President.)

OHIO

LWV of Shaker Heights.—"We find the objectives of "self-support and self-sufficiency" to be worthy goals, but we are afraid that they could be interpreted so narrowly that family life would be weakened rather than strengthened.

"The elimination of all mandatory services in adult categories, and the inclusion of only three mandatory services for children, does not face the inescapable fact that essential services left to optional state discretion cannot and will not be available." (Mrs. Franklin Plotkin, President and Mrs. John Lang, Human Resources Chairman.)

PENNSYLVANIA

LWV of Easton Area.—"In the Easton area loss of eligibility will mean removal of children from 19 out of 30 families currently using the facilities of two day care centers in Easton. Since the cost of private day care in the Easton area is $20 to $22.50 per week, a working mother from one of the above families, who currently earns $80 per week, would profit by staying home and going on public assistance.

"The second matter deals with the loss of support for the Tenant Relations Staff of the Easton Public Housing Authority. The restriction of services to those on public assistance would mean that only 168 out of 640 families in Easton's Public Housing would profit from these services. Furthermore the amount of federal money for a base of 168 families will not support any program at all.

"The Tenant Relations Program has been an extremely successful program and of great benefit to all Public Housing residents." (Geraldine Smith, Human Resources Chairman.)

TENNESSEE

LWV of Tennessee.—"The League of Women Voters of Tennessee protests the proposed regulations because in many instances they will disrupt proven, productive programs for the disadvantaged, the aged, and the handicapped. We echo the sentiments of Senator Howard Baker which were published in the Memphis *Press-Scimitar* on Wednesday, March 7, 1973. Senator Baker said many of the affected persons are "children of the working poor and mentally retarded children, whose families would be forced to return to the welfare rolls if quality day care were no longer provided for them."

"We concur with Senator Baker when he asks for a change in the method to determine eligibility for social service programs so Tennesseans now receiving services—"potential welfare recipients"—won't lose them. In addition, the prohibition on federal matching of private contributions to finance assistance programs must be eliminated. There is no assurance that special revenue sharing funds, if passed by Congress, will automatically fill this void. Also, the spirit of voluntary private-sector help and involvement would be dealt a mortal blow.

"One last point. The League of Women Voters is convinced that our national government must set the basic guidelines for eligibility for self-help programs, so that all disadvantaged people, including the working poor, will have an equal chance to pull themselves up to a position of self sufficiency. The proposed regulations do not afford this opportunity." (Mrs. William L. Byrne, President.)

TEXAS

LWV of Dallas.—Reported action by the Dallas City Council: a resolution sent to Secretary Weinberger condemning the HEW draft regulations "as totally contrary to the concept of private and government cooperation toward common goals, and as seriously detrimental to the well-being of many people in Dallas." (Mrs. E. R. Branscombe, Legislative Chairman.)

LWV of Houston.—Had the regulation gone into effect as proposed, Houston would have lost $2,766,611, "for which United Funds are already committed," and services would be discontinued for about 65,000 persons, including day care for 650 children of working poor mothers. (Mrs. Don Berthelsen, President.)

LWV of Irving.—"The West Irving Day Care Center is the only day care center in Irving (a community of 100,000) which accepts children on a pay-as-you-are-able basis. The abrupt cutoff would have reduced funding by 47%." (Mrs. Carole R. Shilipak, President.)

Other Texas communities heard from specifically: Brazos County, College Station, Denton, Lubbock, Richardson.

THE MASSACHUSETTS SOCIAL WORKERS GUILD,
LOCAL 509, SEIU, AFL-CIO,
Boston, Mass., May 16, 1973.

Hon. RUSSELL LONG,
Senate Finance Committee,
Washington, D.C.

DEAR SENATOR: This correspondence is being submitted on behalf of the membership of the Massachusetts Social Workers Guild, Local 509, SEIU, AFL-CIO for the record of your Committee's hearings into the recent HEW regulations governing social service programs.

The recent regulations are yet another attempt by the Executive Branch to infringe upon the power of Congress to establish programs that serve the people of this nation. The regulations necessitate a cut back of some of the services now provided by several states, including Massachusetts, unless alternative funding can be found. They will further limit the ability of other states to achieve the program expansion intended by Congress.

Since several witnesses before the Committee will address themselves to the effect of the specific regulations on the people served by social service programs, I wish to focus on the use of the regulatory process. Like Executive Privilege, it now sees a new twist under the present administration.

As proposed the social service regulations are really another form of impounding funds authorized and appropriated by Congress.

The President began his attempt to curtail social service expenditures in January 1970 with his budget submission. Several attempts to place a ceiling on social service expenditures failed until the $2.5 billion level was adopted last year.

But HEW could have halted the rapid increase in social service expenditures without the ceiling. The costs rose from $535 million in 1970 to $1.6 billion in 1972. Concern mounted over the way states were using the social service funds to re-finance their state budgets. Programs supported by state funds were rerouted through the federal-state funding mechanism.

The federal funds were intended to be used to expand services, not re-finance existing programs.

Last June HEW issued a proposed regulation to prevent this practice. It never became a regulation. "We didn't really back up, we held off," said Under Secretary Veneman on September 12, 1972.

It was felt that the change of direction was influenced by the Republican Governor's of the two states receiving the largest share of social service funds, New York and California.

Now a second approach has been made by HEW to recover the ground lost by the President in earlier attempts. The $2.5 billion ceiling was not seen as a victory for the President. By issuing restrictive regulations, HEW can insure that actual expenditures for social services will fall far lower than the amount authorized under the amendment to the Revenue Sharing Act. The regulations make it impossible for Massachusetts to claim the $69.5 million in social services allocated by the ceiling.

Also on September 12, 1972, Under Secretary Veneman outlined for the Subcommittee on Fiscal Policy of the Joint Economic Committee four efforts under consideration by HEW to reduce costs. They were separation, program and financial planning systems, a management information system, and social service regulations.

Under social service regulations, Mr. Veneman said, "Regulations are being revised that would require States to adopt certain program goals that would encourage individuals to attain their highest level of financial and social indpendence."

The regulations released May 1, 1973 remove the tools and services from many states in their efforts to accomplish those goals.

Regulations should not restrict the provision of services intended by the Congress. They should express the intent of the legislation establishing the programs. Congress intended that the social service funds achieve a worthwhile purpose, reducing dependency on public welfare. Thus, HEW should concentrate on the program and financial planning systems and the management information systems that can determine the effectiveness of the federal expenditures in meeting that goal. Quoting Mr. Veneman, "It would make it possible to determine what social services are provided to whom, with what results and at what costs . . . (it would) allow us to evaluate the effectiveness of social services and show administrators and legislators alternative ways to achieve their objectives."

It is these functions that should draw the emphasis of HEW as it monitors the way in which the $2.5 billion is spent.

Monitoring expenditures under the existing regulations would have enabled the states to concentrate on improving their fiscal '73 programs. Now they must concentrate on implementing the new regulations, cutting back in some areas and changing other programs to meet the HEW requirements.

These changes will present major obstacles to the achievement of and must be considered a national priority in the funding of social service programs, determining their effectiveness and impact.

I hope the Committee will consider legislation that restores to the Congress the right to establish and fund programs. Such legislation should provide for th redistribution of allocations under the formula adopted in the Revenue Sharing Act that are not spent by the states. The unspent funds could be re-allocated in the next fiscal year to states that establish a need for the funds and the program capability to monitor and assess the effectiveness of purposes for which such funds are sought.

I appreciate your consideration of our views.

Sincerely,

ROBERT L. MOLLICA,
Vice-President, Massachusetts Social Workers Guild, Local 509, SEIU, AFL-CIO.

STATEMENT OF THE PENNSYLVANIA SOCIAL SERVICES UNION

Chairman Long, members of the Senate Finance Committee, and assembled guests. I want to thank the Senate Finance Committee for the opportunity to testify before you today on several serious questions raised by the President's proposed budget in connection with the administration of social services in the United States. As you know, our union represents the professionals who deliver these services—over thirty thousand of them in six states. When the President

says that money intended for the poor has served merely to fatten up poverty "bureaucrats," he is attacking us. He wants the public to believe that cutbacks in funds will not affect poor people—that they are merely designed to eliminate social workers and administrators, who are otherwise expendable. Even if this argument were true, we find it strange that a President who can show such compassion for defense workers engaged in outmoded military projects can show such little compassion for social workers in daily confrontation with the nation's most serious human problems. In fact, however, the argument is not true at all. As in other areas, the President is deliberately deceiving the American people—this time, about what his cutbacks will do, and who will suffer as a result of them.

Let's look at two simple figures.

The total amount of the cutbacks in the President's proposed budget adds up to $17 billion.

The total amount allotted to revenue sharing is $7 billion.

Who is losing this $10 billion? Social workers? Hardly.

Ask the millions of poor people who have benefited from the Community Action Programs developed by OEO—programs which have already been destroyed—who will suffer. Or the migrant and seasonal workers whose services are dead. Or the young people who will not be able to work in the Neighborhood Youth Program this summer because of funding cutbacks, and the welfare recipients who are being denied the chance to find training for a decent job because of cutbacks in job training. These people will tell you that *they* are the ones who have been discarded in this $10 billion slash in the human services.

And they are not the only ones. The millions of people who lived in areas served by the Model Cities program will lose the advantages of educational, vocational, recreational, and supportive services developed under its auspices. Perhaps the program did not live up to expectations. Its clients will tell you that it was far better than nothing. Yet rather than reform Model Cities, the President has chosen to destroy it.

The President has decided to emasculate legal services—by placing the entire program under a Board which he appoints, thus making it next to impossible that the program can defend poor people against powerful private and public institutions that exploit them. From published reports, OEO Director Howard Phillips would probably have destroyed legal services altogether—"like Carthage," were his words—if the legal profession had not come so strongly to its defense.

And what are we to say of a President who talks about the importance of education, but tramples all over the Elementary and Secondary Education Act; and who makes pious speeches about reviving rural America, at the same time as he is proposing cutbacks in housing that will cost—according to figures provided by the Rural Housing Alliance—over $3.2 billion and more than 252,000 man-years of employment to rural areas, not to mention the nearly 77,000 units of rural housing themselves.

The President tells us of his deep concern for the plight of older Americans—he says that we should not consider them in the same light as all those other, dirty welfare recipients. When it comes to his budget, however, older adults get little better treatment than anyone else. The Senior Opportunities and Services program, supporting 1,025 senior citizen centers across the nation reaching an estimated 775,000 elderly poor, will end. Appropriations for research and training will be sharply reduced, under the new plans. Most serious, 23 million aged and disabled people will have to pay more for Medicare—$345 million more in hospital costs alone—thanks to the President's proposed $893 cutback in the program. With friends like the President, do older adults need enemies?

I could go on with this list—to talk, for example, about the school children whose lunch programs are being demolished; or the libraries, whose funds have been eliminated; or the dropouts, whose counseling programs are being reduced from $10 million to $4 million in the new budget; or the millions of people in our cities who will continue to live in inadequate housing because the President refuses to build homes for people. I could discuss the phasing out of the Emergency Employment Act of 1971 and cuts in the Manpower Development and Training Act on the incredible grounds that economic conditions no longer render these employment programs necessary.

Yet the point should be abundantly clear that this budget marks a wholesale reversal of the trend toward social progress and social welfare that has given millions of working and poor Americans hope for over a quarter of a century. When we couple these proposed cutbacks in human programs with proposed

increases in the military expenditures, then this budget represents an arrogant defiance of the millions of people who thought that voting for President Nixon's "generation of peace" meant a peace dividend for pressing needs at home. When linked with the President's continued refusal to close tax loopholes benefitting corporations and the rich—loopholes that deprive the public of at least 30 billion dollars in revenue every year—then this budget becomes another flagrant example of the administration's kowtowing to the privileged interests in this country at the expense of just about everybody else. And what is more—contrary to what some politicians and columnists were saying before the Watergate revelations—every poll shows that most Americans do know exactly what the President is doing, and they don't like it.

Our union opposes these cutbacks in human services as well. Our members see, on a day to day basis, what poverty does to people. We are the ones who have to tell a mother that there is no money to pay for winter clothes for her children, or that the landlord who has turned off the heat because there is no money to pay the bill has the law on his side. We are the people who, under these new budget cuts, will have to tell a young man, struggling to find a place in this society, why the government no longer gives a damn about his job training program. We're the ones who are going to have to explain to a group of older adults why their center is closing, or tell the parents of a handicapped child why there is not enough in the new budget to continue his special education and remedial training program. We are the ones who are going to have to say "no" to millions of poor and helpless citizens—to tell them, "no, the President says that we are coddling you. You're going to have to make out on your own now." Or to tell them, "No. The President says that all the money for this program has gone into our pockets, so he's going to take it away from you." And do the members of Congress, the distinguished members of this Committee, have any idea what having to do this—to say, "no," to hungry children because the President is lying about the poor—does to *us?* Some of you have probably known poverty in your own lives—you probably were running on it, in fact. Well think about the situation we face every day—from your own experience. Or better still—if you need to refresh your memories—go down to the welfare department one day and spend the morning with a social worker, without fanfare to give away to the clients who you are. See how *you* feel at the end of such an experience.

Yes, our union opposes the cutbacks in human services in the President's budget. We think that if there is going to be tightening of belts in this country—if there are going to be welfare cuts—let them be cuts in welfare to the rich.

Closing the capital gains loophole would save us $10 billion in welfare tax benefits currently going to the one in 12 Americans who make money on money alone.

Closing the oil depletion allowance would give us an additional one billion dollars.

An elimination of the tax subsidies for corporations investing and profiting overseas—a provision that is costing millions of jobs for American workers—would bring into the treasury $3 billion dollars more in tax revenues.

Ending the investment credit and depreciation speed-up enacted by Congress in 1971—enacted by Congress to stimulate the economy by expanding the potential profits of business at the expense of the consumer's dollar—would generate $7 billion to the treasury.

Those are $21 billion in welfare payments going entirely to corporations and the rich through our tax system which could be cut without cutting tax exemptions and deductions that benefit ordinary citizens by one penny.

The AFL–CIO has been calling for these welfare cuts. Millions of Americans have been demanding them. The Democratic Party platform for years has supported them. Isn't now the time—when the consequences of arrogant government, of government of privilege, of government by fiat-and subterfuge have become painfully apparent to everyone—isn't now the time for the Congress to respond to the demands of the American people?

The President might call for welfare cuts in programs that currently benefit millions of working people and the poor totalling $17 billion.

We call for welfare cuts in tax laws that benefit only corporations and the very rich, cuts that will give us new revenue totalling $21 billion.

Who, then, is the true champion of "welfare reform?" Who truly has the interests of a "new majority" at heart?

The President has called for improved administration in the social services. We agree, there must be improved administration. In every State where we have members we have cooperated with state governments in improving administrative procedures in Departments of Public Assistance, in hospital social service departments, and in other public and private programs.

Yet what about the President's own administrative changes in social service provisions? So far these changes have meant nothing but administrative chaos for our members.

First, we were told by HEW that the President will impose new guidelines for social service programs that would have made it impossible for working people to use them; that would have eliminated private funds as a source to meet federal matching requirements; that would have eliminated client involvement in the delivery of the service; and that would have emasculated many of the service themselves. For months, we heard only vague rumors about what these guidelines were going to be. Then some states—Pennsylvania, for example—tried to anticipate them, only to face cries of outrange from thousands of angry mothers in day-care centers and senior citizens in older adult centers. Then when the HEW Guidelines did appear, our offices were swamped further with clients demanding that *we* tell them what was happening. Then, the public outcry forced the administration to retreat on these outrageous recommendations—making us wonder why it had ever tried to put them across in the first place. Do you have any idea what such on-again, off-again planning—ill-conceived, politically stupid, morally obtuse—does to a Department of Public Assistance? Is it any wonder that we have trouble handling our cases on a day-to-day basis? Why, keeping up with rumored cutbacks, rumored new "welfare reforms" that promise to force everyone to sign up for slave labor jobs or lose all their benefits, keeping up with the latest federal monitoring system designed to weed "ineligibles" off the rolls is a full-time job in itself. But, of course, we are the ones who waste money on administrative red tape and bureaucracy.

Or look at the spending levels now proposed for the social service provisions in HR-1. First, 5 billion dollars was available for these programs. Then, the President requested only 2.5 billion dollars in 1973—half that amount. The request for 1974 cuts it further to 1.8. No doubt, by 1975 the President will want to cut social services entirely.

What is more, the money under the new social service provisions has been apportioned on the basis of population rather than on expenditures. States such as California, Massachusetts, Pennsylvania and New York are severely underfunded while unspent surplus appropriations are impounded by the Secretary of HEW. Does this make administrative or fiscal sense? Wouldn't it make more sense to allocate money where it is needed most—to the places with the largest concentration of poor people and of working people who can take advantage of social service programs? Yet again, it is the social worker—the member of our union—who is accused of being an administrative incompetent, a bumbling bureaucrat.

Gentlemen, it is time for Congress to put a stop to Richard Nixon's war against the people of this country. The Watergate disclosures are bringing with them a long-overdue reappraisal of the character of the administration. This reappraisal, we believe, must cover all areas of its activity. The connection between the new budget and last summer's bugging is not so strained as it may seem. The President defends his new budget on grounds that it forces each of us to work only for ourselves. Then his advisors show us what the doctrine of "every man for himself" means in the White House. We are still seeing it happen. Each day the fabric of the administration is unravelling, because there are no common threads of compassion, of trust, of principle to hold it together. Is this what we want to see in our entire society? If it is, then by all means let us pass the President's budget intact, because its undercurrent of contempt for human weakness, of disrespect for human potentiality, will find its way into all our communities and institutions.

Yet if we want more out of a national administration than hypocrisy and "benign neglect," then let's not allow it to force the creed of "every man for himself" down our throats. Where, in the Declaration of Independence which guarantees "life, liberty, and the pursuit of happiness," does it talk about "every man for himself?" Where in the pledge of "liberty and justice for all," is it implied that each person must secure these advantages on his own? The answer is nowhere.

These have been set down right that our society owes to itself as a whole, that we owe to one another as a people. Without a commitment to them, our Founding Fathers understood that no law, no court, no government could hold the tattered fragments of a divided nation together.

Our union—the Service Employees International Union—has come to you today demanding that programs for the poor, for working Americans, for the sick and handicapped, and for the elderly continue—for the sake of the people whose very survival often depends upon them. I am not ashamed, moreover, to demand the continuation of these programs for *our* sake—for the sake of the growing number of Americans who have decided to devote their lives to the service of other people, consistent with our best national traditions. Yet ultimately we ask for these programs for the sake of the country. As inadequate as they are, they keep alive the hope that one day we *will* discover the common bond between us and recommit ourselves to the ideals which convinced a small band of Puritans that a wooded grove in Massachusetts Bay could become a City on a Hill.

WASHINGTON RESEARCH PROJECT,
Washington, D.C., May 18, 1973.

STATEMENT OF THE WASHINGTON RESEARCH PROJECT

The Washington Research Project is a non-profit public interest organization concerned with federal programs and policies which affect children and families, especially the disadvantaged. We are particularly concerned about the new regulations which HEW has issued for social services because they will eliminate services to large numbers of poor and near poor families with critical needs, and because they will reduce the quality of those limited services which will continue to be provided. We welcome his opportunity to present our views to the Chairman and members of the Senate Finance Committee.

CONGRESSIONAL INTENT

Attached is a copy of the Washington Research Project's comments on HEW's proposed services regulations, which we ask be made a part of the Committee record. As we indicated in those comments, the proposed regulations which HEW issued on February 16, 1973 went far beyond the language of the Social Security Act and the intent of Congress. The legislative history is clear that Congress intended:

That services be available to a wide range of individuals and families with needs—not only current welfare recipients but a broadly defined category of potential recipients as well;

That taking into account certain mandated services, states have maximum flexibility to define their own service programs according to locally determined needs;

That services have a dual objective, not only ending dependency but preventing dependency as well;

That services be defined not just in terms of self-support and self-care, but also in terms of maintaining and strengthening family life and fostering child development.

When Congress enacted the $2.5 billion ceiling on social services as part of the State and Local Fiscal Assistance Act (P.L. 92-512), nothing was done to change the direction of social services. In fact, the legislative history is clear that Congress rejected any sweeping cutbacks in the existing programs, such as HEW intends with its regulations. The Chairman of the House Ways and Means Committee emphasized on the floor of the House of Representatives that the conferees had not changed the definition of services nor restricted the nature of the program. The Chairman of the Senate Finance Committee has stated that the $2.5 billion ceiling was established to prevent expenditures from going beyond that point, but there was no intent that states be prevented from spending their allotted share. In establishing certain exempt categories of services, Congress specifically noted that at least some service programs should continue to be broadly available to potential as well as current recipients, and there was no suggestion whatsoever that the definition of potential be changed. Furthermore, the listing of specific exempt services was in no way intended to limit the types of additional services which states could provide to eligible recipients.

Thus, the allegations by HEW that new and severely restrictive regulations were necessary to implement the $2.5 billion ceiling are patently false.

THE HEW REGULATIONS

The outpouring of Congressional and public opposition to the February 16 draft regulations—expressed in more than 200,000 comments to HEW—underscores the fact that the Administration went far beyond legislative intent or the public interest. But, while the final regulations issued May 1 suggest a number of changes in response to that outcry, in fact, those changes are more apparent than real. The final regulations continue to be unduly restrictive, to eliminate services for large segments of the population in need, and to defy Congressional intent. The following are some of the specific problems that remain.

Eligibility requirements eliminate working poor and create incentives to stay on welfare. The increase in eligibility for services from 133% of the payment level to 150% of the payment standard still leaves the cutoff point for services at a lower income figure than the cutoff point for cash assistance in every state, because income is defined as gross. Thus, the regulations will actually encourage recipients to remain on welfare. In fact, the change from payment level to payment standard meant nothing at all in the majority of states where the payment level and the payment standard are the same. It did provide some help for 12 states, but it actually penalized approximately 23 states, including Alabama, Maryland, Utah, Louisiana and Texas, where the payment standard is determined on a reduced standard of need.

Added on top of the income test is an assets test which renders ineligible for services anyone who has resources beyond those allowed for recipients of cash assistance. Such an assets test was never required for services before, and in some states, it will exclude from all services a working person who has a small life insurance policy, a home of even modest assessed value, or a savings or checking account—even though that person's actual income may not exceed the 150% limit. In Arkansas, for example, recipients may not own a home worth more than $4,500 to $6,500, depending upon its location. In Connecticut, families and adult recipients may not own any real property other than their home, and personal property is limited to $250 for AFDC families and $600 for adult recipients, including the cash value of life insurance. In Wisconsin, a recipient's car may not be worth more than $750, or $1,000 if it is needed for medical or other unusual reasons. Thus, to become eligible for services, individuals or families must first divest themselves from almost all assets, a step which may well lead them to dependency on welfare as well.

The assets test is particularly significant with regard to day care. The May 1 regulations broadened eligibility for subsidized day care to include families with income between 150% and 233⅓% of the payment standard. However, a family would be eligible within that income range only if it did not use any of that income to acquire assets. In fact, many families in that income range do have limited assets, not luxuries but essentials for a minimal standard of living. Yet, because employment enables that family to begin to acquire such necessities, it renders them ineligible for the day care which made the employment possible in the first place.

The cyclical effect of such eligibility restrictions puts families on that very merry-go-round of welfare this Committee seeks to avoid. They operate as a disincentive to work one's way out of the welfare system, and actually penalize those working poor who struggle to avoid dependency.

The exclusive list of services and the prohibition against certain expenditures eliminates the state's flexibility to develop comprehensive service programs according to locally determined needs. Like the February 16 draft, the final regulations restrict the types of services which states can provide. Although this limitation clearly violates Congressional intent and was one of the major sources of opposition to the earlier draft, the only change HEW make in the final regulations was to add day care for mentally retarded children and legal services so narrowly defined as to be meaningless.

In the past, states were required to provide certain mandated services, and then could include others from a list of suggested optional services in the federal regulations. States could provide still additional optional services, beyond those specifically mentioned in the regulations, so long as they were included in a state plan approved by SRS. Under the new regulations, a state may not provide any services other than those specifically listed in the regulations. This means that

states cannot provide certain services which Congress specifically mentioned in P.L. 92-512, such as services for drug addicts, alcoholics, or the mentally retarded (beyond day care). Moreover, they must abandon certain services they are currently providing, like day care for children with special needs or education and training programs, even if those programs would clearly meet the needs of persons eligible for social services.

Beyond limiting the types of services which a state may provide, the new regulations prohibit the use of federal funds for certain essential components of a service program—such as the cost of food or medical expenses. At best, these limitations will force state agencies to seek multiple sources of funds in order to operate comprehensive programs. Where alternate funds are not available, comprehensive service programs cannot be provided.

The new regulations for day care will eliminate services to many families currently receiving services and will lower the quality of care for those families who remain eligible. While the final regulations did expand day care somewhat to include mentally retarded children and children whose mothers are dead or incapacitated, the program is still restricted largely to children whose parents need the services in order to work. It totally ignores the developmental needs of children and the provision of the law which specifically states that services programs should be directed toward strengthening family life.

This narrow definition of day care, combined with the income and assets limitation on eligibility which were mentioned above, will make ineligible large numbers of children currently receiving services, and will prevent the planned expansion of programs to include other children with legitimate needs. Participation in the program may be restricted even further, depending upon the type of fee schedules that are established. While HEW has emphasized that states will set their own fee schedules, the Department has announced its intention to develop guidelines for those schedules. If HEW requires a fee schedule that moves to full payment of cost by a family at the upper income level, then many families in that income bracket will be ineligible for anything but the least expensive care. In Louisiana, for example, such a fee schedule would require a family of four with a gross income of $3,024 to pay the full cost of care for all three children. Even assuming minimal custodial care for those children, it would take most of that family's income to pay for day care. In the District of Columbia, where living costs are substantially higher, under such a fee schedule a family of four would have to pay full cost with a gross income of $6,692. It is essential that the Committee be given an opportunity to review HEW's plans for a fee schedule before any is put into effect, to assure that it is not prohibitive.

The regulations make it nearly impossible to provide high quality developmental day care for children. In the first place, if low-income working families are required to pay the major portion of day care costs for their children, that will assure cheap custodial care. Beyond that, the Secretary of HEW has stated to this Committee his intention to lower the federal standards for day care in order to reduce costs, even though Congress added language to the Economic Opportunity Act Amendments of 1972 requiring that federal standards require no lower quality of care than that provided in the currently applicable Federal Interagency Day Care Requirements of 1968. Finally, the regulations specifically prohibit the use of any social services funds to enforce or monitor the implementation of standards.

The regulations consistently ignore the rights of recipients. The new regulations remove all of the language of the old regulations which recognized or attempted to protect any rights of recipients. The fair hearing requirements have been replaced by a vague and meaningless grievance procedure. There are no longer any requirements that parents make up part of the the state day care advisory committees, or that there by any advisory committees whatsoever for other services. All of the language of the old regulations which assured recipients the opportunity to participate in the choice of services and to determine the suitability of those services, especially in the case of day care, have been eliminated. And the unreasonable requirements for frequent redetermination of eligibility, while imposing unnecessary administrative burdens on the states, are just as objectionable in terms of their potential as a tool for harassment of recipients.

HEW's token response to the objections raised to its earlier regulations, and its continued unwillingness to comply with legislative intent makes clear the Administration's goal to severely limit the social services program and to prevent expenditure of a sizable amount of the $2.5 billion Congress allotted to the states. We urge the members of the Finance Committee to report legislation which will

assure the continuation and orderly expansion of the social services program. It is equally critical that you require that HEW consult with the Committee in the development of the guidelines it will write to implement the regulations, to assure that the programs are not restricted even further.

WASHINGTON RESEARCH PROJECT,
Washington, D.C., March 9, 1973.

To: Administrator, Social and Rehabilitation Service, Department of Health, Education and Welfare, Washington, D.C.

Subject: Proposed Regulations for Service Programs for Families and Children and for Aged, Blind, or Disabled Individuals: Titles I, IV (Parts A and B), X, XIV, and XVI of the Social Security Act.

The following are comments on and objections to the proposed amendments to 45 CFR Parts 220, 221, 222, and 226 published under a notice of proposed rule-making in the Federal Register on February 16, 1973 (Volume 38, Number 32).

The Washington Research Project is a non-profit, public interest organization concerned with federal programs and policies affecting the poor and minority groups, especially children. Our comments on the proposed regulations are focused particularly on their effects in eliminating services to large numbers of poor and near poor families and in reducing the quality of those services which would continue to be provided on a much more limited basis.

I. GENERAL COMMENTS

The principal effect and apparent intent of the proposed regulations is to limit expenditures for social services far below the amounts intended to be spent by Congress. The history of the social services amendments contained in the 1972 revenue sharing act makes unmistakeably clear that Congress rejected any sweeping cutbacks in the existing social services program, such as those originally proposed by the Senate. Instead, it agreed to preserve the current program, within the confines of a state allocation formula, and with a targeting on certain clearly specified services. Indeed, in response to specific questions on the floor of the House of Representatives as to the effect of the ceiling on current programs, Chairman Wilbur Mills stated that "we have not changed the definition of social services that are available for those who are recipients of or applicants for welfare," and that Congress intended no restriction on the nature of social services.

The $2.5 billion ceiling was carefully chosen and supported by the Congress, over a lower amount approved by the Senate, because it would not disrupt most of the valuable services currently being provided. Although imposition of the ceiling might require some reordering of expenditures, the states have ample authority and flexibility under existing regulations to make the needed adjustments. This $2.5 billion ceiling plainly was more than an authorization in the traditional sense. The language of the statute says that "the Secretary shall allot" to each state its share of the social services funds. The regulations proposed by the Department therefore go far beyond the Congressional mandate and have the effect of impounding funds which Congress intended should be spent. Preliminary estimates by the states indicate that they will receive $1 to $1.3 billion less under the proposed social services program than they were entitled to receive under Congress's revenue sharing allocations.

Thus, contrary to the suggestion of the Secretary that the proposed regulations represent "the elimination of requirements which are not based on legislative mandates," the Department has clearly exceeded the intent of Congress and the language of the law. Other explanations of the Department are equally misleading and cloud their actual intent.

The Department contends that the regulations would "strengthen the role of state agencies in managing the program," "give states more options in determining services," and "put decision-making closer to the point where services are used." In fact, these regulations would remove the options now available to the states, limit their flexibility in operating programs, and impose new bureaucratic requirements which will hopelessly mire welfare agencies in red-tape and paperwork, at the expense of recipients of the services.

Similarly, the Secretary insists that the proposed regulations give "increased emphasis to services that help people move toward self-sufficiency and employment." In fact, they would so seriously restrict the eligibility for services as to prohibit lasting self-sufficiency and force repeated return to dependency.

Finally, one of the alleged intentions of these regulations is "reducing overlap" with other federally-supported programs. The reality is that there are no alternatives for public support of many of the programs which would be terminated, and in other cases the alternatives which might presently exist are being cut back or terminated by other Administration proposals.

II. ELIGIBILITY FOR SERVICES (221.6 AND 221.7)

The proposed definitions of eligibility and the requirements for constant redetermination of eligibility are too restrictive to accomplish the stated objectives of "self-sufficiency and employment," and they are so cumbersome as to assure the very bureaucratic maze this Administration allegedly seeks to eliminate. In setting a ceiling on social services expenditures and identifying broadly available services, Congress made no effort nor did it indicate any intent to narrow the current definitions of past and potential recipients. The restrictive definitions contained in the proposed regulations administratively eliminate virtually all past and potential recipients from the program, which Congress declined to do.

The limited definition of past recipient to one who has received welfare within the previous three months is too narrow to offer any security or stability to an individual who leaves the welfare rolls, and would in many cases lead to an almost immediate return to dependency. At a minimum, a past recipient should be entitled to services for at least one year, regardless of current income, with the possibility of extending those services for a longer period if they are necessary to avoid renewed dependency.

The definition of potential recipient is even more restrictive. The automatic elimination of services as soon as income exceeds 133⅓ percent of the state's financial assistance payments level, or when resources exceed permissible levels for financial assistance, would arbitrarily exclude individuals and families before they reach a point of "self-sufficiency" and would result in returns to dependency. In many states, these new definitions would make ineligible for services families with incomes below the federal poverty level and even below the state's own defined standard of need. Further, sole reliance on income to determine eligibility ignores the fact that need for services is an equally significant factor in defining a potential welfare recipient. By identifying in the revenue sharing act those services which whould be fully available to potential as well as current recipients (e.g., child care, services for alcoholics and narcotics addicts) Congress intended to deal with problems which, in the absence of services, would lead to dependency regardless of income. A fee schedule for services, reasonably related to income, as provided by current regulations, would assure availability of services according to need, while directing the bulk of federal dollars toward lower income groups.

In requiring frequent redetermination of eligibility—every 90 days for past and current recipients and every six months for potential recipients—the new regulations go far beyond the language of the statute, which provides for review of current recipients' service plans at least once a year, with no required review for past and potentials. The proposal would create an administrative nightmare which, at best, would delay services and would almost certainly deny services to many. They would intensify the movement of recipients in and out of services and reinforce the cycle of dependency caused by the narrow eligibility definitions. Further, they would result in new and unnecessary harrassment of recipients, and can only be interpreted as intended to discourage eligibles from seeking services. State welfare agencies have already indicated that they are incapable of meeting these requirements.

III. PRIVATE SOURCES OF STATE'S SHARE (221.62)

The absolute prohibition against the use of donated private funds or in-kind contributions arbitrarily eliminates an estimated $150 million in social services expenditures and terminates many of the most effective local programs. While improper uses of such funds should be controlled, an attack on the private sources ignores the apparent major causes of abuse in the program—the refinancing of state and local public expenditures. What is more, it contradicts this Administration's emphasis on voluntary action and public/private cooperation. For example, in the area of day care, the Council of State Governments estimates that the prohibition against private funds will eliminate $55 million in services. Such a cut is particularly ironic in view of the President's own expressed deep concern about "too much" public intervention in child care and his stated personal prefer-

ence for day care provided through private sources (President's Message Accompanying Veto of S. 2007, December 9, 1971).

The importance of private sources of funds was noted by then-Secretary of HEW Elliot Richardson in a letter to Chairman Wilbur Mills of the House Ways and Means Committee, dated October 13, 1972, in which he urged modification of any legislative history to make clear that the "partnership between private donations and public agencies should be encouraged rather than discouraged." Reading that letter into the Congressional Record, Congressman Burke of Massachusetts engaged in a colloquy with colleagues from the Ways and Means Committee, denying "the impression" that Congress intended to restrict private matching and pointing out that Senate Finance Committee provisions to that effect had been dropped in conference on H.R. 1 (Congressional Record, October 17, 1972, H10210-11).

IV. OPTIONAL SERVICES (221.5(b)(1))

Contrary to the impression presented by the Department that the proposed regulation would increase the state's options in providing social services, the new limited listing of services restricts choices and prohibits state and local-determination of services programs. The Social Security Act requires that a state must provide a program "for such family services * * * as may be necessary in the light of the particular home conditions and other needs * * * in order to assist such child, relative, and individual to attain or retain capability for self-support and care and in order to maintain and strengthen family life and to foster child development." The elimination of certain optional services which have been listed in the regulations in the past plus the removal of authority for the state to provide additional optional services if they are part of their own state plan, prevent the states from carrying out this clear legislative mandate.

For example, according to a special analysis of the Office of Management and Budget, social services outlays for nonemployment-related day care were estimated to be $154 million for fiscal 1974, providing services for 253,000 children. States will no longer have the option to provide such services since such care is no longer listed as an allowable service. Similarly, at least five states have included in their services plans legal services which were clearly allowable under the existing regulations. Since these are no longer included in the list of optional services, such as sistance to recipients must be terminated.

Congress clearly did not intend to restrict such services for current recipients, but in fact offered assurances that they would continue (Congressional Record, October 12, 1972, H9767). We recommend that the proposed regulations be modified to include in the list of optional services at least legal services and day care in addition to that defined at 221.9(b)(3), and that a state be permitted to include in its state plan other optional services which clearly meet the needs of eligible individuals. Such plans would continue to be subject to approval by SRS.

V. CHILD CARE

The impact of the eligibility definitions and the elimination of private funds is especially hard felt in the area of day care. Denial of child care to a broader range of past and potential recipients may well be the single most important factor in preventing the "self-dependency" which these regulations purportedly seek. In addition, as noted above, the arbitrary denial of all nonemployment-related day care removes essential services for dependent children and families—denying services to over one-quarter of a million children, according to OMB's own estimate.

In California, for example, according to State Superintendent of Public-Instruction Wilson Riles, these regulations will reduce day care funds in the state by $40 million, terminating services for more than 35,000 children, forcing 5,000 teachers and paraprofessionals out of jobs in child care programs, and ending employment for large numbers of working poor and single parents who may well find themselves back on welfare roles. In New York, the City's Agency for Child Development indicates that more than one-half of the 33,000 children now in its day care programs will no longer be eligible, forcing their parents back on to welfare which costs the city two-and-a-half times the cost of day care. Pennsylvania officials estimate that at least 12,000 children will be out of day care if the regulations go into effect. In Minnesota, 50 to 60 percent of the 24,000 children currently receiving services will no longer be eligible, and the state's funds will be

reduced by at least $20 million. In Minneapolis, more than 60 percent of the children receiving services will no longer be eligible, and at least 95% of the $2 million spent for day care will disappear. St. Paul will lose up to $1,212,000 in day care services. Maryland officials predict that half of the 12,000 children presently served will be evicted from day care centers around the state.

Beyond this absolute reduction in the amount of day care provided and the number of children served, the proposed regulations place additional restrictions which will undermine the quality of that care which would be provided for the much narrower group of children who would continue to be eligible. The proposed regulations eliminate all references to federal standards for child care, other than the most inadequate requirements for in-home care. Departmental assurances that federal standards "will apply" at some indeterminate time in the future when "suitable" ones have been written are not sufficient guarantees of program quality for children.

Congress has made it clear that federal standards do apply to all federally-supported child care and that those standards do apply to all federally-supported child care and that those standards may be "no less comprehensive" than the Federal Interagency Day Care Requirements of 1968. While Congress has recognized the necessity for modifying those requirements from time to time, Chairman Carl Perkins of the House Education and Labor Committee emphasized that the Congressional intent of adding language to the extension of the Economic Opportunity Act in 1972, was to prohibit changes which would reduce the quality of care required by the federal standards, particularly with regard to child-staff ratios (Congressional Record, September 5, 1972, H8056). We urge that the proposed regulations be clarified to indicate that the Federal Interagency Day Care Requirements of 1968 do apply, as required by law, in order to avoid any confusion on this point.

While the indefinite status of federal standards causes concern about the quality of care to be provided, there are other provisions in the proposed regulations which clearly reduce that quality. By prohibiting federal financial participation for any "subsistence and other maintenance assistance items even when such items are components of a comprehensive program of a service facility" (221.53(j)), and by removing all references to food and food preparation costs as allowable expenditures, the proposed regulations eliminate payments for food and all of the costs associated with preparing and serving food in day care programs. Such language suggests that either day care operators, including operators of family day care homes, will have to pay such costs out of their own resources, or that children in such programs will be required to provide their own food. This would almost certainly deny nutritional meals to children, most of them already in or near poverty, during the time they are in day care programs. This language should be clarified to assure that food and food-related costs in day care programs will continue to be eligible for federal funds.

The proposed regulations also drastically reduce parent involvement in their children's day care programs, contrary to the 1967 Social Security Act Amendments. The President has taken a strong position that federally-supported child care programs must not "diminish . . . parental authority and parental involvement with children" (President's Message Accompanying Veto of S. 2007, December 9, 1971). Yet, current requirements that parents be involved in the choice of care and that the care be suitable to the needs of their children have been eliminated. Further, while day care advisory committees would be retained at the state level, there would no longer be any requirement that one-third of their membership be drawn from the parents of children receiving services. Parent committees have been influential and constructive in a variety of HEW programs, including not only social services but Headstart and Elementary and Secondary Education Act programs as well, and there has been no suggestion by the Congress that they be eliminated.

In addition, states no longer would be required to extend or improve services, to develop alternative sources of services, or to mobilize resources to provide services.

We urge that the regulations be modified to restore parent participation in child care programs and to require and provide incentives to states to expand available sources of day care.

VI. FAIR HEARINGS

Current regulations attempt to protect the rights of recipients of services by making provision for a fair hearing under which applicants or recipients may appeal denial of or exclusion from services, failure to take into account recipient choice of services, or a determination that an individual must participate in a service program. Those rights have been removed by the proposed regulations in violation of both the statutory requirement for fair hearings and the constitutional requirement of due process of law, which applies to the denial of services as well as cash assistance.

COMMUNITY FUND OF CHICAGO, INC.,
Chicago, Ill., May 17, 1973.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Dirksen Office Building,
Washington, D.C.

DEAR SENATOR LONG: The Board of Directors of the Community Fund to Chicago wishes to indicate to the Senate Finance Committee its concern regarding the revised HEW regulations for the administration of social services and to offer a recommendation to improve the relationship between the public and private sectors in the administration and delivery of such services.

THE COMMUNITY FUND OF CHICAGO

The Community Fund of Chicago is a voluntary organization with 85 member agencies engaged in providing social services in the Chicago area. Fund raising activities are conducted through the Crusade of Mercy by the Community Fund together with its partners, the Suburban Community Chest Council and the Mid America Chapter of the American Red Cross. In the 1972–73 campaign the Crusade of Mercy raised $32,863,000 of which the Community Fund's share was $21,005,880. Each of the member agencies is an independent organization which is responsible for raising a substantial part of its own funds, which are supplemented by Community Fund support. The Community Fund considers that it is a trustee of the funds which are contributed by thousands of persons, corporations and foundations in Metropolitan Chicago, and, as part of its responsibility for allocation of funds and agency review, makes every effort to assure the effective use of these funds for the health and welfare needs of the people in the Chicago area. Detailed information concerning the Community Fund and how it operates is contained in the enclosed annual reports, which also list the Board of Directors and member agencies.*

THE REGULATIONS

The original legislation for social services passed in 1967 requires each State to identify a single State agency to administer these Federal programs, but allowed the State, in the development of its plan, to purchase administrative services and program services from either the public or the private sector. Under the 1969 regulations many States developed administrative purchase of service arrangements with other agencies, including private organizations. The regulations published on May 1, 1973 permit the purchase of program services but direct the State agency to administer these programs without permitting the purchase of administrative support from other entities, whether public or private.

Under the original enabling 1967 Legislation, local matching funds for Federal reimbursement could be provided by either public or private donation. The Community Fund of Chicago has been concerned for some time that the regulations, as published in 1969 and now revised, have sharply restricted the role of private agencies in the execution of program services under the law. The 1969 regulations for the administration of Titles IV–A, B and XV describe in Sections 220.64 and 222.91 the manner in which the private sector may participate as donor of funds as well as provider of services. These regulations are restated in

* The material was made a part of the official files of the Committee.

virtually the identical language in the regulations published by the Secretary on May 1, 1973, as follows:

"221.62 Private sources of State's share.

"(a) Donated private funds for services may be considered as State funds in claiming Federal reimbursement where such funds are:

"(1) Transferred to the State or local agency and under its administrative control; and

"(2) Donated on an unrestricted basis (except that funds donated to support a particular kind of activity, e.g., day care services, homemaker services, to support a particular kind of activity in a named community, are acceptable provided the donating organization is not a sponsor or operator of the type of activity being funded).

"(b) Donated private funds for services may not be considered as State funds in claiming Federal reimbursement where such funds are:

"(1) Contributed funds which revert to the donor's facility or use.

"(2) Donated funds which are earmarked for a particular individual or to a particular organization or members thereof."

THE REGULATIONS DO NOT FOLLOW THE LAW

Over the past two years the State of Illinois has met with the Community Fund of Chicago to plan expansion of program services, under the State Plan, to be purchased from private agencies and financed through private donations. The Community Fund of Chicago arranged with the State of Illinois for a donation agreement to fund day care in Chicago.

To achieve sound administration for the planned expansion of services, the Community Fund was instrumental in the establishment of Comprehensive Community Services, an autonomous not-for-profit private management corporation. The purpose of this corporation is to conduct and administer charitable activities primarily in the area of social welfare services.

This corporation negotiated a contract with the State of Illinois for the management and provision of day care services through subcontract arrangements with private agencies, some of which would be Community Fund member agencies, and some of which would not be so affiliated. Under this agreement the Illinois Department of Children and Family Services designed the eligibility forms and determined the reporting requirements to make certain that the program services would be provided only to clients determined to be eligible under HEW guidelines.

When we reviewed the service contract and the proposed donation agreement with the staff of HEW in Washington, however, we found that the regulations were being interpreted to preclude such agreements on the grounds that they would be in violation of the spirit of the regulations. The staff indicated that they viewed our program as an effort to control the manner in which Title funds would be used and administered in violation of the directive, which is given in the regulations but not in the law, that the State is the sole institution to which this authority is delegated.

As we understand it, it is HEW's interpretation of these regulations that an entity making a private donation for matching fund purposes may not have any influence over the expenditure of these funds, whether by designation of the agency to perform the service or through the supervision of the performance of these services under the general direction of the State government. While these regulations pay lip service to the concept of private participation, the intent of the regulations and the interpretation placed on them by HEW, make it almost impossible for private agencies, such as the Community Fund of Chicago and its member agencies, to participate. The regulations limit the role of the private donor solely to making a gift of funds to the State on an unrestricted basis without ability to determine either the agency which will perform the services or to monitor the performance of these services. We understand that the participation of private agencies in the delivery of services had led in some cases to the so-called "abuse" problem where the private donor had sought in various ways to make sure that the funds were well expended without excessive overhead costs and inefficiencies which are sometimes associated with publicly administered programs. It would be the view, according to the interpretation of these regulations by HEW, that there is something wrong with the private donors interest in the operation of an effective program and the regulations reflect that view by requiring that the State exercise total authority and control to the exclusion of the donor.

Since the enactment of the Legislation in 1967, actual participation by private agencies has been minimal. It is our understanding that prior to the establishment of a $2.5 billion social service ceiling, more than $4.4 billion were requested by State governments for the current fiscal year and, according to our best estimates, less than $52 million of Federal funds were being matched with private donations, 1.2% of the total.

The Community Fund has administered its funds as trustee with great care and believes that any participation by it in the delivery system would tend to eliminate rather than create abuses. We believe that our recommendations set forth below would provide the basis for a sound working relationship between the public and private sector in the delivery of human care services. They would also help eliminate the possibility of abuse in the administration of such services.

RECOMMENDATION

We urge the Senate Finance Committee, in giving broad consideration to the Legislation for program services, and the regulations therefor, to consider the following recommendations which would encourage the participation of the private voluntary sector in the delivery of services funded jointly with the Federal government:

1. The State Plan for the purchase of social services may provide for the purchase of administrative and program services from the voluntary sector.
2. When the State purchases social services funded in part or wholly by private matching donations, there should be no prohibition against the private organization's participation in administering, monitoring and evaluating the service programs. (Otherwise the Community Fund would not be able to carry out its responsibilities as trustee.)
3. When a Community Fund donates the financial match to a State for a specific service in a named community, the regulations should clearly permit a member agency of that Fund to negotiate with the State to provide this service.

Sincerely,

EMORY WILLIAMS, *President.*

N.O.W. LEGISLATIVE OFFICE,
Washington, D.C.

STATEMENT OF THE NATIONAL ORGANIZATION FOR WOMEN, SUBMITTED BY ANN SCOTT, NATIONAL VICE PRESIDENT FOR LEGISLATION

The National Organization for Women (NOW), with over 30,000 members in our 450 plus chapters (at least one in every state), is the largest feminist organization in the world. Our membership includes women and men of every economic status who are committed to the goal of bringing women into full participation in the mainstream of American society.

As one means to achieve this goal, NOW has called for the creation of a national network of high quality developmental child care centers available to all citizens on the same basis as public schools, parks and libraries; adequate to the needs of children from pre-school age through adolescence, and to the needs of parents and communities, through appropriate services and schedules.

At our sixth annual conference in February, 1973 was designated as NOW's "Action Year Against Poverty." Supportive of that resolution was the call for passage of comprehensive child development legislation, including health, nutritional and educational components with free services to low income families and a sliding fee scale for those who can afford to pay.

Our goals are, admittedly, far from the reality of today. Dr. Edward Zigler, the former director of the Office of Child Development in HEW, suggested part of the problem. He is quoted in *MS* magazine in May 1973:

"I've spoken to hundreds of women across the country, rich and poor, women who make $20,000 a year—women whose lives have been blighted because they have been unable to find satisfactory day care. What's happened to their children? Almost 50% of all mothers work, yet so far they haven't exerted pressure on the government. I am convinced it has to do with the downtrodden nature of women in America. They feel this is the way things are supposed to be. They're supposed to be put upon. Farmers and the aerospace industry fight for their interests and get billions of dollars worth of subsidies. The government helps them, but doesn't

help mothers. We've so conditioned women to get the short end of the stick that they think it's the plight of women to suffer, and they don't expect any action."

We disagree with the final comment, that "they don't expect any action." NOW does expect action. Action is what NOW is all about. That's why we are organizing women all over this Nation. That's why we support a legislative office here in Washington. That's why we are submitting testimony on the Social Service Regulations.

We are working to change the priorities of this Nation which have allowed us to back down from the commitment we made during World War II when child care centers were established to serve more than a million-and-a-half children whose mothers were working in defense plants to the current situation in which the only justification for subsidized child care seems to be to get people off the welfare rolls. We think you should know that almost half of all mothers work and that by 1980, 80% of American women will have entered the work force (according to U.S. Census estimates). Specifically, we are asking your help in regaining the ground which has been lost as a result of the imposition of the $2.5 billion ceiling on social services and, even worse, as a result of the impoundment by regulation imposed by HEW.

As evidenced by our designation of 1973 as NOW's Action Year Against Poverty, we are concerned that nearly two-thirds of all adults (over the age of 16) living in poverty are women. One out of every three families headed by a woman lived in poverty in 1970 as compared with one out of every fourteen families headed by a man. For black women, the situation is even worse—more than one out of every two families headed by a black women (54%) lives in poverty. Black women head 57% of all poor black families and have an incidence of poverty three times greater than black men.

The situation for women heads of households is worsening, not improving. In 1959, 28 out of every 100 families with children in poverty were headed by a woman. In 1969, the proportion had risen to 37 out of every 100 and today it's more than 40 out of 100. Families headed by women are not the only ones who are struggling.

Department of Labor statistics show that as of March 1971, 40% of the 3.7 million working wives with children under six and 30% of the 6.4 million working wives with children six to seventeen years of age had husbands whose incomes were less than $7000. In many instances, it was only the income of these working mothers that made it possible for the family income to exceed the $6960 estimated by the Bureau of Labor Statistics for a low standard of living for an urban family of four. Even so, the additional income of working women is limited, and it is worsening in a relative sense, for full-time working women today earn only 58¢ for every dollar earned by men where women earned 64¢ for every dollar earned by men in 1955. Furthermore, nearly 50% of all full-time female workers earn less than $5,000 a year. These facts, we believe, make poverty a women's issue.

Before commenting on the regulations themselves, we would urge that the Committee, in recognition of the close interrelationship between child care and family planning and the ability of an individual to get off and stay off welfare, would exempt these two categories of services from the Social Services ceiling.

The Nixon administration's impoundment of $7 million by tightening guidelines for Title IV A funds is certainly a step in the wrong direction if this country is ever to get rid of its most expensive problem—POVERTY. What poverty costs this nation in delinquency, crime and talents never developed can hardly be estimated.

These new regulations will mean less federal money in FY 1974 for social services, such as child care and programs for the elderly, retarded, handicapped, and those addicted to drugs and alcohol. It was bad enough that Congress imposed a $2.5 billion ceiling on federal expenditures for these programs, but the Nixon administration refuses to spend even that inadequate sum by tightening the regulations so that only $1.8 billion will be spent—$7 million less than Congress intended.

The Administration maintains that states and localities can continue funding programs eliminated by federal budget cuts through general revenue sharing funds. But the Administration sold general revenue sharing as a means of *supplementing*, not substituting for local, state and federal revenues.

NOW is particularly upset about the effect the impoundment by guidelines will have on child care. Since the major burden for child care still falls on the mother rather than both parents equally, lack of adequate child care facilities stands

side by side with employment discrimination as a major reason for women's low economic status. This lack prevents women from seeking training and jobs and forces them onto the welfare rolls where they become scapegoats for society (note politicians calling them lazy parasites and pigs at the trough). Controlling the availability of child care helps assure the availability of women as a cheap source of reserve labor to be pushed into or pulled out of the market as the economy fluctuates. This situation is tragic since it has been shown that most women who work do so out of economic need.

The Administration's new regulations (even as revised) will still take away benefits from the working poor who are trying so hard to stay off welfare. By changing the definition of a past recipient from one who had been on welfare up to two years ago to one who had been on only up to three months ago and the definition of potential recipient from one who might slip onto the welfare rolls in the next five years to one who might slip on in the next six months, and by setting specific income limitations for those eligible to receive federally supported free or low cost child care, the regulations will prohibit many families below the poverty line from receiving child care and, in some cases, force them onto the welfare rolls. In Alabama, a mother loses her eligibility for free child care if her yearly income is over $1,746. If her income is over $2,716 she must pay the full cost for child care. Between these amounts, she pays on a sliding scale. In Louisiana, the home state of Chairman Long, she loses eligibility for free care over $1,944. Over $3,024 she must pay the full cost. In these states and many others, women who are working in traditionally low-paid, dead-end, women's work would need to spend practically their entire income to pay for child care of any decent quality. Or they could give up and return to the public assistance rolls.

Decent child care is not inexpensive. In *Windows on Child Care*, Mary Dublin Keyserling, former Director of the Women's Bureau in the Department of Labor, says that $962 is the average fee for the typical form of child care presently available. The 1970 White House Conference on Children reported that the Office of Child Development had estimated that full-day center care ranged from $1,245 to $2,320 per child per year while home care ranged between $1,423 and $2,372. Recent HEW estimates for quality developmental care of the type NOW supports ranges from $2,150 to over $2,500.

Until the IV-A regulations give appropriate recognition to the cost of child care in defining "potential recipient", the regulations will assure that many families who are just holding their own will be forced onto the welfare rolls or at least into a subsistence existence as a result of their ineligibility for child care. We believe that at the very least, any family earning a *disposable* income under the Bureau of Labor Statistics Lower Living Standard should receive free child care as a potential recipient, and, until the day that free child care is made available to all on the same basis as public schools, others should pay on a sliding scale.

The final regulations take a small step in the direction of the sliding fee scale. We fear, however, that too many states will adopt sliding fees which will be so high as to effectively limit the participation of even those families who are eligible for partially subsidized care—i.e. those whose income falls between 150 and 233⅓% of the standard.

We note that outgoing SRS Acting Administrator Philip Rutledge said in a briefing on April 26 that SRS will issue "guidelines around the fee schedule" but would not "dictate" what the fee would be, although SRS approval will be required.

Since the wording of the regulations as they relate to fees is so vague, it would appear possible for a state to establish fees even for those with incomes under 150% of the standard. This matter definitely ought to be clarified by amending the regulations.

Even if the States develop reasonable fee schedules, the automatic cut-off of subsidized care for families with incomes at 233⅓% of the standard will effectively cut most of the working poor families from child care programs in many states. The IV-A regulations will assure that an appropriate economic mix will be impossible. Instead, public child care programs will remain as "welfare programs". The poor will be isolated. The social institutions traditionally responsible for child care will continue to treat new needs simply as more of the old. For decades, "day care" has been part of "child welfare", "tended by a devoted few, condescended to by many," as Florence Ruderman of the New York Child Welfare League has so aptly expressed it.

Another major area of concern, which we share with many other groups, is the serious dilution of standards of care under the new regulations. Although there is an improvement in the final regulations which require compliance with "such standards as may be prescribed by the Secretary" over the proposed regulations which were silent on the issue of Federal standards, this "improvement" is so weak as to raise spectres of child abuse on a mass basis.

Although SRS officials have stated that the 1968 Federal Interagency Requirements will continue to apply until new federal standards are issued three or four months from now, the Department has already distributed so-called "model day care licensing codes" to states to use in rewriting their own codes. The so-called model codes set standards which are lower than existing standards in many states. Even though the states are not required to meet the federal models, many will probably use them as an excuse for reducing standards or for refusing to implement higher standards.

Already, too many children are receiving care from unlicensed caregivers. There are 5.6 million children under six in this nation whose mothers work, yet there were only about 1 million licensed child care slots (700,000 in centers, 250,000 in homes) in 1971. Although records are hard to come by, the Chicago welfare department has verified that a minimum of 700 children under six in that city are left alone each day without any formal supervision while their mothers work. Consider the long-term costs to our society of these latch-key children!

The elimination of the reference to the Federal Interagency Day Care Requirements flies in the face of Congressional intent. These Standards were specifically included in the OEO Act in an effort to reaffirm Congressional support for the standards and to make it clear that any revision should be "no less comprehensive" than those of 1968.

Not only do the regulations dilute Federal standards, but they also prohibit the use of IV–A funds for licensing and enforcement of licensing standards. Furthermore, the regulations eliminate staff development, education, and training for both professionals and para-professionals which are so urgently needed. On top of all that, they do not even allow for choice of care facility or service on the part of the parent. Even though the president vetoed last year's comprehensive child development legislation on the basis that it might "diminish parental authority and parental involvement with children", his own agents in HEW are now prepared to force low-standard, possible unlicensed care with diluted adult-child ratios, and untrained staff upon welfare women. Surely, if IV–A were not a welfare program, this type of thinking would be found unacceptable!

How is it that this country can spend $81 billion for defense in 1974 but can see fit to let child care programs compete with the programs for the elderly, the retarded, the handicapped, ane those addicted to drugs and alcohol for a slice of the meager $2.5 billion pie? Perhaps it is because we've always paid for guns and planes and we've never paid for child care—mothers have delivered it "free." But that era is ending.

NOW is here to say that the time has come for us to pay for a few less guns and planes. The time has come for the expansion of child care, not its demise. We urge this Committee to consider carefully the illegal and unconscionable regulations. We would suggest that you take the advice of Congresswoman Chisholm who believes that the only thing those in HEW understand is for Congress to hit them over the head with a two-by-four.

STATEMENT OF TERY ZIMMERMAN, CHAIR-ONE, CHILD CARE TASK FORCE, NATIONAL ORGANIZATION FOR WOMEN

The National Organization for Women, Inc. NOW has over 450 chapters in this country, and is the largest feminist organization in the world. Our membership includes men and women of every economic status, and we are committed to make developmental child care a national priority.

It has been clear for a long time that this country despearately lacks adequate child care programs, and that we must reorder national priorities to provide funds to meet this need.

Yet, the lie that somehow we can "manage" continues. Experts seal themselves off from the truth and vote on budgets, set up guidelines, and write reports that only make the problem worse. Such is the case for the new revised guidelines for social service programs.

As chair-one of the Child Care Task Force for the National Organization for Women, I have produced an educational slide program on this need for develop-

mental child care in the United States as well as other research and educational materials. I am also a parent of young children and care deeply about the concept and quality of child care available in and out of the home for all of our children as a matter of choice.

I urge this committee to peel away the layers of rationale and see the cruel truth. These guidelines will adversely affect those who need child care the most, the working poor.

The fact is that the country has been taking steps backwards in the area of child care since President Nixon struck down the Comprehensive Child Development Act.

Child Care programs must continue to compete with other social services, programs for the elderly, retarded, handicapped, and those addicted to drugs and alcohol.

Now we find that even the 2.5 billion ceiling imposed by Congress has been cut .7 billion by Secretary Weinberger.

Eligibility for free child care based on 150% of state poverty levels discriminates outrightly against the poor who live in poor states. In Alabama, a mother is no longer eligible for free day care if her income exceeds $1,746, but in Minnesota one remains eligible for free child care with an income of $6,084.

It is obvious that a woman making over $3,024 in Louisiana cannot pay the full cost of a day care center which might range anywhere from $1,245 to $2,320. (Estimate by the Office of Child Development at the 1970 White House Conference.)

Serving as Child Care Coordinator for New York State, I have worked closely with women, families and day care centers in a fight against New York State fee schedules and eligibility requirements. These people have had a constant ax over their heads for two years. They work and struggle to keep their heads above water, but the Administration continues to be insensitive to their plight.

Moreover, the new definitions of past and potential welfare recipients restrict and prohibit states from providing assistance for families that are fighting to stay off welfare.

The existing standards define a past recipient as one who has been on the rolls up to two years ago and a potential recipient as one who might slip onto the rolls in the next five years. The regulations propose changing this to three months and six months respectively.

There are over 5 million pre-school children in this country who have working mothers. They compete for the 1 million licensed child care slots (700,000 in centers, 250,000 in homes). Ten million more latch-key children, six to fourteen years old, need after-school care, but again we close our eyes.

Undoubtedly, the new guidelines will result in more children inadequately cared for or, far worse, being left alone entirely.

To be ignorant simply means to ignore what we know is true, and there are always penalties when we ignore the truth. This country has paid many times in money and lives for its ignorance. We will all pay the price if the needs of children are ignored. Developmental child care services are a right of children, parents and the community. It is not a time to cut corners. The proposed guidelines must be discarded.

On March 6, 1973, National N.O.W. President, Wilma Scott Heide, and I sent a letter protesting the proposed social service regulations. A copy of this letter is attached, along with a copy of "Why Feminists Want Child Care."

Also enclosed is a testimony prepared for the Child Care Task Force by Washington D.C. N.O.W. Child Care Committee. This testimony elaborates on important points regarding:

1. 233⅓% income cut-off for subsidized day care,
2. Standards of care,
3. Guidelines around the fee schedule,
4. Licensing codes, and
5. Why poverty is a woman's issue.

NATIONAL ORGANIZATION FOR WOMEN,
Chicago, Ill.

WHY FEMINISTS WANT CHILD CARE

A basic cause of the second-class status of women in America and the world for thousands of years has been the notion that woman's anatomy is her destiny . . . that because women bear children, it is primarily their responsibility to care for them and even that this ought to be the chief function of a mother's existence.

Women will never have full opportunities to participate in our economic, political, cultural life as long as they bear this responsibility almost entirely alone and isolated from the larger world. A child socialized by one whose human role is limited, essentially, to motherhood may be proportionately deprived of varied learning experiences. In a circular fashion, the development of children has been intimately influenced by the development of women.

N.O.W. believes that the care and welfare of children is incumbent on society *and* parents. We reject the idea that mothers have a special child care role that is not to be shared equally by fathers. Men need the humanizing experiences of nurturance and guidance of another human organism.

Developmental child care services are a right of children, parents, and the community at large, requiring immediate reallocation of national resources. In general, existing day care programs are a national disgrace in quality and availability.

Therefore, The National Organization for Women, Inc. (N.O.W.) proposes the following program for immediate implementation:

(1) Comprehensive child care and development services available to all children whose families seek it.

(2) High quality development child care programs conducive to the emotional, social, physical, and educational needs of children, subject to continual review and reassessment based on research and observation.

(3) Government support of a coordinated network of developmental child care services as an immediate national priority. These funds need to be available for operation, training, technical assistance, construction, renovation, research and demonstration.

(4) Full development of children's unique, individual potential and talents, free of sex role stereotyping, of racial, ethnic, cultural and/or economic bias must be intrinsic orientations of child development as demonstrated by staff (women and men) behavior, educational materials and curriculum.

(5) Child care services need to be available at flexible hours to meet the needs of the families who share the services.

(6) Major responsibility for planning and operating the services must be a function of local control.

(7) Licensing and regulatory procedures on the federal, state and local levels must be revised so they foster, rather than impede, the rapid growth of high quality child care programs.

(8) Developmental child care service is to be interpreted as including family child care, group home child care, child care centers, home visiting programs, and other innovative approaches to be developed in the future.

N.O.W. is committed to work for universally available, publically supported, developmental child care and raising the national consciousness to public investment in this national priority. As interim steps, we support flexible fees, if any, to reflect the urgent needs and variable resources of families now.

NATIONAL ORGANIZATION FOR WOMEN,
Vernon, Conn., March 6, 1973.

CASPER WEINBERGER,
Secretary, Department of Health, Education, and Welfare,
Washington, D.C.

DEAR MR. WEINBERGER: The National Organization for Women, Inc. NOW, represents a broad present constituency of persons and a potential of even greater members not yet NOW members. Many of these and others are being critically affected by executive impounding of public funds appropriated by Congress and the slashing of human services programs. We vigorously resent the grave injustices that can result from the usurping of the legitimate constitutional powers of Congress to develop and fund programs to meet human needs by an executive with other items on his agenda.

I remind you this same executive was elected by a minority of eligible voters, given that 46% of those eligible chose not to vote and only 61% of the remaining, and many reluctantly, voted for him, and *that* due partly to unsatisfactory alternative choice(s). This means the current president is the (partly reluctant) choice of only 33% (61% of 54% of electorate) of the eligible voters, thus a minority executive who is charged, at that, with implementing the will of the elected representatives of the people of Congress. Congress and the Republican Party via its 1972 platform are on record in support of child care and other human service programs.

NOW, Re Proposed Regulations to restrict current Title I, IV, XIV, XVI, Social Security Act, published in the Federal Register on February 16, 1973.

The National Organization for Women protects the new regulations proposed by your department.

We are opposed to the following stipulations and want them deleted:

(1) that private funds and donations will no longer be matched by Federal dollars to provide social services.

(2) that day care will be an optional rather than mandatory service provided for poverty families if they choose it.

(3) that eligibility for social service be based upon an application or receipt of financial assistance within the last three months, instead of the present two year level.

(4) that services be purchased only if they are available without cost.

It is conceivable that your department still views child care programs as a need restricted to welfare recipients. The new regulation must be changed to eliminate such implications, as millions of children and their parents of all economic levels have a critical need for child care.

Please know the first signer of this letter writes you:

(1) as a parent whose children needed child care supplemental to parental home care for economic and other reasons.

(2) as a registered professional nurse formerly specializing in mental health who knows the negative effects of changing, unstable child care on children whose parent(s) must work to survive or receive public assistance.

(3) as a former paraprofessional and a friend of current paraprofessionals who knows what these workers learn about our children and ourselves from the child care center experience to benefit children and parents.

(4) as a former director of a community child care center predating Headstart.

(5) as an academic coordinator for Pennsylvania State University of the first (1965) Headstart Staff Training Programs.

(6) as a behavioral scientist and consultant thereof who has researched and written of the backward concepts of and status of child care in U.S. vis a vis other "developed" countries.

The second signer has produced an educational slide program on the need for developmental child care in the U.S. as well as other research and educational materials and is herself a parent of young children who also cares deeply about the concept and quality of child care available in and out of the home for all of our children as a matter of choice.

Please include this letter in your records and respond to us regarding the outcome of the proposed regulation.

Very truly yours,

WILMA SCOTT HEIDE,
President.
TERY ZIMMERMAN,
Member, Board of Directors.

STATEMENT OF THE NATIONAL ASSOCIATION OF COUNTIES

The Senate Finance Committee knows well the complexities and inefficiencies in the present welfare system. While there are many things that can be done by HEW, state, and county officials to improve the present welfare system, an effective nationwide welfare system will not come into being until Congress enacts welfare reform legislation.

While welfare reform waits in the wings, county officials will continue to work with state and HEW officials as well as Congress to make improvements in the present system. We are pleased that HEW has responded positively to some of our suggestions for making the February 16 draft social services regulations less restrictive. There are still changes, however, which need to be made, both by HEW and Congress, to enable the states and counties to serve people in need and to improve the management of their programs. In response to the May 1 social services regulations, we would like to make the following recommendations which Congress and the Department of Health, Education and Welfare should implement as soon as possible.

The $2.5 billion ceiling.—We were pleased that Secretary Weinberger informed the Finance Committee last week that HEW was willing to spend the full annual $2.5 billion authorized by Congress for social service programs. There is no re-

allocation formula in the legislation. The poor in our country are not equally distributed among the states, and Congress should enact legislation to permit HEW to redistribute funds to states with disproportionate amounts of needy residents.

Day care.—With limited funds available, we agree that social services money should be used to help those most in need. NACo objected that the February 16 draft regulations on day care eligibility were too restrictive and would force many working mothers back on welfare. HEW did liberalize the eligibility requirements in the May 1 regulations. While the new regulations are still restrictive, more working mothers will have access to day care services. Even under the new day care eligibility requirement, there will still be drastic shortages in day care centers. Congress and the Administration should work together to enact a comprehensive day care bill that will improve our nationwide day care facilities and make these services available to more families.

Informational and referral services.—Information and referral services are an integral part of any social services program. The May 1 regulations require maximum utilization of coordination with other public and private service agencies, and require that services not be provided that are available in the community without cost. The regulations state, however, that information and referral services are allowable only for the purposes of assisting an individual in securing employment or training or information about employment or training. Information and referral services should continue as an allowable expenditure.

Non-win employment services.—The restrictions against non-WIN employment services to WIN eligible persons are inconsistent with the stated goals of self-support and self-sufficiency. Since there are not and never have been enough slots for all those recipients eligible to participate in WIN, it appears counterproductive to withdraw federal financial participation from a state's efforts to assist this group of welfare recipients in obtaining employment. Costs of employment services (non-WIN) should be allowable for local programs.

Licensing and enforcement of licensing standards.—The regulations require that children in need of placement be placed in licensed foster homes and group facilities, but federal financial participation is not available for licensing these homes. The regulations specifically exclude federal participation in the issuance of licenses or the enforcement of licensing standards. The foster home licensing requirement is important if we are to maintain high standards of care for children in placement. The federal government should support the maintenance of these standards by participating in the costs of licensing.

Other programs.—As the focus for the uses of social services funds becomes more limited, other services to the poor such as vocational rehabilitation, education and mental health may suffer. Congress must closely evaluate the effect of the limited uses of these social services funds in connection with its funding of other programs to be sure that there is continued availability of these services through other categories. At the same time, the Department of Health, Education and Welfare must assist states and counties in adjusting to these changes and help them design programs through the use of other federal funds to see that all aspects of poverty assistance are available throughout the country to people in need.

In efforts to improve the management of social service programs and to use federal and local monies effectively, we must not lose sight of the original purpose of social services—the prevention of welfare dependency. We will be happy to work further with the committee and your staff on any proposed legislation dealing with social services and with the implementation of H.R. 1 (PL 92-603). We are pleased that Secretary Weinberger is moving ahead on the full implementation of the new Supplementary Security Income program enacted last year in PL 92-603. Attached is a recent resolution adopted by the NACo affiliate the National Association of County Welfare Directors and the National Council of Local Public Welfare Administrators at their recent meeting in Washington.

RESOLUTION

Whereas, Public Law 92-603 provides for the most significant social legislation affecting aged, blind and disabled citizens since passage of the Social Security Act in 1935; and

Whereas, Public Law 92-603 will eliminate current administrative duplication between the current state welfare programs and the social security system and as a result will save taxpayer costs; and

Whereas, Public Law 92-603 through the elimination of current duplicate state-federal systems will permit recipients to receive payments from one office rather than separate state and federal offices and thereby improve recipient service; and

Whereas, the Social Security Administration is well into the conversion of existing state programs to the new federal system: *Therefore, be it*

Resolved, That no basic program changes in current laws and plans be made and that all efforts be directed toward converting to the new federal program on January 1, 1974; and be it further

Resolved, That guidelines should be immediately published by the Secretary of Health, Education and Welfare in the area of (1) the transfer of state and local employees now administering the aged, blind and disabled welfare programs to federal service, and (2) the "hold harmless" provisions for state supplementation of the new federal grant.

Adopted unanimously at the meeting of the Ad Hoc Committee of the National Council of Local Public Welfare Administrators of the American Public Welfare Association; and the National Association of County Welfare Directors, an affiliate of the National Association of Counties, on April 27, 1973.

STATEMENT OF THE NATIONAL COUNCIL OF JEWISH WOMEN

The National Council of Jewish Women, with a membership of over 100,000 in local units across the country, has concerned itself with providing social services to children, their families, and the aged since its inception eighty years ago. Consequently, the publication of proposed Regulations for Social Services for Families and Children, and for the Aged, Blind and Disabled in the Federal Register on February 16, 1973, caused expressions of grave concern from our local Sections across the country. The final regulations published on May 1st corrected only some of the difficulties.

At our 30th Biennial Convention, March 26-29, 1973, NCJW delegates reaffirmed the following resolutions:

The National Council of Jewish Women believes that a healthy community, sound family life and individual welfare are interdependent and thrive when barriers of poverty and discrimination are removed. It believes, therefore, that our democratic society must give priority to programs which meet the economic, social, physical and psychological needs of all people, and that the public and private sectors must work together to help individuals function successfully and independently in a changing society.

It therefore resolves:

1. To work for a program of income maintenance and supportive services which protects and respects the rights and dignity of recipients and provides at least the minimum national standard of living for every individual.
2. To work for the expansion, development and adequate financing of quality comprehensive child care programs available to all children.
3. To promote programs and services for the care and rehabilitation of families and individuals with special needs, and to encourage research into the causes which create these special needs.
4. To support programs to meet the needs of the elderly.

As a result of our investigations into the effects of the proposed regulations published February 16th and the final version published May 1st, we suggest that the following changes are needed:

(1) Add to the goals for Federal financial participation—221.8 (a), a third goal applicable for day care services for a child: to meet the needs of the child. We have seen many instances where a child of a family receiving Aid For Dependent Children desperately needs day care services but could not qualify under the listed goals (applicable for adults) of self-support or self-sufficiency, nor is the eligible mother incapacitated, nor the child mentally retarded.

(2) Return certain optional services to mandated category, particularly more than one service for the aged, and for families day care services for children.

(3) Further examine the newly defined use of donor funds for the state and local share: it appears that the extensive services provided by non-profit voluntary community organizations such as church groups, neighborhood centers, and our own organization in a few cities, will no longer be eligible for Federal financial assistance.

(4) Help the working poor become eligible for services by changing the use of individual state standards on assets of low and marginal income families and the aged, required in the May 1st regulations, and add a minimum income ceiling for eligibility for social services because of the wide variations in state standards. With family income up to 150% of the State's financial assistance payment standard determining eligibility for free day care services for children, the cut-off ranges from $1,746 in Alabama to $6,534 in Indiana. Nine states have limits in the income range of $6,000-6,600; thirteen in the range of $5,000-6,000. But both Alabama and Louisiana are under $2,000, and North Carolina, Texas and West Virginia are under $3,000.

(5) Provide additional legal services beyond those needed on employment problems, until legal services for the poor have been definitely established, especially to protect property rights of women.

(6) Return to the earlier definition of "day care services for children", eliminating the underlined phrase introduced in the May 1st Regulations: "care of a child for a portion of the day, but less than 24 hours, *in his own home by a responsible person, or* outside his home in a day care facility. . . ." In the past this has been called baby-sitting service and permits very little control of the quality of care.

(7) Include precise definition of day care standards in the regulations, no lower than the 1968 Federal Interagency Day Care Requirements for day care centers and the standards set by the Child Welfare League of America and the National Council for Homemaker Services for in-home care.

(8) Congressional legislation appears needed to change the requirement that there must be judicial determination for placement in foster care for Federal financial participation.

Initially, when our members made inquiries, it was impossible to determine the effect of the proposed regulations on total programs—for the aged as well as for families. Neither the States nor the Federal agencies had any statistics as to the effects of the proposed changes:

How many marginal income families, the working poor, would be eliminated from services, including day care for children?

How many low income families and adults would be eliminated from financial assistance and/or services by allowing each State to set its own standards on resources?

How many services would be eliminated because donor funds could not be the source of state and local funds?

What would be the effect of changing certain essential mandated services to optional, both for families and adults (aged, blind and disabled)?

How many children would be eliminated from purchase of day care services by the above, and by such changes as elimination of regulations 1) requiring parents to have a choice of type of service, 2) that it be suited to the child, and 3) requiring States to develop alternate sources of day care?

What would be the effect of changes in the procedures for fair hearing on appeal of a decision as to eligibility?

As our members investigated how these proposed regulations would affect services in their own communities, their expressions of concern turned to consternation. The final regulations published May 1st corrected some of the difficulties. But tentative Regulations on Determination of Eligibility for Public Assistance, published April 20, 1973, have created additional concerns.

Some specific examples on day care demonstrate what our members learned about the effects of the proposed regulations and the final regulations published May 1st:

Our nationwide survey of day care facilities, published last year in a report entitled "Windows On Day Care", clearly indicated that working mothers reported far greater dissatisfaction with care of children in their own homes and in day care homes than in day care centers because the children received custodial care only. Yet the new regulations published May 1st present an entirely new definition for day care services, now including "care of a child in his own home by a responsible person", formerly called "baby-sitting".

The final regulations of May 1st, which allow use of donor funds with restrictions to prevent abuse, are welcome, but in all probability these restrictions will still prevent federal financial participation for many non-profit centers now competently serving large numbers of low income children at low cost. Such federal funding is not allowed if the center is "sponsored" by the contributing agency, possibly even though the center is a separate corporate entity. For

example, major programs in the Cleveland, Ohio area would be wiped out or greatly reduced, including children served by the Jewish Day Nursery Association, the Catholic Diocese, the West Side Ecumenical Ministry, and the Mt. Pleasant Day Care Center, which NCJW's Cleveland Section helped to start. Summer campership for inner city children may also be affected, specifically mentioned for Cleveland and for the State of Massachusetts. In Dutchess County, New York, during January 1973 the County Department of Social Services purchased day care center services for 106 children, 83 of them in the day care center sponsored by the Model City program in Poughkeepsie, which provides the 25% local and state share, considered private funds. Day Care Centers co-sponsored by NCJW in local communities—separately incorporated entities with board representing a cross-section of each community—would appear to be ineligible, if the local share was raised by NCJW.

The 150% of payment standard, set on May 1st, will mean a gross income of $6,048 as the limit for free day care services in New York State—certainly, a considerable improvement from the February 16 requests, but the total effect of the new regulations has not been assessed yet.

But changing day care services for children from a mandatory to an optional service, which remained unchanged in the final regulations, may have the greater impact of all because of the ceiling on social services, passed by the Congress as part of the State and Local Fiscal Assistance Act of 1972. Two specific examples can be cited: New York State's Commissioner of the Department of Social Services, Abe Lavine, predicted at a legislative hearing on February 28th that when the Federal government takes over the responsibility for administration of the program providing financial assistance to the Aged, the Blind and the Disabled next January 1, 1974, the number of recipients may double because they will see it "as an income maintenance program akin to Social Security", rather than a welfare program. Each of these additional 300,000 would be entitled to at least one mandated service to the aged, blind or disabled adults. This additional load coupled with the Federal ceiling in social services may leave no funds for optional services such as child care.

In Massachusetts family planning services have never been fully implemented. Setting up this program, now mandated, may be such a financial drain on the limited funds available under the ceiling that there will be no funds for optional services such as day care.

In every state there is the problem of the local commissioner of social services who prefers to keep a mother on AFDC, especially if this costs less than purchase of day care services when she works. Day care services were not utilized for purchase of services when mandated, so optional services would not be used either.

The de-emphasis of Federal standards for day care is a major concern to our members. The Federal Interagency Regulations of 1968 directly have been responsible for upgrading day care services all over the country, a job by no means completed. The May 1st regulations contain no definition for "standards".

The requirement of judicial determination for placement in foster care to qualify for federal financial participation, could overload the Courts in every State, give every foster child an unnecessary Court record, and reverse the more successful efforts of recent years to upgrade the family because earlier wide-spread placement of children in foster care had not been the solution of the problem. This is opposed by the Judicial Conference of the State of New York. The May 1st regulations have added a clause that, on the State's option, voluntary placement by the guardian is acceptable—but this option is added with an "and", not "or", so it appears that judicial determination is still needed in every case.

The May 1st version of the regulations provide major easing of the impossible task assigned to staff when proposed February 16th, by changing the requirement for reviewing eligibility from 3 months back to twice a year. Separation of determination of eligibility for services from determination of eligibility for financial assistance will be especially helpful when financial assistance is discontinued, since quite frequently services have been simultaneously discontinued.

TESTIMONY OF THEODORE LEVINE, EXECUTIVE DIRECTOR, YOUTH SERVICE, INC.

Mr. Chairman, members of the Committee, my name is Theodore Levine. I appreciate the opportunity to have this testimony reviewed and placed in the record.

As the former Chief, Community Services, Region 3, S.R.S., D.H.E.W., I played a role in the administration of Title IVa funds in Region 3. During the 26 months of my Federal service, I spent approximately 3 months on temporary assignment, 3 days a week, to the central office of the Community Services Administration, S.R.S., in Washington, D.C. During this period I served as chairman of the C.S.A. task force on "The Purchase of Service". The purchase of service mechanism is key to the issue of the rate of federal expenditures for social services. It is on the basis of this experience that I wish to offer my thinking to the Senate Finance Committee.

I will not provide you with a detailed analysis of the proposed regulations. You will undoubtedly have heard from many outstanding individuals and organizations, from the public as well as the private sector, of the many problems inherent in the proposed regulations. I will speak to only a couple of key provisions which I feel strongly about. The major thrust of this testimony, however, will attempt to demonstrate that the so-called "crisis" in social service spending, and this alleged "run away program" which led to the Congress placing a ceiling of $2.5 billion dollars on the program and ultimately to the regulations before us, was the result of a combination of gross mismanagement by H.E.W. and possible pre-election politics by the administration. The tragedy of the current set of restrictive regulations is that they may represent an attack upon a straw man which this current administration may have built in order to be able to emasculate the social service program once the primary goal, the re-election of the president, was achieved. As I review my 26 months, and the intensive efforts of myself and my colleagues in H.E.W. and the States to attempt to create a responsible system for the accountable use of federal dollars to provide social services to eligible people, and the barriers to the implementation of many sound proposals to achieve that end, I am forced to conclude that which seemed irrational, indeed unbelievable to those of us in it, may have in fact been part of a strategy which culminated in the regulations before us.

John R. Iglehart in the June 17, 1972 issue of the National Journal, has well described the confusion in D.H.E.W. As one who lived through the period covered in the Iglehart paper, I would recommend it as must reading for the Committee. The article points to the protracted discussions between H.E.W. and the States of Illinois and New York. Both States were faced with massive fiscal problems. They wished to secure D.H.E.W. approval of certain features of their social service plan which would result in an infusion of federal social service dollars into the respective states. The article alludes to the Republican credentials of Governor Ogilvie and Governor Rockefeller and the political pressures exerted by Illinois and New York as key factors in their receiving certain favorable rulings. These decisions played an important role in the subsequent rise in expenditures for "social services" throughout the states. The article refers to the varying conflicts of a fiscal, programmatic and political nature and the sensitive decisions which had to be made by virtue of these. Attempts by the Community Services Administration to issue new regulations within a framework of goal oriented services are referred to. The article concludes "In the meantime, H.E.W. Secretary Richardson must resolve the conflict in his department over the service regulations, before it can make much progress toward its stated goal—slowing down the unconstrained growth of the social services program." I would have substituted the word expenditures for program.

I want to provide a description of my personal experiences and inferences with the question surrounding Title IVa expenditures. I think when viewed within the context of the National Journal Article and others, such as the piece written by Jodie Allen in the Washington Post on August 7, 1972, some intriguing possibilities emerge. I came to work for the Department in September, 1970. Within the first couple of months I was "flabbergasted". After 16 years of practice as a professionally trained social worker, I had never experienced a programmatic or fiscal effort which demonstrated such minimal accountability. From my first contact with professional social work in a camp serving troubled youngsters in 1950 to my executiveship of a residential halfway house, to my work as an executive assistant in a large federation of agencies, I was used to individual and agency assumptions of full accountability in regard to all program and fiscal matters. When I arrived at the federal level, I was shocked. I witnessed claims for enormous sums of federal dollars for vast though vaguely described program efforts without the rudiments of accountability to H.E.W. I was offended as a professional social worker and as a citizen taxpayer. I had to begin to wade through a virtual maze of regulations and interpretations to begin to see if

perhaps there were some elements which my lack of federal experience and newness on the particular job prevented me from understanding. I began to raise questions at our central office, I talked with my counterparts in other regions, with colleagues and supervisors in Region 3. The more I learned, the more I questioned, the more I read issuances and regulations evenings, weekends and holidays, the more I concluded the confusion did not reside solely in me and my newness to S.R.S. In April, 1971 I wrote to key individuals in Washington "Given the above and the results of the Booz-Allen and Hamilton Study, I must conclude that the extent to which we actually administer Title IVa, as well as the adult category funds, is subject to serious question. Those forces which may wish to cut back on funds for services, unfortunately, in my view, have ample grounds based on current operations to raise sound criticism. Our problem is one of retaining the purchase of service mechanism, encouraging some creative linkage of the private and public sectors program and fiscal capacity, while at the same time ensuring greater accountability from a fiscal as well as programmatic quantity and quality point of view. I frankly fear if we do not move quickly in this direction, we will lose out on funds and our C.S.A. potential for leadership in the development of services to people." On June 17, 1971 a memorandum was issued by C.S.A. to regional offices approving purchases from other public agencies by the welfare department, providing "significant expansion" took place. While this memorandum began to point at some important directions, it did not define "significant expansion" and left a cloud of uncertainty about the acceptability of the 25% match when it was "donated" to the welfare department, or in the case of umbrella state agencies. Myself and others continued to seek additional answers. In October, 1971 I spent two weeks in Washington at the request of the Community Services Administration. My task was to review the range of issuances in regard to the purchase of service and eligibility for the purpose of creating clearly written policies and guideline material on the questions surrounding the purchase of service and eligibility for service. Any material to be created would, of course, have to be consistent with current regulations and be cleared through general counsel. Within two weeks, working primarily alone, having access to others who were knowledgeable and had done previous work, a document was prepared which in the opinion of C.S.A. and general counsel was consistent with the law and assumed a significant degree of clarity and accountability for state use of federal social service dollars for the development of social services. General counsel, however, pointed out that some of the proposed material was a matter of policy rather than law. The definition of eligibility and the question of the use of funds from state agencies other than the welfare department, was subject to the discretion of the Secretary, as the law could permit a variety of interpretations. The two weeks had been most productive. I returned in November, 1971 to lead a task force on the purchase of service and to begin work on the papers required to launch the resolution of the policy issues. At the same time task forces were launched in C.S.A. to deal with the definition of services, the separation of social services from the money payment, the creation of a program and financial plan requirement, the development of a management information system.

By the end of November, 1971 our task force had prepared a "draft" regulation on the purchase of service and completed a "draft" Handbook on Drafting of Purchase of Service Agreements and Donation Agreements. The issuance of the regulation at that time or anytime subsequent to it, along with the Handbook and guideline material would have:

1. Created sound contracts throughout the country;
2. Insured the use of federal social service dollars solely for the expansion of social services;
3. Insured federal review for all contracts over a certain sum;
4. Insured description of the services to be provided;
5. Insured the development of a monitoring capacity with the necessary funds to make it possible in each state. We proposed the state retention of a set percent of each purchase of service agreement for the purpose of developing a monitoring capacity.

Some 18 months after the development of our clearly legal proposals and millions of dollars spent, none of the above is in effect. For the most part, all of the states' welfare staff we shared our draft material with and sought reactions from, welcomed the clarity and the accountability. Throughout this entire process states have been beleaguered by a complete lack of federal candor and clarity. They literally could not tell from one day to the next what would be acceptable.

The formal position as stated was that the purchase of service regulations could not be issued until all of the other regulations on service definitions, goals, etc. were issued. This was sheer nonsense! While it was true there was much to be gained by the issuance of a complete set of regulations, there was much to be lost by holding back on the purchase of service regulations and everything to be gained by its immediate issuance. All during 1972 the regulations and the issue papers bounced back and forth, and the expenditures rose. At one point we were told the issuance of the regulations was out of the hands of the Secretary, and in the hands of the White House. Why, we kept asking ourselves, would an administration allegedly concerned with sound mangaement not issue a regulation which would bring clarity and accountability?

Frankly, I was not interested in saving money or curtailing services. Myself and others were vitally interested in insuring that every federal social service dollar spent went for the provision of the quality and quantity of social services which should be rightfully received by eligible people for the amount spent. The new regulations, as then proposed, might indeed have reduced expenditures and increased services. This is not the paradox it would appear to be, and indeed may be at the heart of the issue. The so-called rising costs in social services do *not* fully represent expenditures for social services. I believe some states have used the social service dollar to underwrite a variety of state functions. When faced with severe fiscal pressures and a poorly administered, well funded federal program, why not grab it? If you will, under the guise of a rising social service expenditure and a rash of newspaper articles, it is conceivable to me that a climate conducive to a post election curtailment was being laid. It appears as though the rise was in fact a form of revenue sharing prior to congressional action, with certain key states in an election year clearly benefitting. It is entirely conceivable to me that amidst loud protests from this administration, a policy of fostering irresponsibility, using it for political gain and then wiping out the program once the election and revenue sharing was secured, may have been the strategy. Simultaneous with this was to be loud protests about incompetent social workers and ineligible poor people who would be blamed as the causes for this inefficient, wasteful use of federal dollars. If the Senate Finance Committee or other appropriate congressional committees are interested in gaining the full story behind the current regulations, I respectfully urge that a full investigation of the period of time and events referred to in this testimony be undertaken. So much is at stake for the development of urgently needed human services. In passing the 1967 Amendments to the Social Security Act, the Congress laid a foundation for the creation of a network of human services which could have (and in part has) improved the quality of life of millions of Americans. I fear the proposed regulations before you represent a serious blow to congressional intent.

In conclusion to this portion of my testimony, I wish to state that the 1967 Amendments to the Social Security Act and the regulations issued in January, 1969 provided a sound, progressive foundation for the development of a system of urgently needed public social services. Certainly the 1969 regulations needed tightening up in some areas and revision in others. Among the real issues as I see them is to determine the reason why, whether by mismanagement, political machination or a combination of both, the potential of this act was not fulfilled. Why didn't every state in the union know at an earlier date how to fully use this wonderful piece of legislation? Why weren't the many sound questions raised by state and federal personnel ever answered? Why were the most basic requirements of sound, responsible fiscal and program management neglected? Federal law and regulations are the property of all the people, not the private preserve of bureaucrats and politicians. Although described as a runaway program, when it is realized that even at the administration's highest projections, the fact that 14–15 million Americans were actual recipients, let alone those "former" or "likely to become" which the law provides for, that significant sums may not have been used for the provision of valid social services, we then must infer that in reality, very little money was actually spent in proportion to the number of people for whom congress mandated certain services.

There are two specific aspects of the proposed regulations which I wish to comment on:

1. *Group Eligibility.*—The concept of group eligibility, either on the basis of geography as in the original regulations or target group or condition, is in my view critical for the development of a national social service strategy. It is not unique to the original social service regulations. It exists in HUD, N.I.M.H., O.E.O. and other federal agencies. A nation cannot achieve its goals by planning

on a case by case basis. We must focus on certain conditions, social indicators if you will. We speak of a cost of living index, or gross national products. To be sure individual earnings and productivity are part of this, but in a broader sense it is the GNP which economists are concerned about. The notion of a "poverty area" implies a constellation of factors impinging upon individuals. For example, if low income, unemployment, out of wedlock birth, infant mortality, school drop out rates are criteria used to designate an area where group eligibility has been determined, then the measurement of effectiveness is the impact made upon those conditions. It is essential that although we retain a notion of careful individual and group services, we develop a notion of attacking constellations of problems. In this regard, rather than eliminate group eligibility, I would propose that a uniform definition of group eligibility which transcends the various individual federal agency definitions be developed.

2. *The State Plan.*—The State Plan currently in operation is not a plan at all. It is in effect a loose grant in aide agreement. Without a clear requirement for the states to develop a real plan, a plan which is cast in clear descriptions of services to be rendered, numbers to be served, expected outcomes, dollars to be spent, much of the same chaos will remain. Calling anything less than the above a "plan" is a misuse of the language, and will result in a diffusion of program and dollars. It is only after careful assessment of goals within a framework of resources that one can begin to plan and assume responsibility for the ability to fulfill the plan.

While you have undoubtedly heard from many sources about the many problems inherent in specific portions of the regulations, I wish to conclude with a general observation. A most serious shortcoming of the proposed regulations lies in their conceptual poverty. These regulations are heavily bound and rooted in much of the same thinking and practice which has led to the current, generally agreed upon, failure of our money payment system. The regulations seem riddled with many of the same tired, ill fated concepts and procedures. The major tragedy is in the seeming inability of this administration to draw upon the considerable talent within H.E.W., the States and the community at large to produce a responsible program worthy in concept, in practice and in vision of the law which the Congress passed in 1967.

I appreciate the opportunity to have submitted all of the above to the Committee and hope it has been of some value to you.

STATEMENT OF THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION AND AMERICAN FRIENDS SERVICE COMMITTEE

The Friends Committee on National Legislation and the Community Relations Division of the American Friends Service Committee are keenly disappointed at the revised social services regulations, promulgated on May 1, 1973.

We believe that these regulations constitute clear evidence that this Administration, despite its rhetoric, is less interested in strengthening the range of initiative in local governments than it is in curtailing federal social programs.

Our comments on these regulations grow out of FCNL's concern for adequate social service programs and AFSC's specific experience in working closely with groups involved in the programs affected. They grow also from the perspective of a generation of efforts aimed at ending discrimination and exclusion of poor people from opportunities for education, employment, shelter, and a share in decisions affecting their lives.

Part of the rationale for the regulations is provided by the provisions of Title III of the State and Local Fiscal Assistance Act of 1972. This Title, in addition to setting a $2.5 billion ceiling on federal matching funds available for social service programs, unduly restricts eligibility for the services. For certain specified expenditures, not more than 10% of the funds may be used to provide services to poor people who are not either receiving public assistance or applicants for public assistance.

We believe that this is a critical shortcoming of the present law. A recent Census Bureau study of the low income population showed that only one third of the people in this country with incomes below the officially defined poverty level were receiving public assistace. (Characteristics of the Low-Income Population, 1971. Series P-60, No. 86.) Almost all of the others either worked or survived on social security payments. Thus, if the purpose of social service programs is to help poor

people, the restriction on eligibility to welfare recipients or applicants makes no sense whatever. We urge, therefore, that this provision be repealed so that social services may be provided to all low income people, as needed, rather than arbitrarily restricting them to a fraction of those in need.

In addition, we wish to point out strongly that the principle of establishing programs based on need, rather than on an arbitrary funding authorization, is a sound one. This principle is followed by the federal government in many areas, particularly in the area of tax subsidies, which benefit primarily middle and upper income people rather than poor people. We note that the Joint Economic Committee estimated in 1972 that tax subsidies were half again as large as all other federal subsidies combined. The direct loss to the Treasury from major federal tax subsidies in 1970 was estimated at $38.5 billion. This compares with other subsidy outlays and commitments of $25.2 billion: cash subsidies of $11.8 billion, credit subsidies of $4.2 billion, and in-kind subsidies of $9.2 billion.

We believe that either the ceiling on social service funds should be removed, or that ceilings should be placed on major tax subsidies. This could be done, for example, by providing for a *pro rata* surcharge to recover the amount by which any given tax subsidy exceeds the ceiling set.

Beyond these provisions, which would require changes in the law, there are a series of shortcomings in the regulations as promulgated which could be cured by administrative action. The simplest way to do this, in our view, would be to rescind the new regulations with the exception of Section 221.55d, which recapitulates the provisions of Title III of the Revenue Sharing Act. Failing this, we urge that the following provisions of the regulations presently in effect be added to or substituted for the provisions in the new regulations.

1. *State Plans.*—We urge that the requirements of Section 220.1 in the present regulations with regard to the state plan be added to Section 221.1 of the new regulations. This would commit states to continue to progress in the extension and improvement of services, indicate the steps to be taken to meet the requirements, and provide for the submission of implementation and progress reports.

2. *Advisory Committees.*—We urge that the requirements for advisory committees, contained in Section 220.4 of the present regulations, be included in the new regulations, probably as part of Section 221.2. We note that the day care advisory committee is the only advisory committee to be required under the proposed regulations. There is no stipulation that consumers be represented, and the role of the advisory committee is limited to advice on "general policy," a role which can be meaningless under many circumstances. Existing regulations state that mandatory committees on all aspects of the program at the state and local levels "have adequate opportunity for meaningful participation in policy development and program administration, including the furtherance of recipient participation . . . ." Such committees must include at least one third consumer representation. If anything, the proportion of consumers should be increased in the new regulations, not dropped as a requirement.

3. *Appeals.*—We urge that the provisions of the present Section 220.11 relating to appeals, fair hearings, and grievances be included *in toto* in the new regulations, probably as part of Section 221.2(c). The vague requirement for "a system through which recipients may present grievances" without specifying either a right to a fair hearing and appeal, or methods of informing recipients of their right to appeal, is totally inadequate.

4. *Services.*—We urge most strongly that states have the option of providing *any* service currently permissible under the regulations.

a. *Day Care Services.*—We are particularly concerned that day care services be maintained on at least their present levels, which are totally inadequate to meet the needs of many communities. While some improvements have been made over the early draft, not enough has been done. We would propose that Section 220.18 of the existing regulations be substituted for Section 221.9b3 of the new regulations.

b. *Health Services.*—We note with great concern that Section 220.24, services related to health needs, which mandated provision of both preventive and remedial medical services, has been replaced by proposed Section 221.9b(9), defining such services as optional.

c. *Legal Services.*—The new regulations are little better than nothing. We urge restoration of existing Section 220.25 and 220.51(c) relating to legal services. Our experience in numerous communities has given us first-hand knowledge of the vital need which poor people have for adequate and effective legal representation in order to secure their rights. Dropping the mandatory requirement for providing

legal services to families desiring the assistance of lawyers at hearings is a step away from equal justice under law. The additional optional legal services authorized by the present Section 220.51(c) have been critical to meeting poor people's needs in many states and communities. For example, one third of the budget of community legal services in Philadelphia comes from this source. Legal services in a number of other sections of Pennsylvania are totally dependent on these funds. The state of Pennsylvania has an active program of fostering the provision of such services. Other states have also made effective use of these provisions.

In sharp contrast to the virtual elimination of legal services is the continuance of family planning as a mandatory requirement. The American Friends Service Committee has long been interested in provisions for family planning, on a truly voluntary basis. We have conducted family planning programs in a number of parts of the world. But we find it inhuman to require these services on the one hand while denying access to legal rights on the other.

Finally, we commend the Senate Finance Committee for consideration of these regulations. We hope that you will share our view that they are a long and unnecessary step in the wrong direction and that they are not needed to fit programs under the ceiling set by the Revenue Sharing Act. A comparison of the federal allotment for fiscal years 1973 and 1974 shows that only five states and the District of Columbia will get less than they receive from the federal government in fiscal 1972 for social services. Twenty-five states would receive more for 1973 than their August estimate of fiscal 1974 social service costs. Therefore, within the ceiling set by the law, many states have scope both for expanding services and broadening eligibility. Instead of permitting states to use these opportunities, the new regulations would eliminate some services entirely and would make optional many others which are presently mandated and which are essential to meet the needs of poor people.

STATEMENT OF THE WOMEN'S CITY CLUB OF NEW YORK, INC.

The Women's City Club, founded in 1915, is a civic organization with approximately a thousand members, many of whom are professional women and mothers of pre-school and school-age children.

We have long advocated the maintenance and expansion of comprehensive child development programs with strong educational, social and health components to assure children opportunities for growth and future contribution to society. Basic to the realization of this purpose is the passage of federal legislation providing a framework for the establishment of a universally available delivery system—for optional use—with emphasis upon the diverse needs of all children and their families, without regard to welfare and compulsory employment program requirements.

Present enabling legislation falls far short of the need. Yet current regulations, implementing the will of Congress, have permitted localities such as New York to structure a day care service system which is susceptible to expansion under appropriate material comprehensive child development legislation. Proposed regulations, although an improvement over those promulgated on March 16, 1973, will shatter this system in an irretrievable manner, without specific congressional authorization.

Below is a partial listing of our objections to the proposed regulations:

LINKAGE TO WELFARE

Availability of day care services is still limited to children whose parents are present, former or potential recipients of cash assistance, subject to all the obstructive requirement for such assistance; the definitions of former and potential recipients are still recast and severely limited beyond the dictates of congressional intent, placing obstacles in the path of mothers in their attempts to stay off welfare and rendering children helpless pawns of the revolving door syndrome.

LINKAGE TO EMPLOYMENT

Day care is still offered primarily in support of employment or training of the parent, at the same time listing it as a voluntary service for non-WIN participants. Current regulations, consistent with enabling legislation make broader provision for servicing some children where the need exists, without regard to parental employment.

ELIGIBILITY

Although substantially expanded with respect to income, safeguards agains the establishment of schedules rising in steep steps toward total cost (which, in turn, will be inflated by the cost of overly complex administrative procedures) are not provided.

Indeed, the danger inherent in this omission is demonstrated in the nationwide fee schedules issued by HEW for the "non-poor" in Head Start, which virtually excludes all such families. Moreover, determination of eligibility is still required on an individual basis before services are provided, contrary to current regulations and legislative requirements; in the case of potential recipients, evidence identifying "problems which, if not corrected or ameliorated, will lead to dependence on . . . financial assistance" must be submitted—an almost insurmountable task! Further, those families not on public assistance, but otherwise eligible for day care in terms of income, apparently still have to meet the same resource test as public assistance recipients in order to establish eligibility.

STANDARDS

The presumption that standards for day care facilities and services to be prescribed by the Secretary will fall far short of those minimal standards which now obtain in the 1968 Federal Interagency Requirements, is a very real one in view of the restrictive regulations proposed. Among other considerations, there is still no requirement for parent participation on the States' day care advisory committees, nor any provisions for parent participation in the selection of services for the child or determination of the adequacy of such services. Thus, while fiscal accountability is strengthened, accountability to the users of services is removed.

RESTRICTIONS ON RANGE OF REIMBURSABLE FUNDS

Federal participation in costs which are a normal and necessary part of a State's day care budget, such as construction and renovation and training, is still prohibited. Moreover, although day care facilities must meet State licensing standards, no federal funds have been authorized for use in the determination and enforcement of those standards.

ECONOMIC AND RACIAL INTEGRATION

Proposed regulations eliminate the possibility of providing day care in an integrated setting. In addition to the restricted eligibility requirements promulgated, they revoke that section in the current regulations (220.63) which permit the administering agency to pay the full cost of operating a day care center with Title IV A funds if at least 85% of the children are eligible under Title IV A standards the remainder being eligible under Title IV B standards, where financial need is not paramount.

STATEMENT OF THE FEDERATION OF PROTESTANT WELFARE AGENCIES, INC., BY JOHN J. KEPPLER

I am presenting this testimony on behalf of the Federation of Protestant Welfare Agencies of New York City of which I am the Executive Vice-President. Although we are an organization of 300 private social welfare agencies, we have always maintained an active interest in public welfare in the belief that a strong public service is basic to the well-being of the disadvantaged people with whom our agencies are concerned.

We were very pleased when your committee decided to review the decisions of the Department of Health, Education, and Welfare in regard to the services which states and localities could provide with Federal public assistance funds. We expressed strong objections to the regulations when they were proposed, and in view of the fact that over 200,000 letters were received by the Department, it seems to us that the revisions are minimal.

As revised, the regulations clearly limit the extent of social services far below the level contemplated by Congress. There was no increase in the mandatory services, which means there will be no assurance of basic services to those who need them throughout the country. The availability of preventive services for former and potential recipients will be reduced to a much lower level than we think Congress contemplated when it established this provision in law.

We regard this limitation of services in connection with the public assistance programs as extremely serious because we know that money alone is not sufficient to enable many recipients to live normal lives in the community. By definition in the law we are dealing with the aged, the blind, the disabled and large numbers of children most of whom are in fatherless homes. These are vulnerable groups who are most likely to need the help of an outside person in order to reach the goals of self-support or self-sufficiency as defined in the regulations.

We expressed concern about these goals because they did not make clear that the objective of assuring adequate care and nurture of children was included. This was not remedied and the purposes were further confused by eliminating goals for the aging, blind and disabled except for those actually applying for or receiving financial assistance.

If it is the intent of the Federal Government to make possible accomplishment of even its limited objectives for the millions of disadvantaged people who are eligible, we fail to understand some of the new limitations in the proposed regulations. It seems quite clear that they would inhibit rather than facilitate the accomplishment of the announced objectives. In this connection we would like to call your attention to the following two points:

1. We strongly oppose discarding the former list of mandatory services. We believe the Federal Government has a responsibility to assure basic services to its citizens. The services which were formerly set forth as mandatory are necessary in any state if the goals set forth in the regulations are to be attained. The rules should not leave their availability to the discretion of the states.

Many mothers cannot be expected to move towards self-support unless day care is available. Assuring self-sufficiency in their own homes for large numbers of older people is really impossible without protective services and homemaker services, none of which are mandatory in the new regulations.

2. We deplore the changes in eligibility requirements which would essentially limit federal reimbursement to services for the extremely poor. We have no quarrel with the concept of giving priority to the needs of the poor, but even the new limit of 150% of the states' financial assistance level for service eligibility will mean that services are available only to the very poor in some states. We have long supported public social services for those who need them, with those able to pay assuming part or all of the cost. This financial limitation strikes at the very people who are struggling to be self-supporting and self-sufficient. The final regulations were greatly improved in so far as day care is concerned although serious limitations still exist. Some working mothers will still be deprived of essential day care services; centers for the aging will be required to institute a means test to sort out those ineligible; not quite poor enough aged and handicapped will lose their homemakers. Such setbacks for persons struggling to be self-supporting and self-sufficient will in many instances result in casualties.

The application of the restrictive rule on financial eligibility and the very narrow definition of former and potential recipients drastically limits the possibility of using federal funds for preventive services, both for children and adults.

In addition there are a number of other provisions which will tend to reverse progress which states have made in meeting the needs of the disadvantaged. Among them are the following:

1. We fail to understand the apparent retreat of the Federal Government in regard to standards of services to be financed by federal funds. The Department of Health, Education, and Welfare during the last year found it necessary to move aggressively into the matter of standards for nursing homes because leaving it to the states didn't work. Why would it now drop its support for the national standards set forth in the Federal Interagency Day Care Requirements and the homemaker standards of the Child Welfare League of America and the National Council for Homemaker-Home Aide Services?

2. We are concerned about the weakening of the requirements in regard to citizen participation. We favored retaining the mandate for state and local advisory committees on Aid to Families with Dependent Children and Child Welfare Service. We also feel strongly that the provision for one third parent participation in the state day care advisory committee should have been retained.

Our review of these regulations has left us with the conclusion that they are primarily designed to limit expenditures at the expense of those who need services. We did not oppose the mandatory ceiling placed on this program by Congress and we are not opposed to Federal insistence on maintenance of effort by the states. But we do feel that the restrictions placed upon spending in each state under the Congressional authorization are sufficient and the further cuts required by these proposed regulations are totally unnecessary.

The secondary purpose appears to be to drastically reduce Federal leadership in this field. Most of the major advances in social welfare of the last thirty years have largely stemmed from Federal leadership, and we have supported such national actions. We do not believe that this is the time for the Federal Government to relinquish this role.

We thank you for this opportunity to present our views. We are glad your committee is reviewing the matter. We hope you will do what you can to rectify the problems presented by these regulations.

STATEMENT OF THE AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL–CIO

The American Federation of State, County, and Municipal Employees, a union of over 600,000 public employees, represents tens of thousands of social service employees in positions ranging from clerical employees to social work supervisors. We welcome the opportunity to present our comments to the Senate Committee on Finance on regulations recently issued by the Department of Health, Education, and Welfare concerning social services provided with Federal matching money under the Social Security Act.

We commend Senator Long and the Members of the Committee for their interest in this area and hope the Committee will consider legislation to correct some of the gross inequities that will occur as a direct result of the issuance of final regulations May 1, 1973.

GENERAL COMMENTS

Although the passage of the State and Local Fiscal Assistance Act of 1972 (PL 92–512) marked the setting of an expenditure ceiling of $2.5 billion on Federal money for social services, we do not believe it was the intent of Congress to eliminate these programs or even subject them to sweeping cutbacks. Instead, the legislative history clearly indicates Congressional reaffirmation of the need for the programs and commitments to their continuation.

In his testimony last week, HEW Secretary Weinberger stated: ". . . if the states show us that they will provide services calling for a Federal share of $2.5 billion, we will pay every penny. We will match their expenditures up to their allotted ceilings . . . if they can use the full $2.5 billion, we must pay it under the terms of P.L. 92–512, and we will."

While we have no desire to discredit the Secretary or even question his sincerity, the new regulations seem to us to be structured so as to prohibit the States from spending up to their allotted ceilings. In testimony earlier this week, representatives of several States stressed the fact that they did not believe the States could spend more than half of the allotted ceiling amount because of the restrictions placed in the new regulations.

We believe that the new restrictions on eligibility, limitation of the range and scope of services, and restrictions on the use of private matching funds will severely limit the ability of the States to provide comprehensive services. Although the Administration claims to be giving the States greater flexibility in the provision of services, both mandated and authorized services for the adult and AFDC categories are cut back and restricted. Under the old regulations, 16 services were mandated for AFDC and 6 for the adult categories; the new regulations mandate 3 services for AFDC and one for adults. In terms of authorized services, the old regulations included 21 services for AFDC and 20 for adults; the new regulations authorize 13 for AFDC and 16 for adults.

ELIGIBILITY FOR SERVICES

The definitions of eligibility and requirements for constant redetermination seem so cumbersome to us so as to increase the paperwork and brueaucratic maze that this Administration allegedly seeks to eliminate. Our members around the country assert that the new regulations will make it almost impossible to provide services, as a great majority of the time during working hours will be spent on completion of eligibility and redetermination forms. In fact, the social service employees in Georgia are complaining that they are being made into clerks instead of providing services to their caseloads.

Local 371 in New York City, a local of over 2,000 social service employees, believes that the eligibility determination requirements will "impose difficult and bureaucratic controls on the states and localities. The most predictable effect of these controls is to increase the required red-tape and the distance between the recipient and the service. The taxpayer will get less service for his dollar and the worker will experience much greater on-the-job frustration than is already present in this over-bureaucratized system."

If the purpose of these regulations is to provide more efficient services to those in need and help them gain the "goals" of self-support and self-sufficiency, these requirements seem to directly contradict the aims of the Administration. They will, in fact create an administrative nightmare, delaying and probably denying services to many recipients, as well as hamstringing the abilities of employees to provide these needed services.

STATUTORY REQUIREMENTS FOR SERVICES

Although the Department of Health, Education and Welfare proposes that the new regulations would increase state options in providing social services, the new limited listing of services to be provided restricts choices and prohibits state and local determination of service programs. The Social Security Act requires that a state must provide a program, "for such family services . . . as may be necessary in the light of the particular home conditions and other needs . . . in order to assist each child, relative and individual to attain or retain capability for self-support and care, and in order to maintain and strengthen family life and to foster child development."

Our members in New York City believe that "a comprehensive, national-mandated program should not be confused with the need for administrative flexibility. Within the national goals, regulations should be established consistent with prudent standards of fiscal accountability, that would encourage the states to serve as many people as can be afforded by their share of the reimbursement dollar. Such stringent regulations as are present here, denying service to virtually all non-welfare people, only creates a hardship for the individual. Not a single penny of public money can be saved as a result of this regulation. In New York City, it is estimated by the Agency for Child Development that 50% of the children now receiving day care will be ineligible for such service as a result of these regulations."

The elimination of certain optional services which had been listed in past regulations, plus the removal of authority for the state to provide additional optional services if they are part of their own state plan, prevent the states from carrying out this clear legislative mandate.

Representatives of State governments directly involved in the provision of services stress the likely rise in welfare rolls if these regulations are implemented.

For example, in St. Louis County, Minnesota, the County Welfare Department believes that "the welfare rolls will further increase as a result of the elimination of the programs and services. The preventive programs which will be eliminated, such as family counseling, services to the mentally ill and retarded, services to senior citizens, services to chemically dependent persons, services to unmarried mothers, and legal assistance, among others, have helped thousands of family members and individuals to attain and maintain a sense of dignity, a stable family life, and a respected place in the community. The loss of such services to these families and individuals will in many cases result in personal and family instability, in crisis, breakdown and loss of jobs. The loss to the community will undoubtedly be increased social expenditures as thousands of these families and individuals find themselves (1) unable to cope with the pressures of day-to-day living; (2) unable to find services to help them deal with the problems; and (3) unable to meet their own basic needs and therefore become dependent on public assistance as a way of life."

A follow-up study done by the County Welfare Department and just released highlights the individual impact of these restrictive regulations. "Of the 1,700 families receiving counseling services from the St. Louis County Welfare Department in February, 1973, it is projected that 461 families will need to apply for AFDC if social services are eliminated. . . . Without preventative social services, it is projected that 438 elderly persons would during the next year need nursing home care at an anual cost increase to the St. Louis County Welfare Department of $1,839,600, based on the current nursing home rate . . ."

Further, the limitation of services proposed in the new regulations also seriously cuts back job opportunities and employment for many thousands of personnel. In the study referred to above, St. Louis County estimates that 163 jobs will be lost due to the proposed social service regulations. This loss of jobs will directly affect the lives of some five to six hundred family members in the county. The study reports, "Given the already depressed job market in this area, it is apparent that many of these five to six hundred family members will need public financial assistance immediately."

CONCLUSION

We strongly believe that these regulations in their present form would at least hamper the effective provision of these services, and, at most, eliminate programs designed to aid the poor. Nationwide, the adoption of these regulations would result in the loss of thousands of jobs, as well as the loss of services to the poor.

Therefore, we recommend that the regulations be modified to increase the availability and scope of services by expanding required categories; expand eligibility determination periods to enable social service employees to perform these services; and greatly lessen the restrictions placed upon social service employees in the performance of their jobs.

We believe that the Record established by this set of hearings will more than adequately demonstrate to the Committee the need for corrective legislation and we urge the Committee to act to rectify the overly restrictive and repressive set of regulations for social service programs.

STATEMENT OF RUSSELL H. RICHARDSON, PRESIDENT, NATIONAL FAMILY PLANNING FORUM

The National Family Planning Forum, an organization of some 400 family planning provider agencies, appreciates this opportunity to express its opposition to the social service regulations issued by DHEW on May 1, 1973. These regulations, in our opinion, are not consistent with the legislative intent of the family planning provisions of the Social Security Amendments of 1972 (P.L. 92-603) or with Title III of the Revenue Sharing Act (P.L. 92-512).

As a result of the action of this committee, the 1972 Social Security Amendments contained important new incentives for states to finance family planning services for low-income families and individuals. Section 299E of the law, enables states to receive 90 percent federal reimbursement for family planning services provided to persons under both the Medicaid and Title IV-A programs. A new penalty provision was added by this same section and states that fail to offer and promptly provide family planning services will be subject to a one percent reduction in the federal share of their AFDC payments. The law further specifically provides that states are to make a particular effort to extend family planning services to sexually-active minors. In addition, Title III of the Revenue Sharing Act enables states to use Title IV-A to finance family planning services for past and potential welfare recipients without regard to the new 90 percent social service expenditure limitation for such persons. The importance of making family planning services available to broad categories of low-income persons before they are on the welfare rolls was emphasized in your committee report on the Social Security Amendments. Although the law does not specify which of the two financing mechanisms, Title IV-A and Medicaid, are to receive preference, your report clearly indicates that the states are obligated to furnish family planning services to past and potential welfare recipients.

We believe the law and the legislative history are quite clear. Nevertheless, DHEW has proceeded to issue final social service regulations whose implementation will make Title IV-A practically useless to the states as a means for financing family planning services. This is caused by the ridiculous and unnecessarily restrictive eligibility criteria imposed by section 221.6 of the regulations and by the impractical and costly certification procedures, section 221.7, that will have to be employed by the states after July 1, 1973.

As these regulations now stand, it is all but impossible for a low-income person to qualify for IV-A financial family planning services as a potential welfare recipient. Potential welfare recipients must have a problem that will lead to welfare dependency within *six months* unless "corrected or ameliorated." Despite the fact

that welfare dependency is based on the existence of a dependent child and the problem to be avoided is unwanted pregnancy, this arbitrary, biologically unrealistic six-month provision means that no one can qualify for family planning services as a potential recipient.

Even if it were possible to otherwise qualify as a potential recipient, such persons must have a gross income below 150 percent of the AFDC payment standard in a given state. Under this criterion, a family of four with an income of $7,200 in Alaska would qualify but a family of the same size in Louisiana would have to earn less than $1,945 and the national median under this 150 percent standard would be $4,986. This is far too low and the income ceiling in itself will severely restrict current and future efforts to serve families and individuals who need subsidized family planning services. National studies have shown that families with incomes below $8,000 have a much higher fertility rate than those above that level. Up to now, states have been able to establish their own income eligibility criteria for IV-A family planning programs. Texas, for example, now enables a four-member family with an income of $6,700 to qualify for family planning services but imposition of the new income ceiling will mean that only those families earning less than $2,664 will qualify. Similarly, the income criteria in Louisiana will drop from $3,800 to $1,944, and Georgia's program, under which certain families with incomes up to $8,115 are eligible for family planning services, will be able to serve only those families earning less than $4,086.

In addition, the regulations provide that regardless of income a potential recipient can not have assets or resources greater than those that would enable them to qualify for AFDC assistance. Although these resource standards vary among states, the fact that they are designed to establish the need for actual welfare money payments means that families and individuals will be on the very brink of welfare dependency before they can qualify for a specific social service such as family planning.

The whole question of program eligibility is further compounded by DHEW's interpretation of its own regulations. Although the regulations are not specific on this point, DHEW is apparently maintaining that, in addition to the three basic eligibility criteria, potential recipients can qualify for IV-A social services only if they have the same social characteristics as an AFDC family. Thus, no single woman or childless couple can be classified as potential recipients and the ability of Title IV-A to serve such persons before they are on welfare is negated. Since the authority for states to utilize group or geographic eligibility criteria has been eliminated by DHEW, the question of whether or not single or married childless women can qualify under the individual eligibility process as potential AFDC recipients is of major importance.

Unlike potential recipients, persons already receiving AFDC benefits would appear to automatically qualify for family planning services, but the new regulations specify that the welfare agency itself "must make a determination that each family and individual is eligible" for family planning or any other service "prior to the provision of services." Thus, in order for a family planning provider agency to receive reimbursement for services provided to either current or potential recipients, it must first refer these patients to the local welfare agency which will formally determine their eligibility status and then send the patient back to the family planning agency. If the letter of the regulations is observed, the practical effect of this process will be to seriously limit the possibility that Title IV-A will finance services for any significant number of current or potential welfare recipients. This unwieldy process will waste the time of welfare workers and hamper the motivation of eligible persons to avail themselves of family planning services. Moreover, it is completely at odds with the intention of this committee as specified in your report which stated that "'walk-in' requests for family planning by present and former recipients or those likely to become recipients" would not be precluded.

These regulations will have a very adverse effect on the few statewide Title IV-A family planning programs that have been established in the past two years and will almost certainly prevent the development of additional state programs. In the past two years, the legislatures in California, Georgia and Louisiana appropriated matching funds for statewide Title IV-A family planning programs and significant numbers of low-income persons are being served by these programs. The Georgia program, which started about one year ago, was designed to serve about 25,000 patients at a cost of $1.4 million. As a result of the new social service regulations, the state expects to lose $810,000 of that amount and this will affect services to about 14,000 patients.

The family planning provisions of Title IV–A are vitally important to the national family planning effort which began in 1969. Federal project grant funds, which have been made available mainly under Title X of the Public Health Services Act, have made family planning services available to increasing numbers of low-income Americans. But while the patient demand for these services has continued to grow at a constant rate, there has been no increase in federal project grant support for the past two years. DHEW has indicated that additional funds necessary to cover the expansion of services will have to come from third-party funds which are, or were, ostensibly available from the states under the Title IV–A and Medicaid programs. In fact, DHEW is now flatly refusing to support expansion of the project grant program and is maintaining that large scale financial support is now available from the states as a result of the 1972 Social Security Amendments.

Obviously, these regulations eliminate Title IV–A as a source of large scale state support and in those instances where providers are utilizing this source to finance services for potential welfare recipients, services for such patients, after July 1, will have to be financed out of project grant funds or private resources. Since these funds are now quite limited, there will be a net reduction in the number of low-income patients who will receive subsidized family planning services. DHEW's cavalier answer to all of this is to maintain that Medicaid will solve the problem. But Medicaid is not the answer. In half the states this program covers only persons who are already on welfare. Hence, single or married women and members of intact, working poor families are not eligible for Medicaid benefits in these states. Current welfare recipients as well as the so-called "medically needy" qualify for Medicaid benefits in the remainder of the states. The medically needy, however, must qualify under state-imposed income ceilings which are even lower than those contained in the new Title IV–A eligibility criteria, and they must have social or physical characteristics for one of the four categorical welfare programs. For family planning purposes, this means that families and individuals must qualify under the AFDC program and this whole program is, of course, predicated on the existence of a dependent child. In general, that dependent child must be a member of a single parent family. (Some two-parent families do qualify for AFDC and Medicaid in those 23 states that cover unemployed fathers under AFDC but that eligibility ends when the father finds employment). But childless single and married women who are poor as well as working poor, two-parent families do not have the social characteristics that enable them to qualify for Medicaid.

Although the 1972 amendments made family planning a mandatory service which all states must include in their Medical programs, the basic administrative structure of state Medicaid programs is not changed. The new authority does not automatically mean that all health agencies involved in providing family planning services will be able to receive Medicaid reimbursement or that states will establish reimbursement rates which are adequate to cover the costs of the service. A national survey of all major family planning agencies conducted by our organization last fall revealed that only 122 of the 461 responding agencies were receiving Medicaid reimbursement. The median reported reimbursement rate was only $12 per visit and at two visits per year, this equals only about 36 percent of the annual per patient cost of $66 which DHEW recognizes as the average national cost for providing family planning services. A copy of our study is appended to this statement and we would request that it also be made a part of the record.

Hopefully, the new 90 percent federal reimbursement rate for Medicaid family planning services will encourage the states to improve their reimbursement rates but Medicaid will continue to be a reimbursement mechanism for purely medical services. It not is designed to finance the counseling, educational and outreach activities that are essential components of family planning service programs for the poor. Despite the inherent administrative weaknesses of Medicaid, DHEW is telling the Congress that the family planning needs of the poor and low-income persons, including sexually-active minors, can be financed by this mechanism. This is not possible and the only state-administered third-party payment source that can contribute to a real expansion of family planning services is Title IV–A and in the context of DHEW's efforts to stifle the project grant program, Title IV–A is of great importance to the domestic family planning effort. But unless these regulations are changed, the family planning provisions of the law will be meaningless and this practical, comprehensive funding source will be lost. We urge, therefore, that the committee exert its legislative prerogatives and encourage DHEW to amend these regulations in the following ways:

First, that section 221.6 be modified to state that unwanted pregnancy is a problem to be avoided and that for the purposes of providing family planning assistance the time period used to qualify potential recipients for this service is one year, second, that the income standards in section 221.6 be modified to establish identical income ceilings for both family planning and child day care services, and third, that section 221.7 be modified to enable family planning provider agencies to determine patient eligibility by applying welfare agency standards and to then provide family planning services consistent with the "walk-in" concept indicated in the committee report.

In addition to these specific provisions in the regulations, we ask that the committee request and obtain from DHEW an unequivocal declaration of whether or not childless couples, single women and sexually-active minors, who are not already a part of an AFDC family, may qualify as potential recipients under the Title IV-A program. If such persons are not eligible for the program, we urge that your committee take the necessary legislative steps to insure that its intent in adopting the 1972 amendments is carried out.

Local Outlook on Growth of Family Planning Services

By Russell H. Richardson [1]

Last November the National Family Planning Forum [2] surveyed major providers of family planning services to assess the extent of program growth which they anticipate in this and the next fiscal year, and the extent to which this expansion might be financed through Medicaid (Title XIX) and the social services (Title IV-A) programs.

By the end of FY 1972, the national family planning services program had reached nearly half of its original service goal. It can be asked, therefore, whether the rapid growth of recent years—24 percent in FY 1969, 32 percent in FY 1970 and 36 percent in FY 1971—is likely to continue unabated or whether demand will slacken and program expansion will slow down or taper off in the near future.

The rapid expansion of organized family planning programs has been aided, and paralleled, since 1967 by rapidly rising commitments of federal project grant funds from the Department of Health, Education and Welfare (DHEW) and from the Office of Economic Opportunity (OEO). These funds totalled $25.8 million in FY 1969, $44.8 million in FY 1970, $56.8 million in FY 1971 and $122.9 million in FY 1972. There were indications, however, when the Legislative Committee of the Forum undertook its survey, that the Administration intended to shift away from its previous support of project grants as the major funding mechanism for family planning programs and towards reliance on Medicaid and Title IV-A as the preferred mode of financing for future expansion. In fact, the revised budget for FY 1973 and the FY 1974 budget, which were sent to Congress by the President at the end of January, would freeze the level of project grant support for family planning services at the amount appropriated in FY 1972. However, the budget projected very considerable expansion of overall support for the program, to be secured entirely through Title IV-A and XIX.

Congress, in the 1972 Social Security Amendments, provided strong mandatid and incentives for the states to utilize both the social services and Medicaes programs to expand the availability of family planning services.

The Forum survey documents the current level and pattern of utilization of these programs, and, inferentially, sheds some light on what can be realistically expected in the future. The survey encompassed all family planning providers who were recipients of DHEW and/or OEO grants, and all Planned Parenthood affiliates, whether or not they were currently federal grantees. Providers with project grants were asked to give information on the number of patients they served in FY 1972 and the number they expected to serve in FY 1973, and to estimate future program growth in FY 1974 on two bases: likely expansion within their current geographical limits and likely expansion into new areas. They were asked to provide these estimates on the assumption that adequate funds would be available. All programs surveyed were also asked to indicate whether reimbursement was received for services to Medicaid patients and to provide or estimate the number of patients for whom Medicaid reimbursement was received

[1] Mr. Richardson is Director of the Governor's Special Council on Family Planning, Atlanta, Georgia, and President of the National Family Planning Forum.

[2] The National Family Planning Forum is an organization of some 300 family planning providers throughout the country. Its purpose is to improve services through fact finding and the exchange of information among providers, federal and state governments, universities and other concerned organizations. The Forum was founded at Chapel Hill, North Carolina, in March, 1972.

during the year. They were further asked to indicate whether negotiations were in progress to obtain Medicaid reimbursements. Information was also sought as to whether the respondents had Title IV–A programs currently in operation, whether an agreement or contract for the provision of services had been entered into but was not yet operative or whether negotiations were currently in progress.

Four hundred and sixty-one, or approximately half of the agencies surveyed, responded. The respondents included 97 state and local health departments, 163 community action agencies, 133 Planned Parenthood units, 28 hospitals and 40 other programs. Three hundred and eighty-nine respondents which had federal project grants reported serving 1.6 million patients in FY 1972, or 60 percent of the estimated total of 2.6 million patients served in all organized programs in that year. Programs of all sizes were well represented. Among DHEW and OEO family planning project grantees, for example, the response rate for programs with grants of $500,000 or more was 78 percent, between $300,000–499,000, 54 percent and less than $300,000, 50 percent.

SUBSTANTIAL EXPANSION FORESEEN

Data on current and projected service levels in federally financed family planning programs are presented in Table 1. It is immediately evident that substantial expansion is foreseen if funding levels are adequate. Within their current operating areas, these programs estimated that they will serve 2.35 million patients in FY 1973, an increase of 48 percent over the previous year and 3.35 million patients in FY 1974, a 42 percent increase. An additional 500,000 patients would be served in FY 1974 in new communities not currently served by the responding programs. Since nationwide increase rates of 24 percent, 32 percent and 36 percent were experienced in fiscal years 1969, 1970 and 1971 by all organized programs (including a large number of programs not receiving federal funds, or at least not directly and specifically for family planning), the growth rates projected by federally funded programs on the assumption of adequate support appear not unrealistic.

In general, the rate of projected expansion is inversely proportional to the size of the program. For example, programs with 500 to 999 patients in FY 1972 projected an average increase of 60 percent for FY 1973, programs with 1000 to 1999 patients projected a 51 percent increase and programs with 2000 or more patients projected increases to 36 to 38 percent. The FY 1973 increase for programs with less than 500 patients in FY 1972 is greatly inflated because of the effect of new program starts. In FY 1974 the relationship between size and rate of growth is slightly less apparent. The effect of new starts in small programs is minimized, however, and the growth rate of small programs follows the overall pattern. Although smaller programs tend to experience faster growth rates, the greatest contribution to overall growth is made by the largest programs, most of which are located in urban areas. Programs with 5000 or more patients in FY 1972 contributed well over half the patients making up the overall projected increase between FY 1972 and 1973 for all programs.

TABLE 1.—MEMBER OF EXPANSION OF FEDERALLY FINANCED FAMILY PLANNING SERVICES BY SIZE OF PROJECTS, FISCAL YEARS 1972-74

Size of project in fiscal year 1972 (Number of patients)	Number of projects reporting	Fiscal year 1972 patients	Fiscal year 1973 patients	Percent increase, fiscal year 1972–73	Fiscal year 1974 patients in current project areas	Percent increase, fiscal year 1973 to 1974	Fiscal year 1974 patients in new areas	Percent increase, fiscal year 1973 to 1974, total patients
Less than 500	122	23,827	200,749	743	361,802	80	74,912	118
500 to 999	54	37,005	59,176	60	90,155	52	38,030	117
1,000 to 1,999	61	85,919	130,113	51	221,159	70	78,070	130
2,000 to 2,999	40	96,043	132,839	38	193,348	46	27,594	66
3,000 to 4,999	39	152,684	210,291	38	268,103	27	51,875	52
5,000 plus	73	1,191,037	1,619,534	36	2,215,750	37	226,091	51
Total	389	1,586,515	2,352,702	48	3,350,317	42	496,572	64

TITLE IV–A REIMBURSEMENT

Title IV–A and Medicaid reimbursement data are presented in Table 2. Of the 461 respondents to this part of the survey (which included some Planned Parenthood affiliates who were not federal grantees), only 34 located in 16 states indicated

that they had actually received Title IV–A funds for family planning services. Thirteen of the funded projects were located in California. Another 38 respondents in 14 states indicated that although they had not yet received funds, they had established purchase of service contracts or reimbursement agreements with welfare agencies. One hundred and forty-three family planning providers in 45 states indicated that they were currently negotiating with state or local welfare agencies regarding such reimbursement. Four states had no reported Title IV–A activity. Among those family planning providers which have established Title IV–A contracts or agreements or which received reimbursements, about one-third were state and local health departments and one-third were Planned Parenthood units. The remainder were community action agencies, hospitals or other agencies.

These data suggest that although considerable preliminary effort is being made to secure state support of family planning services through this channel, little of the actual mechanism is in place. Furthermore, it seems clear that whether or not the current proposed regulations are in fact adopted by DHEW, eligibility for Title IV–A social services programs will be considerably more restrictive in the future and the relatively small number of existing programs will be cut back in scope. Should the regulations become final with their content essentially unchanged, the very existence of current programs might be in doubt. Similarly, it would appear that the combined effect of the ceiling of social services expenditures and the new regulations will force a restructuring and renegotiation or perhaps the abandonment of pending contracts and agreements previously agreed to but not yet operative. The scope and feasibility of Title IV–A programming in the future can only be a matter of conjecture at this time.

TABLE 2.—TITLE IV-A AND MEDICAID SUPPORT OF FAMILY PLANNING PROGRAMS BY TYPE OF PROVIDER, FISCAL YEAR 1972

	Number of Providers, by type					
	Total	Health department	Community Action agency	Planned parenthood	Hospital	Other
Total number of survey respondents	461	97	163	133	28	40
Percent	100	21	35	29	6	9
Title IV-A:						
Number with funds	34	10	7	11	1	5
Percent	100	29	21	32	3	15
Number with contracts or agreements, no funds	38	15	9	10	1	3
Percent	100	39	24	26	3	8
Medicaid:						
Number with funds	122	22	15	64	11	10
Percent	100	18	12	53	9	8

MEDICAID REIMBURSEMENT

One hundred and twenty-two of the 461 respondents reported that they received some Medicaid reimbursement. Rembursements were reported in 33 states. Another 110 respondents reported that such arrangements were currently under negotiation. Slightly over half, or 64 of the family planning providers who were currently receiving reimbursements were Planned Parenthood affiliates, located primarily in seven states: New York (17), New Jersey (8), Pennsylvania (7), Michigan (5), Indiana (4), and Illinois (3). Less than one-fifth of the health departments reporting indicated that they received Medicaid reimbursements.

According to our survey data, Medicaid reimbursement rates for a medical family planning visit ranged from $3.00 in Nevada to $42.44 in New York. The median national rate for a medical family planning visit was only $12.00. However, based on data produced by a cost study conducted by the Westinghouse Population Center, the Department of Health, Education and Welfare (DHEW) has indicated that the average annual cost of providing services to a single patient was $66.00 in 1971.[3] This all-inclusive cost rate includes the basic medical examination, blood tests and other necessary laboratory work as well as all educational and outreach activities necessary to patient enrollment and continuation. DHEW also indicated that safe use of the oral contraceptive (the method chosen by over 70 percent of family planning clinic patients) requires two medical visits per

[3] *Data and Analyses for 1973, Revision of DHEW Five-Year Plan for Family Planning Services*, p. 85.

year.[4] The median reimbursement rate reported in the survey amounts, therefore, to only 36 percent of the average $66.00 per patient cost.

State Medicaid agencies, usually a component of state welfare departments, have responsibility for establishing reimbursement rates for the various medical services which the state, through its Title XIX medical assistance plan, has indicated will be available to Medicaid-eligible persons. The survey found that three states, Maine, New Jersey and Pennsylvania, paid the same rate to all family planning providers surveyed. In other states, however, respondents reported rates which vary among types of providers and which also vary for the same type of provider in different parts of the state. In New York, for example, the Nassau County Medical Center received $42.44 for a family planning visit. Planned Parenthood affiliates in Buffalo, New York City, Newburgh, and Utica reported rates of $25.60, $24.80, $24.60 and $23.68, respectively. These variations can perhaps be related to differences among the facilities in costs of providing the service. However, it does not appear likely that the $5.20 per visit rate reported by the Orleans CAC, Inc. and Planned Parenthood affiliates in Suffolk and Patchogue and the $10.00 rate reported by the Livingston County Health Department can be similarly attributed to local cost variations.

The Maine Medicaid program has a single maximum reimbursement rate of $65.00 which providers receive once a year for each patient, regardless of the number of medical visits or the type of contraceptive methods. This rate is very close to the national average per patient cost and was developed on the basis of cost data furnished by the providers. The single payment method has the advantage for the patient of guaranteeing continuous service for a full year. For the provider, it avoids some of the delays and administrative costs related to securing multiple reimbursements during a year.

In March, the Colorado Medicaid program initiated a similar program. Under the new Colorado program, rates, which are predicated on cost estimates, vary among the state's three major family planning agencies. The statewide Planned Parenthood affiliate will receive $48.17, the state health department, $55.00 and the Denver Health and Hospital agency, $56.00.

The Illinois Family Planning Council reported in the survey that it had developed a contract with the state Medicaid agency under which council agencies would receive prepayments ranging from $40.00 to $60.00 per patient per year depending on the type of agency. This contract was never implemented, but the Illinois program now reports that all of its member agencies will soon receive payment on a per visit basis and that individual provider rates will be based on costs. These rates will be adjusted every six months to reflect fluctuation in individual program costs.

In contrast to the rates in these statewide programs, the single, standard reimbursement rate in Pennsylvania was only $4.00 per patient visit. Although raised to $6.00 in January, neither of these rates can be considered to be cost related.

Under DHEW administrative regulations, state Medicaid agencies must "provide that fee structures will be established which are designed to enlist participation of a sufficient number of providers of service . . . so that eligible persons can receive the medical care and services included in the plan." In establishing the upper limits for fee structures, the regulations contain criteria that differentiate between in-patient hospital services and services provided by private doctors and those provided by clinics. Since private doctors and clinics are the two main providers of family planning services, the criteria for these two types of providers are most relevant. Payment to a private physician is limited to the lowest of the following: (1) the actual charge for a service, (2) the median of the charge for a given service derived from claims for that service during a year, (3) the reasonable charge recognized under Medicare part B. But in no case can payment exceed the 75th percentile of "weighted customary charges in the same locality" under Medicare, or the "prevailing charge" under Medicare.

The criteria defining the upper limits for clinic services are less specific. State Medicaid agencies are permitted to pay "customary charges which are reasonable." The regulations provide that "the prevailing charges in the locality for comparable services under comparable circumstances shall set the upper limit for payments. In reviewing prevailing charges for reasonableness, the state agency should

[4] Interim statement of standards circulated by the National Center for Family Planning Services, March 31, 1972.

consider the combined payments received by providers" under Medicare and private insurance companies and use "whichever of these criteria or other criteria are appropriate to the specific provider service." The fact that rates can be related to "other appropriate criteria" enables state agencies to base their family planning rates on the cost experiences of the family planning clinic programs.

The survey data indicate, however, that only a relatively small number of Medicaid payments appear to be related to program costs. There is no documented evidence in the survey itself to indicate the reasons for the sizeable discrepancies between costs and payments. But occasional, individual comments from respondents signal some of the factors involved. Some of the agencies are inexperienced in dealing with the administrative and fiscal complexities of the Medicaid programs and, perhaps, are unaware of the remedies available to them to secure more equitable payments. In other cases, the state Medicaid agency bases its payments exclusively on the costs of the medical examination. It does not consider the ancillary educational and supportive services needed to enroll and maintain the patient under a doctor's supervision. Finally, some Medicaid agencies appear not to recognize the specialized nature of the care provided in organized family planning programs or the costs of laboratory tests required for the safe prescription of modern contraceptive methods.

Since January 1, 1973, the states have been required by law to offer family planning services to all Medicaid recipients. The Medicaid regulations to implement the 1972 changes in the law, which are yet to be issued by DHEW, could do much to eliminate or ameliorate the obstacles to the development of family planning services which have been noted by providing appropriate guidance to the states.

Among federally financed family planning projects, the proportion of Medicaid-eligible patients served for whom reimbursement was received was less than half. Based on respondents which had federal project grants in FY 1972, only 116,000 Medicaid patients, or about seven percent of all patients served by these programs resulted in Medicaid reimbursements. Since according to DHEW an estimated 16 percent of all patients served in federally financed family planning projects are welfare recipients and since the survey respondents appear otherwise quite representative of federally funded programs generally, one can perhaps assume that roughly the same proportion of patients served by these programs are recipients of public assistance. Some states also provide Medicaid benefits to low-income persons not on welfare and, therefore, the national percentage of patients who have a valid Medicaid card should be in excess of 16 percent of the caseload. Nevertheless, it is apparent that less than half of the services provided to Medicaid eligibles by federally supported family planning programs actually get reimbursed through Medicaid. The survey does not provide information which would shed light on this phenomenon.

In summary, our survey of a large number of federally financed and other organized family planning programs in the United States indicates that services may be expected to grow significantly, perhaps by as much as 40 or 50 percent, for the next several years if adequate funding remains available. At the same time, however, the ability of the states to finance such programs through Medicaid or Title IV-A would appear to be very limited. While a substantial number of respondents indicated that they were in some stage of negotiation for Title IV-A reimbursement, only a small number had established agreements with their respective welfare departments or had actually received funds. Support of family planning through Medicaid appears to be limited as to the number and type of family planning providers which can qualify to receive reimbursement according to state laws, regulations and custom. Furthermore, Medicaid reimbursement rates are quite low and the number of patients for whom reimbursement is received is very small.

The survey indicates that the use of Medicaid and Title IV-A to support family planning services was still sporadic and marginal at the end of FY 1972. The impact of proposed administrative regulations on Title IV-A services is likely to result in curtailment of existing efforts and, at the very least, will severely limit future programming. The wide use of Medicaid to reimburse organized family planning programs may be conditioned by the states' willingness or ability to recognize a variety of agencies as approved Medicaid vendors and to compensate those agencies at a rate commensurate with their actual costs. At any rate, it does not seem possible that the kind of rapid expansion which the local agencies anticipate can be financed in whole or in major part through these two programs

in the current year or next year. The expansion which is projected in the federal budget for FY 1973 and FY 1974 for the Title IV–A and Medicaid program does not seem realizable in view of our survey data.

STATEMENT OF THE NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS, BY FRED LAWLESS, CHAIRMAN

The National Council of Local Public Welfare Administrators, organized within the American Public Welfare Association, wishes to express deep concern over the final regulations published in the *Federal Register* on May 1, 1973, by the Department of Health, Education, and Welfare. While the final regulations reflect some positive changes from those published as proposed regulations by the Department on February 16, it continues to be the position of this Council that the Department has again promulgated regulations which go well beyond legislative action and Congressional intent.

When Congress originally authorized the use of public assistance funds for the provision of social services, it rightfully conceived of such services as a means of preventing welfare dependency, as well as a constructive means of assisting recipients to become independent and self-supporting. In the opinion of the National Council, the final regulations are counterproductive in this respect and are so administratively complex and restrictive that state and local public welfare agencies will not be able to develop constructive service programs to assist individuals and families to function independently.

The Council is encouraged by the record-setting volume of communications submitted to the Department in response to the proposed regulations of February 16 and considers this expression of concern to be tribute to the value placed on social services by the responding individuals and organizations. Likewise, the Council is heartened by the interest of the Senate Finance Committee as evidenced by its willingness to hold hearings on the regulations.

The following comments represent those aspects of the regulations and other provisions governing social services about which the Council has greatest concern and are not intended to be all inclusive. The Council hopes its comments will be helpful to the Committee in its efforts to affect changes in the regulations and/or legislation so as to assure that Congressional intent is not thwarted.

The $2.5 Billion Ceiling.—It is the position of the Council that the $2.5 billion ceiling on social services as established by the General Revenue Sharing Act of 1972 and the "90–10" provisions represent the intent of Congress in controlling federal funding for service programs and that regulations promulgated by the Department of Health, Education, and Welfare should not further restrict the use and availability of the full amount authorized by Congress. The regulations, when combined with Congressional limitations, make it virtually impossible for the States to use their full allocations and will result in such complex administrative requirements that state and local governments will find it extremely difficult to operate effective programs.

The Council recommends action to eliminate the "90–10" provision, and urges revision of the regulations so as to make it possible for the states to utilize the full $2.5 billion allocation. The Council further urges action to provide for reallocation of any state's unused share of its allotment so as to permit redistribution of unused allocations amongst the states having greatest need for additional funding to meet service requirements of their citizens.

The Council would support issuance of broad general guidelines which would provide sufficient latitude to state and local governments to develop service programs in accordance with demonstrated service needs and priorities and which take into consideration special conditions or circumstances existing within the states and local communities. Such general guidelines would be consistent with the "New Federalism" concept under which simplified federal requirements are supposed to give freedom of decision-making to state and local governments.

Eligibility: The severe restrictions on eligibility will reduce markedly the number of persons who can obtain services. In effect, they limit services almost exclusively to recipients of public assistance. The limitation of services to former public assistance recipients who have received aid within three months, and then only to complete the services already initiated, will mean that many families who have managed to move into self support will be compelled to return to public assistance. A three-month period is in many cases insufficient for remedial services to show results.

The restricted definition of potential recipients means that many of the working poor who, with the aid of social services could have remained independent, will be forced on to public assistance.

The Council recommends that definitions of "former" and "potential" recipients be revised to make it possible for public welfare agencies to initiate and continue services as long as necessary to meet identified service goals. The Council recognizes that it may be necessary ultimately to set time limits for continuation of services, but is of the opinion that such limits can best be established by state and local agencies. Federal guidelines could be helpful to state and local agencies in establishing such limitations.

Income Limitations.—The limitations on allowable income of potential financial assistance recipients with respect to eligibility for services, are, also, in the opinion of the Council, extremely restrictive. To make people ineligible if they have assets in excess of those permitted public assistance recipients will discourage initiative and virtually eliminate the working poor from being eligible for services.

The Council recommends that the Bureau of Labor Statistics' minimum living standard be adopted as the income level for determining eligibility for services.

Redetermination of Eligibility.—Requirements with respect to redeterminations of eligibility every six months for "potentials" and every three months for "formers" are unnecessary and administratively costly in the opinion of the Council. Service workers will be over-burdened with paper work in order to meet the requirements and will therefore be severely handicapped in the amount of time they are able to devote to actual provision of services.

The Council recommends that the period for redeterminations should not be less than twelve months.

Range of Services.—The Council objects to the selection of the mandated services by the Department and feels there is no solid evidence to indicate that those mandated by the regulations for the family services program are any more effective than any other services. Frequently, a variety of services are the key to whether families and adults can achieve higher levels of independence and self sufficiency. The Council recommends that state and local welfare agencies be given latitude in the selection of services to be provided under their State Service Plans which are geared to needs and priorities within the states and local communities. Such selections could be made from a simple listing of a full range of services specified in federal guidelines. Since State Plans must be approved by the federal agency, there would be ample opportunity for federal-state negotiations on the range of services to be provided and subject to federal financial participation.

Day Care.—The Council places high value on day care as a positive service in assisting to strengthen family life, in providing developmental opportunities for socially and culturally deprived children, and in assisting working mothers in becoming financially independent.

The Council, therefore, urges Congressional action on comprehensive day care legislation which will make federal funds available for the development and improvement of day care programs and facilities so as to make this important service available to more children and families.

The Council appreciates the opportunity to submit this statement and offers its assistance to the Finance Committee on its effort to improve social service programs.

May 18, 1973.

STATEMENT OF THE NATIONAL STUDENT LOBBY, PRESENTED BY JENNIFER RYAN

My name is Jennifer Ryan, and I am representing National Student Lobby in an attempt to preserve student accessibility to federally-funded child-care.

National Student Lobby is a federation of student governments, state student organizations, and individuals. It is a non-profit, non-partisan organization whose purpose is to advocate student interests. Student Lobby considers the question of campus child-care to be of the utmost concern. It directly affects the students we represent. The Social Rehabilitation Service regulations issued on February 16, 1973 and May 1, 1973 will eliminate student access to child-care funded under Title IV of the Social Securities Act.

Recently Dr. Bernard Greenblatt of State University of New York at Buffalo conducted a study of campus child-care in the United States. He concluded that in the 1093 accredited senior co-educational institutions of higher education, approximately 425 pre-kindergarten programs exist. Although many of these are

not designated as "day-care" (their main function may be providing nursery school, laboratory programs, or a combination of these three), most do fill that role. Roughly 17,000 children are enrolled in these programs, and another 27,000 are on waiting lists because the programs are filled.[1] These figures do not include the large number of child care programs at junior colleges, single-sexed institutions, unaccredited colleges or training schools. Nor do they count students who benefit from community child-care centers. In short, thousands of students across the Country depend upon institutional child-care to enable them to continue their studies.

In the last weeks I have contacted people involved with campus child-care in over half of the fifty states. Without exception the response has been that the centers which exist are inadequate at best. In many cases, child care, though badly needed, simply is not available. Repeatedly I heard such comments as "We operate on a shoestring budget where children don't even receive meals," "If more funding is not made available, we will have to close," and "We could fill a center three times this size."

It became clear to me that an overwhelming need for increased child-care on campuses exists. Yet in light of this, the new SRS regulations preclude almost all student use of Title IV funded child care programs. The following problems are presented by the new regulations:

1. The regulations specify that child-care facilities may be used by members of the child's family only while they are engaged in employment or training for employment. HEW Office of General Counsel has made it clear that "training" will be interpreted to include only direct training programs such as Work Incentive Program (WIN). Therefore, college students would be ineligible for services funded under Title IV while attending classes or studying, even if they were eligible welfare recipients.

2. Many students rely heavily on funds accumulated during the summer months and on scholarships to pay for their education and living expenses. Thus in September their assets are likely to exceed most states' public assistance maximum resource levels, thereby making them ineligible for services even if they have no income.

3. The reduction of the former and potential public assistance criteria hurts students severely. All working poor people are hard-hit by these reductions. Many students work part-time. Their income, savings, and scholarships barely keep them off welfare. Although they may not qualify for "potential recipient" within six months, their funds are so low as to make them border-line cases, and certainly legitimately in need of such services.

4. In many cases Title IV-funded campus child-care programs have received student budget funds where the student governments have provided the 25% state match. Since the new regulations prohibit specification of where Social Service donations will be allocated, it is unlikely that student governments or any other private contributor will be willing to give money when they have no guarantee that funds will go to a specific campus program.

5. Disallowing of "in kind" donations will badly hurt some campus centers. Since college facilities often have been available, and many students have been willing to volunteer their time and services, some campuses have depended heavily on "in kind" contributions for the 25% state match. Many campus programs will be left penniless if "in kind" matches are prohibited.

6. Eliminating group eligibility will cut many students off from child-care. Some Model City programs have included "student ghettos" within their boundaries, thereby making eligible for services all who live within certain impact areas. This inclusion of students has been particularly appropriate because as a class, students with children definitely can be considered needing of such services. Potentially, under the old regulations many campuses could have set up centers by establishing that students as a group have a general need for such facilities.

I would like to cite now some examples of child-care programs which are seriously jeopardized.

In the state of California Title IV funds have been approved by the State for twenty-eight campus centers for FY 73–74. All of these centers are on public campuses (California has a three tier public post-secondary education system: University of California with nine campuses, California State Universities and Colleges with nineteen campuses, and California Community Colleges with ninety-one campuses). Under the new regulations, none of them will be eligible for Title IV money.[2] Most will be forced to close or greatly reduce their services without this money.

[1] Mr. Bernard Greenblatt, "Highlights," *Children on Campus: A Survey of Pre-Kindergarten Programs at Institutions of Higher Education in the U.S.*

[2] Ms. Sue Brock, "Campus Children Centers," University of California, Berkeley.

At the University of Oregon, Eugene, ninety-nine student families and 104 children are served by the child care facility. This center has been almost entirely dependent upon "in kind" contributions for its 25% state match.[3] Without Title IV financing, this center will be without funds.

At the University of Minnesota three hundred welfare parents receive Social Services including off-campus child care while they attend college. As a result of their education, these parents have moved rapidly off welfare upon the completion of their education. Under the new regulations, these parents would no longer be eligible for child-care services. According to Dr. Forrest Harris at University of Minnesota, at least half of these students would be forced to leave school if they were to lose this child-care.[4]

In Chickasha, Oklahoma at Vo-Tech School, a vocational training institution, students have been provided with child-care under Title IVA. Although a few of these students may continue to be eligible for this program most will not because the program will lose its class eligibility. Unless these students are former, current or potential welfare recipients *and* have assets below the maximum level for recipients of public assistance, this program will not be available to them. Probably many will be forced to discontinue their training and accept unskilled jobs.[5]

In Kentucky several colleges and universities have attempted to obtain Title IV funds for their struggling child-care centers. So far their attempts have fallen victim to red-tape.[6] Now, assuming the new regulations go into effect, the Federal Government has assured no Social Services funds will go to these campuses.

Washington State has several Model City programs including one in Seattle. Students from the University of Seattle, the University of Washington, and Circle Community College have used these community child-care centers. Since Model City programs will no longer qualify for Title IV money, students attending these institutions will have no public child-care facilities available to them.[7]

—I could indefinitely present examples of how SRS regulation changes will destroy campus child care, but I think the point should now be clear. For the first time in our Nation's history, higher education is being made available to all who desire to pursue it. Only last year were institutions forced to stop discriminating on the basis of sex. Finally women and minorities are being allowed full educational opportunities. Yet in the midst of this increased opportunity, child-care for students is being hacked to death. To remove child-care from students would be to encourage de facto discrimination against those who are trying too hard to make it on their own.

Many students will be forced to discontinue their education if they cannot receive good, inexpensive child-care.

Furthermore, it is bad business to deny people education, the time-proven means by which to break the welfare-cycle. Unless Congress acts to preserve child-care for students' children, many students will have to quit school, accept unskilled or menial jobs, and eventually, perhaps unemployment. Certainly this is not the way to reduce public welfare costs.

National Student Lobby urges the Senate Finance Committee to report legislation which would do the following:

1. Allow child-care facilities to be used by students while they are pursuing their course of study.
2. Reinstate group eligibility so that students as a class will qualify for Title IV-A child-care.
3. Eliminate or revise the asset limitations so as not to exclude students living on savings or scholarships.
4. Reinstate the two-year-five-year former-potential welfare recipient criteria.
5. Revise regulations governing private contributions to allow in kind contributions as well as contributions designated for certain programs.

I sincerely hope you will carefully consider these recommendations, and legislate accordingly at the earliest possible date. If these changes are not implemented, campus child-care will be dramatically reduced, and students will be denied their college education.

I thank you for the opportunity to present testimony.

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[3] Ms. Linda Wilt, letter to National Student Lobby dated 10 May, 1973 from University of Oregon, Associated Students.
[4] Dr. Forrest Harris, University of Minnesota, phone conversation on 8 May, 1973.
[5] Mr. Pat Murphy, Regional Office of Child Development, Texas, HEW, phone conversation, May 9, 1973.
[6] Ms. Martha Arnett, Kentucky State College, State Training Office, Frankfort, Kentucky, phone conversation, May 10, 1973.
[7] Ms. Dottie Decoster, Campus Child-Care Co-ordinator, University of Washington, Seattle, phone conversation, 8 May, 1973.

STATEMENT OF THE BANK STREET COLLEGE OF EDUCATION DAY CARE CONSULTATION SERVICE

INTRODUCTION

Bank Street College of Education is a private, not-for-profit educational institution. The Day Care Consultation Service provides free technical assistance to parent and community groups in developing and operating publicly-funded day care programs throughout the United States. During the four years of our existence we have been deeply involved in the development of Title IV-A funded day care programs in New York City.

We are pleased to have this opportunity to submit a written statemett of our views on the Social Services Regulations. The statement will focus on the effect the new Regulations will have on federally funded day care programs around the country.

While objecting specifically to many aspects of the new Regulations, our objections fall into two major categories: the Regulations significantly reduce the rights and responsibilities of the consumers of the day care service, i.e. parents of children in day care centers; and the Regulations change the focus of this nationwide program away from the needs of children and their families, and focus instead almost exclusively on day care as a babysitting service for working parents.

THE REGULATIONS SIGNIFICANTLY REDUCE THE RIGHTS AND RESPONSIBILITIES OF THE CONSUMERS OF THE DAY CARE SERVICE, I.E. PARENTS OF CHILDREN IN DAY CARE CENTERS

Based on our four years of experience in working with a large number of community and parent day care groups, we have learned that one of the best ways by which parents can develop self-confidence and self-respect is to give them a large measure of control over the way in which their child's day care center is run. When parents are given the responsibility to make decisions about the operation of their day care center—such as staff hiring and firing, budget management, curriculum development—they develop skills and gain experiences which are invaluable to them in other areas, particularly employment.

We contend that without the opportunity to develop such self-confidence and experience, the "Self-support goal" aimed at by the new Regulations—"To achieve and maintain the feasible level of employment and economic self-sufficiency"—is significantly weakened. A day care program which excludes the involvement of parents becomes nothing more than yet another instance in our society in which the poor and near-poor have something done *for* them, rather than being given the opportunity to do something for themselves.

We object specifically to the following:

The new Regulations eliminate the requirement, found in Sec. 220.4(a)(2) of the old Regulations, that Advisory Committees on day care, which include recipients of services (i.e. parents), be established at the local level.

The new Regulations no longer require that parents be on State Advisory Committees on Day Care. (old Sec. 220.4(b); new Sec. 221.2(b).)

The new Regulations no longer refer to the Federal Interagency Day Care Requirements, which set high Federal standards for day care programs and mandate real parent involvement. (Old Section 220.18(c)(2); new Sec. 221.9(b)(3).)

The new Regulations eliminate the requirement, found in old Regulation Sec. 220.18(a), that child care "must be suitable for the individual child; and the caretaker relatives must be involved in the selection of the child care source to be used if there is more than one source available."

The new Regulations eliminate the requirement of old Sec. 220.11(a) that notice and a fair hearing be given to service recipients (parents) who have been denied or excluded from day care services. This is particularly onerous to parents of day care aged children because mistakes by the agency determining eligibility, resulting in denial or exclusion from day care services, are frequent. A parent has no real recourse unless a fair hearing is available. This view was upheld in Federal Court recently, with the Judge describing day care as a "brutal need" and requiring that parents in New York City day care programs be given fair hearings before having day care services terminated. *Gasaway v. McMurray*, 73 Civ. 874 (S.D.N.Y., April, 1973).

THE REGULATIONS CHANGE THE FOCUS OF THIS NATIONWIDE PROGRAM AWAY FROM THE NEEDS OF CHILDREN AND THEIR FAMILIES, AND FOCUS INSTEAD ALMOST EXCLUSIVELY ON DAY CARE AS A BABYSITTING SERVICE FOR WORKING PARENTS

It is undeniable that the provision of day care services has enabled many parents, including many of those previously on welfare, to find and keep jobs while being assured that their children were well cared for. We do not dispute that this is an important reason for providing day care—indeed, a large majority of the parents in New York City day care are working parents.

However, until the advent of the new Federal Regulations it had been possible for States to receive Federal reimbursement for eligible children who needed day care for other than the work-related needs of their parents. For example, handicapped and emotionally disturbed children, children with other social problems which could be alleviated through group day care, children who could benefit from developmental programs unavailable to them at home, this whole group of children could, if financially eligible, receive federally-reimburseable day care services.

We miss the opportunity to strengthen families when we fail to provide day care which meets the needs of children.

We object specifically to the following:

Sec. 221.8(a)(1) limits the goal of day care services to "self-support." Completely eliminated is the language of current Regulations, such as old Sec. 220.16 and 220.51, which mandated services for wider goals, e.g. services "for each family and child who requires service to maintain and strengthen family life, foster child development and achieve permanent and adequately compensated employment." No longer are the words of the Social Security Act to be followed: "services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

Instead, the new Regulations give us the following definition: "Self-support goal: To achieve and maintain the feasible level of employment and economic self-sufficiency." This goal is unobtainable unless the other needs of children and their families are met.

Sec. 221.9(b)(3) defines the only circumstances under which day care may be provided, i.e. for employment-related reasons or because the mother is unavailable to care for the child because of her death, absence from home, or incapacity. Mentally retarded children may also receive day care. This definition defines narrowly the purposes for which day care may be provided, focussing mainly on employment and hardly at all on the needs of children. Further, it is incomprehensible to us why "mentally retarded" children are included, but handicapped and emotionally disturbed children are not. In addition, the Regulations define "mentally retarded" very narrowly, excluding a large number of children who are usually diagnosed as mentally retarded.

The new Regulations have eliminated sections of current Regulations which relate to the quality of the child care program. The high standards of the Federal Interagency Day Care Requirements need no longer be followed; money for staff training is eliminated; money for medical care in centers is eliminated. We can only conclude that H.E.W. is attempting to save money at the expense of quality child care programs. If this is allowed by Congress to occur, day care centers will become little more than all-day babysitting services which do not relate to the needs of the child nor foster the child's growth and development.

IN CONCLUSION

We feel that these are significant and important objections. If day care is not a means by which parents can participate in and be given some responsibility over their children's lives and education, and if day care is not a means by which child development can be fostered and families strengthened, then not only will true "self-support" not be achieved but in addition we will have a large, nation-wide program geared only toward the very limited goal of getting parents of day care aged children into some sort of employment. The program will have failed to take the opportunity to develop self-confident parents with responsibility for their children's education and development; it will further weaken the ability of families to function as cohesive, self-supporting units; and it will have failed to provide a means by which the children of the poor and near poor in this country can have their futures enhanced by quality child development programs.

STATEMENT OF THE DUTCHESS COUNTY (N.Y.) CHILD DEVELOPMENT COMMITTEE, SUBMITTED BY DOROTHY O. LASDAY, CHAIRMAN

The Dutchess County Child Development Committee, an advisory committee to the Dutchess County (N.Y.) Board of Representatives, with members representing 31 community organizations, was charged by that County legislative body in November 1970 to: (*a*) Explore the needs for day care centers throughout the County; (*b*) Encourage public and private initiative to develop day care centers and coordinate the efforts of these various groups; (*c*) Work out plans with local colleges to train teachers, nurses, social workers and para-professionals for day care purposes and to organize in-service training for day care center personnel; (*d*) Evaluate centers and help them improve their services; (*e*) Conduct appropriate research and studies; and (*f*) Apply for funds under private, or local or state and national programs.

Consequently, the Dutchess County Child Development Committee viewed with consternation the Federal Regulations on Social Services as proposed in the Federal Register on February 16, 1973. We were among the 200,000 individuals and groups who expressed concern to HEW in the month following publication. The final regulations published May 1st corrected some of the difficulties we delineated but not all of them, and created new problems.

We suggest that the following changes are needed relating to day care services for children if many working mothers are not to be forced to seek public assistance and if services are not to be seriously degraded.

(1) It is essential that day care services for children be a mandated service rather than optional (when included in the State plan) for two reasons:

(*a*) The problem of the local Commissioner of Social Services who prefers to keep a mother on Aid For Dependent Children, especially if this would cost less than purchase of day care services when she works. Day care services were not utilized for purchase of services by such commissioners, even when mandated, unless great pressure was exerted. We understand that the service even when included in the State plan is still optional.

(*b*) The ceiling on social services set by the State and Local Fiscal Assistance Act of 1972. Within one year it may result in the purchase of mandated services only. New York States Commissioner of Local Services has predicted that with the Federal take-over of the administration of financial assistance to the Aged, the Blind and the Disabled on January 1, 1974, the number of recipients may double because they will see this as a program similar to Social Security, rather than welfare—and each of these additional 300,000 would be entitled to one mandated service.

(2) We ask that the definition of "day care services for children," as introduced on February 16th and included in the May 1st regulations, be dropped and the former definition of child care services in home and out of home be returned. The new definition includes the "care of a child in his own home by a responsible person" for a part of a day, formerly called in-home child care—baby-sitting, which permits little or no control over the quality of care and the prevention of abuse. When the term "day care services" is used today, it implies care of a child for a portion of a day outside his home in a licensed or approved day care facility. (day care center, foster day care home, group day care home, etc.).

(3) An additional goal is needed for Federal financial participation in purchase of day care services for children—to meet the needs of the child. We have seen many instances where a child of a family receiving Aid For Dependent Children financial assistance desperately needs day care services, but would not qualify under the new goals, (applicable for adults) of self-support or self-sufficiency, nor is the eligible adult care taker incapacitated, nor the child mentally retarded.

(4) The Regulation with respect to standards is causing great concern. The tentative regulations published February 16th referred only to meeting standards for licensing. The final version published May 1st adds that day care facilities and services must comply with such standards as may be set by the Secretary. Rumors are circulating that standards are to be changed yet purchase of service agreements must be made under such yet to be defined requirements and individually approved by HEW Regional Offices. The 1968 Federal Interagency Regulations for Day Care have been directly responsible for up grading day care services all over the country, a job by no means completed. Any new regulations should be no less than those set by the Child Welfare League of America and the National Council for Homemaker Services.

(5) Elimination of the requirement of parental participation in choice of type of day care service and approval of that service, and also that state departments

provide a choice of service, may make possible serious infringement of the parent's individual rights and responsibilities. Many women will not work if they feel their children are not adequately cared for.

(6) Substitution of poorly defined "grievance procedures" for the fair hearing procedure now required is one more erosion of respect for the dignity of the individual.

(7) Eligibility determination for social services under the new regulations now includes a resource assets test as well as an income ceiling test, as has been in effect for financial assistance for a long time. The effect of this will be to exclude large numbers of marginal income families—the working poor—from services such as day care.

(8) Since one aim of social services under Title IV–A, is self-support, the new regulation prohibiting education and training benefits through federal-state matching programs is incomprehensible. This regulation assumes that the WIN-program has been implemented nation-wide, rather than confined to selected major metropolitan areas. Since there is no WIN-program in Dutchess County it would appear that AFDC mothers would not be able to take advantage of any federal-state education and training programs, such as the licensed practical nurse course that began last month.

(9) It is urgent that legal services be available for low and marginal income families for protection of property rights, suit for support, etc., as well as employment related problems. The new regulation prohibiting all legal services except those related to employment should not be implemented until new legal aid services legislation is enacted *and* implemented.

(10) Action is needed to eliminate the requirement of judicial determination for placement in foster care for Federal financial participation, despite Secretary Weinberger's statement to this hearing on May 8th that "the new regulations provide that services to eligible children placed in foster care at the request of the child's legal guardian are optional services which will be matched if the State provides them." The specific regulation—No. 221.9(b)(8)—states this option as "and," not "or", following the requirement of a judicial determination.

(11) Finally, we are concerned that federal financial participation has been ruled out a.) for in-service training of day care staff and b.) for licensing procedures.

(*a*) Day care centers employ as child care aides many former AFDC mothers who need the opportunity for in-service training to improve the quality of service to the children and for their own career developments. The Dutchess County Child Development Committee has been working to provide at least a monthly opportunity for in-service training through cooperation of the non-profit day care centers, Head-Start, Pre-K (a state pre-kindergarten program in the City of Poughkeepsie) and educational institutions in the County. In most instances the experts have volunteered their time; there has been no cost for facilities; but the centers have been able to claim federal reimbursement for supplies, transportation for staff, etc.

(*b*) Because new facilities would be too expensive to be feasible in most communities, licensing has been a lengthy process, requiring frequent visits of state staff to help non-profit day care centers develop existing community facilities to meet standards. Such expenses have had federal financial participation to encourage expansion of services to meet the needs in the community.

In upstate New York and especially in Dutchess County, day care services for working mothers have only recently started to make meaningful contributions to the employability of some AFDC mothers. From our survey in June 1972 to follow-up in April 1973 (nine months) an additional 100 children have been placed in group day care (non-profit day care centers, Head-Start and Pre-K), raising the total of children served to 593. A funding survey made in March 1972 indicated that 84% of non-profit day care in the County was provided through government funds—federal, state and county.

We urge that changes be seriously considered.

Statement of National Association of Social Workers[1]

Mr. Chairman, members of the committee, we are pleased to present this statement by the National Association of Social Workers in response to your invitation to comment on the impact of the final Regulations for Social Services, issued by the Department of Health, Education, and Welfare on April 26, 1973.

As you know, the issuance of these new Regulations initially, produced an unprecendented response from more than 200,000 individuals who found grave fault with the Administration's interpretation of the Congressional intent expressed in P.L. 95-512. Especially, objections were raised to those sections pertaining to social service eligibility and to program re-design.

The final Regulations, although responsive to some of the objections, were in final form still faulty in major details. NASW strongly differs with the Administration's view that the major thrust of such Regulations should be to make services available almost exclusively to current welfare recipients and that such services should be primarily work-related.

As they are drawn, the Regulations clearly erect barriers and create disincentives to the working poor. They recreate those "notch" problems so well-delineated and thoroughly explored by this Committee during the discussion of the Family Assistance Plan.

Under previous Regulations for social services, the role of the Federal government was to establish guidelines to implement the Congressional intent and gave the Federal government the responsibility to assure fiscal accountability. The role of the States was to create and particularlize plans in keeping with the population characteristics of their communities and the service needs of their citizens. The States were accountable for programs.

In our view one of the most important factors contributing to runaway service costs, and for establishment of the $2.5 billion ceiling for social service purposes was the failure of the Administration to exercise its role and to allow some States to circumvent Congressional intent.

In these new Regulations, the Administration has undercut the capacity of the States to particularlize and plan their own service programs.

In our view there are three ways in which this basic fault can be corrected.

1. The new Regulations should clearly define and demark the Federal and State roles in language which will directly reflect the Congressional intent to give program flexibility to the States.

2. The regulations should reflect a concept of prevention and give emphasis to services for the working poor (former and potential recipients) and to eliminating disincentives to moving from public assistance roles.

3. Full authorization of $2.5 billion should be made in FY 1974 and clear support for this as a basic program.

There are some particular areas of concern of which we know you are aware. These we would mention now and urge you to consider them at the outcome of these hearings.

ELIGIBILITY

One of the most onerous provisions of the new Regulations is that now, for the first time, eligibility for social services requires an assets test of the poor and potential recipient which is identical with the limit on assets required from recipients of income programs.

This is a disincentive for the economically marginal and working poor which will either force people onto welfare assistance rolls to become eligible for services or it will act as a deterrent to those in need of service who are understandably reluctant to become equated with the welfare eligible. Such a requirement is the basis of a "notch" problem of major proportions.

Likewise, the imposition of an earnings test—150% of the State payment level—will in many States, constitute a clear disincentive. It points up once more the highly inequitable and discriminatory principle that exists among welfare recipients in some States.

The time limit imposed on former and potential recipients is another eligibility feature which will act as a barrier to service and ultimately will lead to an increase in welfare recipients.

Finally, when Congress specified that at least 90% of the funds for social services must be expended on current recipients, Congress simultaneously designated categories of exceptions. These exceptions were a recognition that there are identifiable populations not currently receiving welfare payments, who are appropriately the responsibility of public agencies for services. In sharp contrast, the Administration's new Regulations have chosen to take a "strict constructionist" viewpoint and have tried to narrow the service eligible, and so restrict eligibility that only current recipients can obtain services.

We recommend that the Committee either redefine the 90% requirement or that additional categories of persons (aged, handicapped, etc.) be included as exceptions. Perhaps both courses could be taken.

SERVICES

For many months, our Association worked with the Community Services Administration of the Social and Rehabilitation Service in HEW to devise a goal structure which would guide the provision of social services. The idea of the goal structure was to recognize a variety of social service needs ranging from those totally dependent and within institutions to those persons in the community who have the capacity to be totally self-sufficient. Along this continuum, various categories were described. The four suggested goals seemed to us to be comprehensive enough to include all foreseeable circumstances which would need social services.

We were dismayed, when we reviewed the Regulations to find that the only viable goal was self-support and all other gradations of dependency requiring social services had been, for all practical purposes eliminated.

Recognizing that a goal structure is a desirable feature of responsible social services systems, we recommend that the Committee restore the full range of services from total dependence to total self-care, with definitions of those to receive services and of the nature of the services they should receive.

The new Regulations are faulty in the area of definition of mental retardation. Also day care and legal services are tied to criteria of employability which not only unduly limits those who receive these services but grossly distorts actual needs of those in the community who would need to utilize such services. Legal services directly related to the problems recipients regularly encounter are a necessary service.

Another major problem arises from the scope of service. It is our view that the number of services mandated is much too narrow and that the range of optional services completely limits the capacity of the States to continue or initiate programs found useful. Our recommendation would be that the Committee increase the range of such mandated services, particularly adult and child services, and that family planning and homemaker/home health aid ought particularly to be mandated. States also should be allowed the option to initiate services of their own not contained in the list of either mandated or optional services. These State-initiated programs also should be funded at a 75% matching level.

One of the aspects of the new Regulation which concerns us is the move away from participation of recipients in an advisory capacity to help to plan and evaluate or otherwise to participate in the design and delivery of services.

In our experience recipients respond most beneficiary to programs in which they have had a part in the planning, especially services programs which are tailored to requirements of cultural ethnic, or community traditions.

The linkage between the new Regulations and the Supplemental Security Income Program under PL 92-603, effective January 1, 1974 is not clear to us. It appears to us that in the Regulations before you the aged, blind, and disabled are not sufficiently delineated by definition or description of services needs to meet the intention of the Supplementary Income Program. Since the number of recipients will be expanded and will include populations not heretofore eligible for services, it would seem the Regulations should anticipate such expansion and provide a plan which would be effective with the least amount of burden to recipients and dislocation of administration.

We strongly recommend that the Committee view the Regulations in full anticipation of implementation of SSI on January 1st.

We would like to add one word to have you reconsider the restrictions on Puerto Rico, the Virgin Islands, and Trust Territories. The poverty and service needs of these populations is great and neither the service dollars nor the new regulations give them any added resources to meet these problems.

Mr. Chairman, we commend you and the members of the Committee for exercising oversight of the Regulations to insure that Congressional intent (contained in PL 92-512 and PL 92-603) is fully realized. In our view, a necessary component to success of programs is the flexibility and accountability of social service systems. We believe the Regulations promulgated by HEW are deficient in accomplishing these objectives.

We are encouraged by the interest and dedication of yourself, Mr. Chairman, the members of the Committee and of the Committee staff, in undertaking this timely and we trust constructive revision of services.

Again we thank you for considering this statement and look forward to a continued working relationship with you.

STATE OF NEW MEXICO,
HEALTH AND SOCIAL SERVICES DEPARTMENT,
Santa Fe, N.Mex., May 17, 1973.

Re new social services regulations.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. VAIL: The following observations are sent you for inclusion in the record of the hearings on the above subject.

Although the Social Services regulations promulgated by HEW on May 1 are a far cry from those originally proposed, there remains one important area of need to which they are not responsive, and where they do not reflect the intent of Congress: I refer to those families whose income disqualifies them from receiving free services but whose income is patently not adequate for them to pay the full price for services.

This area of need is recognized in the new regulations, in only one place, in the area of day care. For that essential need, the regulations provide that families whose income would otherwise disqualify them may nevertheless receive child care services at less than cost through the sliding-fee provision of 45 CFR §221.6(c). But this single exception to the income limit for free services is such an obvious need that it obscures other services that deserve similar treatment.

This introduction of the sliding-fee concept into the services system is one we welcome, because it bridges the gap between those who cannot afford to pay anything for services and those who can bear the full cost. We believe, however, that this desirable concept should be extended to the entire range of services available.

Without attempting to justify the inclusion of each service individually, let me simply point out how valuable the sliding-fee scale would be for family planning services and for homemaker services.

The family consisting of an unwed, working mother and one or two children is the very group to which family planning services should reach. But the group's income can easily exceed 150 percent of the state's assistance payment standard. Child care services might well be available on the sliding-fee scale, but family planning services would not. Family planning would be available to that group only at full cost.

As to homemaker services, consider the plight of the elderly person receiving Social Security who becomes ill, and then must convalesce for a time at home. His income may well exclude him from free services, but it is evident he needs homemaker services to keep his house, prepare his meals, etc. But his income quite probably would not permit his buying those services at full cost. Or consider the working unwed mother referred to above. If her child became ill, she could probably not afford to hire someone to care for him, and she would be forced to give up her job and stay home.

In the area of child care, also, we are concerned, and disappointed, that only for mentally retarded children is the program child-oriented. To enable the caretaker relative to be employed or trained is an appropriate justification for child care. So is the incapacity, absence, or death of a mother. (Shouldn't the word be "parent" rather than "mother"?) But what about child care that is necessary for the development of the child, as in a low-income family where emotional problems combined with (or, as a result of) too many children makes it impossible for the mother to give adequate care to her children, even perhaps to neglect them. In that case, child care oriented to the needs of the children would be more than justifiable. We believe "child development" is a purpose that should be added to the regulations.

Our main concern, however, as noted above, is that the sliding-fee concept be broadened. We believe the intent of the Social Security Act would be well served by the sliding-fee arrangement's being applied to all services. At the very least, it should be extended to such vital services as family planning and homemaker services.

Sincerely yours,

RICHARD W. HEIM,
Executive Director.

UNITED DAY CARE SERVICES,
Greensboro, N.C., May 16, 1973.

DEAR MR. VAIL: We have received and reviewed the revised Social Services Regulations published in the May 1 issue of the *Federal Register*. I am writing to advise you of the concerns of several of my colleagues and I in this regard.

We were of the impression that efforts were being made to liberalize the regulations from the very restrictive initial regulations issued in February. At first glance this appeared to have been done. However, as we have worked to understand and interpret the regulations we are feeling that every effort at liberalization was countermanded by restrictive clauses somewhere else in the regulations.

An illustration of this is the fact that although the regulations say that past and potential recipients will be eligible for help with the requirement that they pay toward the cost of service on a sliding fee scale there is the countermanding limitation elsewhere in the regulations saying that no one who has resources equal to or greater than 233 percent of the basic public assistance budget will be eligible for any help at all. We recognize that there are differences in the cost of care from one state to another but the great differences between the basic budget levels in the various states will result in a very inequitable and discriminatory application of federal funding. As we interpret the revised regulations and compare it with the existing sliding fee scale in North Carolina we anticipate that any one who was expected to pay 20 percent or more of the cost of care in the past will now have to pay the full cost of care. If we are interested in helping families move toward maintaining themselves as self-supporting units then we certainly should not have a funding policy that states that if you are able to pay more than 20 percent of the cost of a needed service that you are able to pay all of the cost of a needed service. This is the effect of establishing the 233 percent cut-off point in North Carolina if the current fee scale continues to be used. We would anticipate that any changes made in our fee scale would have the potential for even further negative results.

I would have the same basis of concern for the revised definitions of former and potential recipients. If we are working toward helping families we need to move in the direction of recognizing "need" as "need" regardless of technical points of eligibility. The previously broad definitions of "former and potential recipients" were steps in this direction. This revision of the Federal Regulations narrows and limits the potential for helping many persons who are really in need of services.

My colleagues and I are fully cognizant of the reality that Federally subsidized social services have been interpreted by some as being a means of providing services only to the "poor." We are concerned that through the regulations the reality is becoming such that help will be available only for a selected group of the "poor" who are defined as "eligible." We may be wrong to do so but we continue to hope that our country will move in the direction of helping meet "human need" on that criteria alone.

Please share these concerns with the appropriate persons who are reviewing the question of whether additional legislation is necessary to support the right of our citizens to have help toward fuller and more meaningful lives.

Sincerely,

CARL C. STALEY, Jr.,
Executive Director.

FAMILY AND CHILDREN'S SERVICES ADVISORY COMMITTEE,
Concord, Calif.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: We appreciate this opportunity to express our views on the May 1st revisions of the HEW Social Service Regulations. The regulations introduce several new and sound concepts. These are:

1. A sliding fee scale for child care services.
2. Federal participation in payments for information and referral for purposes of securing employment and training without regard to eligibility for assistance or other services.

We would like to see these concepts expanded to include other social services. We believe information and referral should be made available to those who find themselves in crisis situations. Referral service could be used in those communities with resources to provide crisis intervention through other agencies; otherwise the public social service agency could do so using the sliding fee scale to help these persons for time limited periods.

We cannot overemphasize our deep conviction that this kind of service must be available to all persons. The social service office is particularly well suited to provide information and referral as well as crisis intervention to help avoid personal or economic disaster.

Another part of the regulations which concerns us is the definition of educational services which contains the words "at no cost to the agency". Contra Costa County has trained numbers of persons (ineligible for WIN) who have been able to move from the welfare roles to self sufficiency. This high success rate has been achieved at minimal cost.

We recognize the need for financial responsibility, but we would urge the Congress to allow local jurisdictions the freedom to continue those programs that have proved successful in the fight on welfare dependency.

Should you be interested, we would be happy to provide you with case information and cost figures.

Sincerely,

(Mrs.) ANN LENWAY, *Chairman.*

WESTCHESTER COMMUNITY SERVICE COUNCIL, INC.,
White Plains, N.Y., May 15, 1973.

STATEMENT ON SOCIAL SERVICE REGULATIONS

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

DEAR SENATOR LONG: The Westchester Community Service Council is pleased to see that the new HEW regulations have been modified in some important respects, notably by allowing the use of privately donated funds to match federal grants and by relaxing the eligibility standards for day care applicants. These are certainly improvements in response to widespread reaction from agencies and individuals concerned with providing social services.

However, the time factors for services to AFDC recipients have not been changed and we feel this is unfortunate. Reducing the time during which those people who have just gotten off welfare may receive services from two years to three months seems to us to defeat the stated purpose of the Act which is to encourage self-support and keep people off public assistance rolls. We suggest that this time limit be extended to a more reasonable term such as one year.

Sincerely yours,

Mrs. GEORGE J. AMES, *President.*

COMMUNITY SERVICE SOCIETY,
DEPARTMENT OF PUBLIC AFFAIRS,
New York, N.Y., May 16, 1973.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: We welcome the inquiry by the Senate Finance Committee into the regulations issued on May 1st by the Department of Health, Education and Welfare to govern the social services programs. We share the concern of the Committee that they too severely restrict these services and may not be consistent with the Congressional intent. We are pleased to have this opportunity, in connection with the public hearings you are holding, to state our views.

After the regulations were proposed last February we wrote to the Secretary stating our objections and making suggestions for change. The Department has slightly modified some of its proposals but the new regulations are still objection-

able. If the new regulations are allowed to stand they will discourage self sufficiency and self support—the two stated goals of the regulations—and will be most harmful to persons who need social services.

ELIGIBILITY

The severe restrictions on eligibility will reduce markedly the number of persons who can obtain services. In effect they limit services almost exclusively to the recipients of public assistance. The limitation of services to former public assistance recipients who have received aid within three months, and then only to complete the services already initiated, will mean that many families who have managed to move into self support will be compelled to return to the assistance rolls. A three month period is in many cases insufficient for remedial services to show results. The restricted definition of potential recipients means that many of the working poor who, with the aid of social services could have remained independent, will be forced onto the assistance rolls. To make people ineligible if they have assets in excess of those permitted eligible public assistance recipients will surely discourage initiative and savings. The denial of service to an otherwise eligible potential financial assistance recipient if his income is 150 percent above the State's welfare standard of need is particularly restrictive. In many States this standard is very low and barely provides for the essentials of life—food, clothing and shelter for the family—and certainly affords no leeway for buying services. Many, many thousands of the working poor have incomes only slightly above this level. In other States the welfare standard of need has not been adjusted to rising prices for many years. In New York State, for example, the standard is based on the cost of items in 1969 despite a price increase of 23.4 percent. A more realistic income level for eligibility must be established so that poor working families can obtain services which help them to remain independent of financial assistance.

Eligibility for day care services does indeed set a higher income limit. Yet in view of the extremely low levels of welfare standards in many States the 233⅓ percent above the standard yields an income that is very little above the poverty level.

These restrictions on eligibility will save money in the short run but to the extent they remove supports from families who can continue to work only if services are provided, they will cost more in the long run for they will force people onto the welfare rolls.

We urge a return to the eligibility provisions of the prior regulations, including the provisions for group and geographical eligibility.

DETERMINATION AND REDETERMINATION OF ELIGIBILITY

The requirement for redeterminations of eligibility every six months (three months in some cases) is both unnecessary and administratively costly. This is especially so in the case of aged, blind and disabled recipients whose situations tend to remain unchanged and who as a group are seldom charged with abuse. Unlike a cash payment program, the agency is continually in personal touch with the recipients in service programs and controls over continuing eligibility could surely be secured through appropriate administrative procedures.

THE RANGE OF SERVICES

The numbers and kinds of services that can be provided have been sharply cut. Only three of the twelve services a State is now mandated to provide to families have been retained, namely family planning, foster care and protective services. Because in many cases services are the key to whether families and adults can achieve higher levels of independence we urge that at least the prior mandated and optional services be reinstated so that eligible persons are not deprived of such highly important and essential services as day care, employment services and training and others.

We also object to the proposed restriction of legal services to matters connected with obtaining or retaining employment. Nor do we see the necessity to limit information and referral services when provided regardless of eligibility to matters concerning employment and training.

The regulations governing foster care for children is unclear. Our reading leads us to believe that such services would be available only for a child placed as a result of judicial determination and at the request of the legal guardian—the

latter at the option of the State. This new requirement of judicial determination in all instances would impose great hardships unnecessarily. Many children need to be placed for brief periods—when a mother is hospitalized and there is no one to care for the child or when a mother dies and a father needs temporary arrangements. To deny a service to such a child is most unfortunate but to force the child and his family through a court procedure further compounds an already tragic home situation. We hope that this regulation will be changed so that a child needing the service will be given it whether or not there has been a court determination that he needs a foster home service.

It is deplorable that the May 1 regulations make optional rather than mandatory all of the eight prior mandated services for the aged, blind or disabled individual. Many are essential to help a person remain as self-sufficient as possible. For instance, until now a State has been n andated to provide services to help an individual remain in his own home. In the new regulations these are optional services and if a State does not choose to provide them a person may be forced into total dependence on the more expensive and frequently less desirable institutional care. Also, many eligible older persons have been able to stay off the welfare rolls, and have chosen to do so, because of the social group services that helped them to maintain their mental and social well-being. This kind of service is neither optional nor mandated in the new regulations.

DAY CARE SERVICES FOR CHILDREN

The severe restrictions in the new regulations on day care services run counter to the prevalent belief that the care of children during the day is a supportive service that is essential if families are to achieve and maintain independence through employment. The regulations would make day care an optional rather than a required service. Nor do they contain sufficient safeguards as to the quality and appropriateness of such services that are supplied. The regulations do not require conformity of standards with the Federal Interagency Day Care Requirements and state only that day care facilities and services must "comply with such standards as may be prescribed by the Secretary." This leaves an undue amount of discretion with the Secretary. There is no requirement, as in the prior regulations, that the program be suitable for the individual needs of the child, and they fail to require that the caretakers relative be involved in the selection of the child care source to be used.

We urge that the regulations be amended to provide that child care provisions 1) be mandated on a State 2) be available to all children whose families cannot pay for them 3) meet at a minimum the Federal Interagency Day Care Requirements 4) include family care in addition to own home and day care facilities 5) require that the service meet the developmental needs of the child and 6) involve the caretaker relative in the selection of the child care service.

ADVISORY COMMITTEES

It is increasingly recognized that citizen and consumer involvement is important for the sound development of State and local social services programs. It is therefore especially regrettable that the new regulations eliminate the requirement that a State establish advisory committees on the adult services and on the AFDC and child welfare services. Consumer representatives should be among the members. Although the regulations mandate an advisory committee on day care services they fail to require consumer representation on the membership. This requirement should be reinstated.

FAIR HEARINGS

The new regulations no longer require a fair hearing when an applicant or recipient has a grievance about the operation of a service program. The continuation of the requirement that a State set up a grievance system is not an adequate substitute for the important procedural step of a fair hearing.

In summary, these new regulations will so substantially change the nation's social services programs that they will adversely affect the lives of vast numbers of children, families and adult individuals. While the regulations will sharply reduce costs, it is shortsighted to do this by denying needed social services. The costs to the nation in the long run will far outweigh the immediate savings when persons who need help do not get it. The concern of the Senate Finance Committee in the far reaching implications of the new regulations is greatly appreciated.

Sincerely yours

MRS. C. REYNOLDS PRATT,
Chairman, Family and Child Welfare Committee.

CHILDREN'S SERVICES DIVISION,
DEPARTMENT OF HUMAN RESOURCES,
Salem, Oreg., May 11, 1973.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The Child Welfare Advisory Committee for Oregon's Children's Services Division sent you, early in March, a copy of their report documenting the disastrous impact of the proposed federal regulations on services for children and families in Oregon. The Committee has been keenly concerned over the potential decimation of children's programs inherent in the regulations.

We find the final draft of the regulations disappointing and frustrating. They still contain most of the original restrictions. A few concessions were made in the restoration of the use of some private funds for state matching purposes; the slight raising of eligibility levels for potential recipients; the broadening of the definition of day care to conform with the language in the law establishing the ceiling on social services; the addition to day care definition of "such standards as may be prescribed by the Secretary." (However, the contents of these standards is unknown and no reference has been made to the 1968 Federal Interagency Day Care Requirements. It is likely that under the new standards only custodial care will be required.) The regulation forbidding the use of federal money for services—one of the most disastrous rules as far as foster care is concerned—has been modified only by the change in the definition of foster care services. There is no change at all in the payment for the services component.

The Advisory Committee feels that the final regulations are unacceptable. They will result in insufficient and substandard services for children and families. They are not consistent with Congressional intent to preserve social services for families and children. Even though the ceiling already placed by Congress on federal funding for social services under the Assistance Titles will limit services in many states, it does so with far less restriction on eligibility and the state's ability to provide a variety of needed services.

We applaud the fact that you and your Committee on Finance are holding public hearings on the HEW regulations. We hope that these hearings will be instrumental, at least, in amending the final regulations so that they will be much more consistent with Congressional intent.

Respectfully,

(MRS.) R. W. BABSON,
Chairman, Child Welfare Advisory Committee.

COMMUNITY COORDINATED CHILD CARE IN DANE COUNTY,
Madison Wis., May 17, 1973.

From: Community Coordinated Child Care in Dane County, Inc., Aurelia Strupp, *Director.*

Re statement for Senate hearings on revised social service regulations issued May 1.

TOM VAIL,
Chief Counsel, Senate Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

Community Coordinated Child Care in Dane County, Inc. is a non-profit corporation whose purposes are: to promote and help develop a means for coordinating services for children; to provide a means for the exchange of information between agencies and between consumers and providers of child care services; to improve the extent and the quality of child care services available in Dane County in cooperation with the existing private and public agencies; to provide education and information related to the benefits and needs of child care service in Dane County; to establish a basis and a means for more effective planning and continuity of service to children and their families; to assist in developing efficient use of local resources; and to aid in eliminating waste, unnecessary duplication and overlap in child care services and related programs.

The membership of 4-C in Dane County includes both agencies and individuals concerned about services for children. Member agencies send board, staff and parent representatives as voting members. Our current membership includes:

17 full day care programs
28 part-day programs for preschool children
3 extended day care programs for school-aged children
a home visitation program
1 multi-purpose neighborhood agency
1 social service agency
city government
a children's treatment center
a mental health agency
30 individuals

Our member agencies are providing direct service to approximately 2000 children between the ages of 0-7 on a regular basis. This represents about 10% of the children under the age of 7 in Dane County.

4-C's in Dane County has been and continues to be extremely concerned about the proposed Social Service Regulations and the manner in which the proposed changes have been promulgated.

The impact of the first drafts of the proposed revisions, which were read into the Federal Register on February 16th, would have been to exclude 109 of 150 families currently eligible for day care services for children of working parents in Dane County. Approximately 75% of these families are single-parent families. One must note that Dane County Wisconsin is one of the wealthiest counties in the country and that the numbers of eligible families is probably proportionately lower than in other parts of the country.

A less obvious, but significant effect of these proposed regulations was the disruption of the lives of 109 families through the issuance of new regulations which made no provision for planning time for families who would no longer be eligible. Parents had no way of determining when the proposed regulations would be put into effect or even when they would be informed of their eligibility.

We wish to urge you to require the Social Service Regulations to include a "grace period" for families being served. We would recommend the regulations require that all families receiving services be notified in writing of any changes in eligibility or other modifications which would effect the services they are receiving and that services continue to be provided for a 30 day period following such notification. This would insure families a brief planning period.

While the revised regulations (issued May 1) widened the eligibility for services, the overall effect still appears to change the original intent of the legislation and to restrict spending beyond the Congressional ceiling of $2.5 billion. In addition, the added levels of "red tape" may tend to increase the administrative costs and further limit the amount of money available to children and families.

The new regulations place an increased emphasis on the "self-sufficiency" and "self-support" of adults while almost no attention is given to the needs and development of children. The many families who, for a variety of reasons, are needing and seeking help with their important task of child-rearing will be unable to obtain that help. How can mothers who are the sole support of children move toward "self-sufficiency and self-support" without the availability of quality child care facilities? Why is it that children must always be denied the services they need and deserve?

There are some specific areas in the Social Service Regulations which we would like to see changed:

1. The eligibility criteria, both time and income, should be expanded to provide services to the working poor.

2. The oringinal mandated services should be reconsidered and the list of the current mandated AFDC services (now 3 services) should be expanded to include other services important to assisting families such as day care for children of working parents, homemaker services, legal services, etc.

3. The provision of an advisory committee for day care services is good but advisory committees should be required in other areas as well to insure consumer input and interagency cooperation.

4. The standards for day care services do not include the Federal Interagency Day Care Requirements but instead requires compliance with unknown standards which "may be prescribed by the Secretary." We have no assurance that the Secretary will prescribe standards that are good for children. The definitions in this section provide no federal standards for out-of-home care for states which do not license family day care homes.

5. These revised regulations and other federal cutbacks on human service program funds are creating problems at the local levels. Local and state governments saw revenue sharing as a way of providing tax relief and were not aware that many human services would lose their federal dollar support. Therefore, no means have been established to develop local priorities for the use of revenue sharing funds in place of federal funds. As a result, children and their families will be denied services which they need.

STATE OF NORTH DAKOTA,
EXECUTIVE OFFICE,
Bismarck, May 15, 1973.

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

DEAR SENATOR LONG: I have been observing with considerable interest the testimony presented by HEW Secretary Weinberger before your committee regarding the final Social Service Regulations.

The final Social Security Regulations will surely handicap our efforts to continue a comprehensive and preventative social service program. Limitation of eligibility for services to public assistance recipients (4% of the state population) and others whose income is closely related, successfully ignores the needs of the majority of our population. For those individuals and families who have sought or who have been referred to and benefited from Social Service Board programs, this assistance for most will end July 1, 1973. With limited referral sources to continue the service, that good that had begun cannot be completed.

As a rural, sparsely populated state, it has been impractical and would be inefficient to develop a paralleling program similar to those services currently provided by the Social Service Board of North Dakota.

I am in agreement with the Congressional imposed federal ceiling on federal social service funding as I am similarly supportive of the Social Service Board of North Dakota's decision to resist extensive involvement in the purchase of social services.

I do not agree with regulations which exempt the majority from eligibility for governmentally supported social services. I would urge that a modification be made in the limited definition of "former" and "potential" recipients and that income levels be waived with eligibility for social services reverting to those standards which existed in federal Social Security Regulations prior to May 1, 1973.

Sincerely yours,

ARTHUR A. LINK,
Governor.

STATEMENT BY THE NATIONAL URBAN LEAGUE

The National Urban League is a professional, non-profit, non-partisan community service organization founded in 1910 to secure equal opportunity for black Americans and other minorities. It is governed by an interracial Board of Trustees and is concerned with fostering harmonious race relations and increased understanding among all people in these United States.

The League seeks solutions to problems of income, employment, health, education, housing, human and civil rights for all black and brown Americans who seek a better way of life. It recognizes that no meaningful or significant amelioration of these problems can be effected without a prerequisite change in the interlocking network of systems which produce black-white disparities.

It works through local affiliates in 101 cities located in 37 States and the District of Columbia, five regional offices and a Washington-based Department of Governmental Affairs. These units are staffed by over 1600 persons, skilled in the social sciences and related disciplines, who conduct the day-to-day activities and programs of the organization throughout the country.

Strengthened by the efforts of more than 25,000 volunteers who bring expert knowledge and experience to the resolution of minority problems, the National Urban League is unique as the only national educational and community service agency which devotes its entire resources to the use of social work and proven research techniques for bettering the lives of the disadvantaged and for improving race relations.

The National Urban League, after careful study of the short and long-range impact of the proposed social service regulations, considers these proposals to be

detrimental to and totally out of line with the poor's basic needs and heedless of their elementary rights as free Americans.

Although the income eligibility for potential recipients has been raised to 150% of a State's payment standard, no federal funding of services will be available for any potential recipient with family income over 150% except for day care. There is a real danger that since the income limits in many states are so low and day care fees are so high many families will be unable to afford needed day care services. The regulations allow the Secretary of HEW to prescribe day care standards. They make no reference, however, to the 1968 Federal Interagency Day Care Requirements. We fear that these new standards, which are still unknown, will not require a comprehensive program of essential services such as education, nutrition, health, social and family services but may allow only the most minimal custodial care. This probability coupled with the elimination of any requirements for professional staff for program planning, supervision, monitoring and evaluation will make day care, for many in this country, an emasculated system of hollow promises.

Day Care, along with educational, employment, health, homemaker, home management and housing services should be reclassified as mandatory. These are the very services which allow both families and individuals to acquire and maintain self sufficiency. If such services remain optional there is a real likelihood that States will not make them available. Clearly, such a course would undermine the very intent of the social services system.

Besides becoming mandatory, each service should have the guidance of an Advisory Committee with representation from the recipient group. In a time when citizens are being urged to participate at all levels of the democratic process and the citizenry themselves are actively initiating such groups as consumer committees, the poor should not be disenfranchised from influencing those activities of immediate and vital concern to them.

We understand that an aggressive effort will be made to keep ineligibles off the public assistance rolls. However, since fiscal penalties will only be imposed upon the States for overpayments and not underpayments, there is a great probability that States, to remain "on the safe side", will deny assistance to anyone who presents a case considered to be borderline. Such a probability is enhanced by the fact that HEW has removed terminations and denials of aid from the quality control system. Thus, any check on State errors which keep eligible persons from receiving needed assistance is effectively eliminated.

Under the AFDC program, a family will be eligible for services if it (1) is currently receiving financial assistance, (2) has applied for or received assistance within the past 3 months or (3) is likely to apply for or receive assistance within 6 months. Prior regulations defined "potential" recipients as those likely to become recipients within five years and "past" recipients as those who had received assistance within the previous two years. The modified regulations will negate much of the positive thinking and progress HEW had exhibited in this area. The very existence of social services points to this country's understanding that the poor need certain services for a reasonable length of time. Although some people may not need services within the two and five year time spans, those who do should have full opportunity, during those periods, to utilize such services. The three and six month time spans will not promote self sufficiency, independence or efficiency. It will, however, increase the time lost and the funds expended for additional administrative procedures.

The right to privacy and personal dignity is no longer protected. Current regulations require that the eligibility determination process be accomplished with "common decency". Included also is a list of abuses previously found by HEW to warrant specific mention as being prohibited. Such references have been deleted in the regulations and replaced with the simple phrase, "entering or searching a home illegally". Therefore the poor, because they are poor, will be abandoned to the whims of untrained and subjective local welfare workers who must arbitrarily decide what is or is not legal. This can be seen only as the basest harassment.

Completely eliminated in the proposed regulations are virtually all current federal standards and guidelines pertaining to the methods and procedures which may be used by the States to determine and redetermine eligibility. Although current regulations do not prohibit States from checking an applicant's statements on the application form, where such verification is necessary, present AFDC regulations do prevent unnecessary, time-consuming and administratively costly double and triple checks. These regulations which appear in 45 C.F.R. 206.10

(a)(12) saw applicants and recipients as responsible adults whose cooperation is useful in aiding the welfare agency make the eligibility determination. This rule is repealed in the proposed regulations. The result will be an unnecessary and, perhaps, devastating delay in an applicant's receipt of assistance and an unavoidable increase in administrative cost.

The present "affidavit" or "declaration" system has facilitated the granting of assistance to those most in need. There is no compelling evidence that the affidavit system has in any way increased the rate of fraudulent applications. Indeed, much of the day-to-day business transacted in this country is based on the initial assumption that people are acting in good faith, e.g. credit applications, income tax returns, etc. By discarding this system the poor, once again, are being unduly prejudged and labeled as essentially lazy and larcenous. HEW in its own 1971 publication "Welfare Myths vs. Facts", admits that, "Suspected incidents of fraud or misrepresentation among welfare recipients occur in less than four-tenths of one percent of the total welfare caseload in the Nation, according to all available evidence. Cases where fraud is established occur even less frequently". This percentage is far less than the rate of income tax frauds.

Fair hearings and appeals procedures and the advancements made in these areas will be dramatically reversed. The intent of such court decisions as Almenares v. Wyman and Serritella v. Engleman will be shortcircuited. The proposed regulations will permit local welfare agencies to terminate or reduce assistance prior to the person's opportunity for a state fair hearing, as long as these agencies provide an "evidentiary hearing meeting due process standards". This means that the very agency that is proposing to take the action will have the power to hold the pre-termination hearing. If the evidentiary hearing does not conclude in the client's favor, reduction or termination is effective immediately. Meanwhile, a family is without funds to cover basic needs while awaiting a state fair hearing which may take months.

HEW has proposed these changes in all categories and applicable in all states, despite the fact that in 1972 Congress specifically authorized "local evidentiary hearings" only in the adult categories and only in those states with state supervised and locally administered programs not in state administered programs. See P.L. 92-603, S407 (HR 1).

In the preceding comments, we have attempted to point out only a few of the many aspects of the proposed social service regulations which will effectively harass and degrade the poor and working poor. These proposals not only would deny these citizens prompt access to the most basic human needs but would strip them of those rights to privacy and equal protection which we all have come to expect and enjoy.

The red tape and added paperwork which these proposed regulations would produce will be both counterproductive and more costly then the present system, if it is indeed the administration's purpose to help people.

We urge this committee to reflect upon these comments and reject those regulations which are both retrogressive, administratively unsound and costly.

STATEMENT OF THE HEALTH & WELFARE COUNCIL OF METROPOLITAN ST. LOUIS

The Health & Welfare Council of Metropolitan St. Louis appreciates the opportunity to submit its views on the regulations of the Department of Health, Education and Welfare regarding the social services provided with federal matching funds under the Social Security Act.

The regulations published on May 1st in the Federal Register represent a decided change in the emphasis and direction of the public assistance related social services. The most striking feature of these regulations is a narrow and limited interpretation of the law. In some instances they appear even to be in clear violation of both the letter and the spirit of the law.

While some of the changes are positive most are decidedly negative.

On the positive side is the formalization of the concept of goal oriented services. The regulations require that all services must be directed at the attainment of two specific goals, namely, self-support and self-sufficiency. The regulations also require that the effectiveness of the services must be evaluated periodically to determine whether or not they are achieving these two goals. While these requirements appeared in the revoked parts they are more specifically and forcefully restated in the current version.

The regulations have restored the right of states to use donated private funds as the non-federal 25 percent matching funds. Although the language of the old and new regulations pertaining to this matter is almost identical, the Department indicates it will strictly enforce the conditions under which these funds may be used for matching purposes.

The formalization of the provision of day care services for families with marginal incomes is also positive. The new regulations permit a state to provide day care services to families whose income is below 233⅓ percent of the State's needs standard. For a family whose income is between 150 percent and 233 percent of the needs standard, the State has the option to institute a fee schedule. This liberalizing provision is, however, partially negated by the requirement that a family must meet the State's resource limitation which in Missouri is $1,500. This limitation which applies across the board to all services for "potential" recipients has the effect of an economic disincentive.

The definition of Day Care Services was also broadened from the proposed regulations to make it available not only in employment related situations but also when the mother is incapacitated and also to provide it for eligible mentally retarded children. It is regretable, however, that the new regulations eliminated the requirement that day care services comply with the standards of the Federal Interagency Day Care Requirements. This requirement should be reinstated.

Unfortunately, the negative features of the new regulations far outweigh the positive. The most negative implication is the deemphasis of the preventive and rehabilitative role of public assistance related social services. Both the regulations and the explanatory statements emphasize that the intent of the new social services regulations is to concentrate social services mainly in behalf of current recipients and to assist families in getting off welfare and to prevent them from becoming dependent on welfare and not to provide services to those who can afford to pay for them. While this is a defensible objective it is based on some erroneous assumptions. Further, the procedural and substantive limitations of the regulations preclude this laudable objective from being accomplished.

A majority of families and individuals with marginal income for whom self-support is a viable goal are not receiving public assistance payments. Therefore, the rigid requirements pertaining to "potential" or "former" recipients (in spite of the liberalization of the income level from 133⅓ percent of payment level to 150 percent of needs standard) will make it difficult if not impossible to assist them to retain their capacity for self-support. Potential recipients will also be discouraged from requesting services because the regulations require that they subject themselves to an intensive eligibility determination.

A further complication is the limitation imposed by the Congress last fall that only 10 percent of the social service funds can be expended for "potential" or "former" recipients. The Congress is strongly urged to remove this ill advised restriction.

An examination of who receives public assistance, especially AFDC, indicates that the prospects of making this population group self supporting or self sufficient is a long term proposition which requires a combination of an adequate income program and intensive and integrated services. The new regulations make this task even more difficult. The services mandated for the family services program have been reduced to family planning, foster care and protective services for children. It is important to note that none of these services have any direct relationship to the self-support goal.

Furthermore, limiting mandatory services to these three seems to be in violation of both the intent and the letter of Title IV-A of the Social Security Act. The following excerpts from the Act substantiate this point:

"Sec. 402. (a) A State plan for aid and services to needy families with children must . . . (14) provide for the development and application of a program for such family services, as defined in section 406(d), and child-welfare services, as defined in section 425, for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7)), as may be necessary in the light of the particular home conditions and other needs of such child, relative, and individual, in order to assist such child, relative, and individual to attain or retain capability for self-support and care and in order to maintain and strengthen family life and to foster child development;"

"Sec. 406. When used in this part— * * * (d) The term "family services" means services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

It is obvious that limiting mandatory services to the three mentioned above violates the sections of the law quoted above. It is, therefore, respectfully urged that the Congress require the Secretary to promptly bring the regulations in compliance with the law by mandating the States to provide the services as defined in section 406(d).

With the exception of family planning and day care, most of the services are narrowly defined in the regulations and emphasize not the provision of services but helping people secure them without cost to the public welfare agency. This means that unless other governmental or voluntary agencies can provide the substantive portion of the services, the services per se will not be available.

The new regulations do not mandate any services for the aged, blind and disabled but define fifteen services, one of which must be provided if the State expects to receive federal financial participation. This, too, is at least a violation of the spirit of the law, especially in view of the recent enactment of Title VI of the Social Security Act. The regulations state that the self-support goal is not applicable to the aged. This limitation is in contradiction with section 601 of Title VI which reads . . . "to furnish rehabilitation and other services to help needy individuals who are 65 years of age and over, are blind, or are disabled to attain or retain capability for self-support or self-care."

Unfortunately Title VI is sufficiently ambiguous to permit regulations which will deprive our aged, blind and disabled citizens of basic social services. The Congress is therefore urged to amend Title VI for the purpose of eliminating such ambiguity. For instance, while Title VI deals with services to the aged, blind or disabled it is quite possible for a State to provide no services to the blind since only one of the fifteen services is required for federal financial participation.

The various restrictions pertaining to potential recipients decreases the ability of the welfare agency from helping people with marginal incomes to maintain whatever level of self support they have achieved. This is especially unfortunate because the group which can benefit most from services are those with marginal incomes, namely, the "potential" recipients.

The definition of "former" and "potential" recipients who are eligible for services has been liberalized from the proposed regulations (February 16) but is by no means as satisfactory as it was in the old regulations. The improvement lies entirely in the income requirement. The proposed regulations limited a potential recipient to an income below 133⅓ percent of the payment level which in Missouri's AFDC program would have been roughly $2,100 for a family of four. The new regulations increase this to 150 percent of the payment standard or $5,454 for a family of four. Otherwise, all the restrictions originally proposed remain in the final regulations.

In order to be a "potential" recipient it must be shown that the family has "a specific problem or problems which are susceptible to correction or amelioration through provision of services and which will lead to dependence on financial assistance within six months" if not corrected or ameliorated. In addition, the family's resources in Missouri must be below $1,500.

These two requirements will prevent many potential recipients from receiving services. The law leaves it up to the Secretary to define the meaning of potential. It is recommended that the Congress provide the Secretary with more specific direction in this matter. These directions should stress that the best way to reduce the incidence and mounting costs of public assistance is to eliminate or alleviate the needs that force people to turn to public assistance for relief. This requires that services be available well in advance of the time that application for financial assistance becomes an imminent possibility. The old definition "within five years" was far more realistic.

The liberalized income requirement of 150 percent of the State's needs standard is almost totally negated by the resource limitation. This means that a family or individual must deplete its resources to a dangerously low level before they can become eligible for services. This is counter productive. For former recipients this limitation becomes a powerful economic disincentive. It is therefore proposed that the resource requirement be also at least 150 percent of the level permissible under the State plan or the new Title XVI.

The regulations have also eliminated group eligibility, such as all tenants of public housing or residents of Model City areas. Under the old regulations it was assumed that because the vast majority of the people in these areas were recipients or poor, everyone would be considered a potential recipient. The group eligibility requirement should be reinstated.

For all intents and purposes "former" recipients can only be served if they can be redefined as "potential." This is psychologically damaging. A family which has managed to get off public assistance can only continue to receive services if they constantly see themselves as again becoming recipients within six months.

The regulations as published on May 1st limited services to those aged who were recipients or applicants of public assistance. Furthermore, all services with a self-sufficiency goal are limited to applicants and recipients. These limitations are due to the following section of the regulations:

221.8 Program control and coordination.

The State agency must establish . . . that Federal financial participation . . . is claimed only for services which:

(a) Support attainment of the following goals:

(1) Self-support goal.—To achieve and maintain the feasible level of employment and economic self-sufficiency. (Not applicable to the aged under the adult services program.)

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

It has been brought to our attention that HEW has revised this section to permit services to "potential" aged recipients. Since we have not seen the actual language of the revision it is unclear whether it also permits services with a self-sufficiency goal to other potential recipients—blind, disabled and families with children. If not, this is a serious shortcoming which should receive the immediate attention of the Congress and the Department. It particularly affects children. While services for parents should have self-support as its primary goal, services for the children in these families should emphasize self-sufficiency, including preparation for independent living.

Related to the above is another basic shortcoming of the regulations which has been referred to earlier in this statement, namely, the deemphasis of preventive and rehabilitative services. To put it more specifically, the regulations fail to include "developmental" services. Again the most notable victims of this omission are children. This is another instance where both the letter and the spirit of the law have been violated. It is impossible to preserve, rehabilitate, reunite and strengthen a family without providing "developmental services."

A service which is developmental and of great value to children is camping. It helps them to learn to live independently and work with others. These regulations, unfortunately, prohibit this service from being offered. Other examples could be offered as well.

In issuing the new regulations the Department stated that they will "give the States greater flexibility in the way they administer their social services programs." Unfortunately, the regulations will have exactly the opposite effect. We do not contest the requirements for greater and improved accountability. We do, however, seriously question the need for or desirability of the numerous restrictive administrative requirements.

The regulations prevent experimentation with different service delivery mechanisms. Comprehensive and integrated service delivery by anyone other than the official welfare agency is precluded. This deprives the government and the recipient—former, potential, or current—of the experience and knowledge present in the voluntary and proprietary sector of our communities. It can only lead to an increased governmental bureaucracy. Government has the responsibility to assure the citizen that his taxes are spent wisely and effectively. It does not mean that only government can effectively integrate a variety of services. The new regulations permit the State agency only to purchase individual services but not a comprehensive package of inter-related services. This prohibition is a serious deficiency and should be promptly eliminated.

The new regulations have substantially eliminated an important service, namely, information and referral. The old regulations made this a mandatory service for the adult categories and optional for families with children. (Sec. 222.41 and 220.52 (a)(4)). In both instances this service was available without regard to assistance status. The new regulations require under 221.3 that "There must be maximum utilization of and coordination with other public and voluntary agencies

providing similar or related services which are available without additional cost." Without a community wide program of information and referral services this becomes an impossibility. We urge the reinstatement of Information & Referral Services without regard to assistance status.

One final point which is an example of the limited interpretation which these regulations place upon the law. The revoked regulations required both a fair hearing and grievance procedure. (Sec. 220.11). The new regulations only require a grievance procedure. The law requires under Sec. 402(a)(4) that a state plan must "provide for granting an opportunity for a fair hearing before the state agency to any individual whose claim for aid to families with dependent children is denied or is not acted upon with reasonable promptness." While this language only mentions "aid" previous regulations applied it to services as well. We urge that the fair hearing procedure be reinstated for services as well.

In conclusion we urge that the Senate Finance Committee and subsequently the whole Congress examine these new regulations and take appropriate steps to assure that the Department of Health, Education and Welfare complies both with the letter and the spirit of the Social Security Act.

We do not recommend that the Congress write into the law detailed administrative regulations. This would be cumbersome and result in poor legislation. What is required are adequate safeguards against the misinterpretation of legislative intent.

TESTIMONY OF THE FLORENCE FULLER CHILD DEVELOPMENT CENTER, INC. BOCA RATON, FLA.

Executive committee: Mrs. Samuel Fleegler, president; Dr. John DeGrove, vice-president; John F. Schuchler, treasurer; Mrs. Curtis Price, secretary; and Mrs. Chris Burkhardt, finance and budget chairman.

Re: Proposed regulations on social services, day care, 221.6(c)(2)(3), and 221.62(b)(1).

During the past two decades great strides have been made in America in recognizing the plight of many citizens. National attention has been focused on the problems of the migrant, disadvantaged and disabled citizens as well as the chronically ill and the aged. Unfortunately, the implementation of programs designed to help meet the myriad needs of this large segment of our citizenry has been difficult. Throughout the nation, community leaders are attempting to generate local resources to develop improved and expanded programs to serve these needs. In the process of designing and implementing innovative approaches to child care, treatment and development local leaders have been overwhelmed with the resistance of conservative traditionals on the local level and the zealous bureaucrats on the state and national level who cannot perceive the vast diversity of problems in the various geographical areas. Therefore, it would seem guidelines for funding various programs should be sufficiently broad to allow local interpretation. This statement should not be misconstrued to mean that the Executive Board of Florence Fuller Child Development Center does not see the need for each local community program to be accountable in regard to how all funds are utilized; that services delivered should be described in detail; that the target population should be those persons for whom a specific bill has been enacted. However, this Board would like to suggest that consideration be given to changing some of the restrictive regulations in the Social Security Act. Namely:

(1) The Review of Welfare Recipients every three months.

(2) The Review of Potential Welfare Recipients every six months.

(3) That Donated Private Funds for Services may not be considered as state funds in claiming federal reimbursement where such funds are: (a) Contributed funds which revert to the donor's facility or use.

Our contentions in regard to 221.6(c)(2)(3) are: Continuity is extremely important in establishing a pattern of nutritional benefit, social interaction and discipline of education for poverty children. A review every three months would be not only very costly to administer by the Social Services, but detrimental to the children who would be subjected to constant shifting in and out of the program. Our volunteer physician has advised us that the loss of high protein diet alone for a short period makes a difference in the ability of a child to react to discipline and learning.

There is a paucity of research in our field, but in our attempts to gain knowledge we have come across some historical information. According to Rothman's

"Other Peoples Children" one cause for the rapid decline of "Day Care" started by the Progressive Movement in this country at the turn of the century was a stigma attached to the institution by the following:

1. "Competition that came from the widow—pension movement which gave priority to the mother who stayed at home to care for her children in preference to putting them into Centers."

This may be compared to the welfare mother who would now under new regulations choose to stay at home and receive her check—even if for only three months at a time.

2. "The clientele was no longer comprised of hard working mothers but, instead, of illegitimate children. By the 1920's the Centers were glad to have anybody to service."

Under the proposed regulations, the so-called "marginal" child whose family is making a real effort to become non-welfare will be penalized if his family will not or cannot afford fees and/or the Center cannot afford to pay his way. He will have to be dropped from the program.

Our community, which is one of the most expensive in which to live in the country, has many poverty families. The income standard of $4088, for a family of four is unrealistic. We contend that there should be standards set which comply with the cost of living in geographical areas. This can be done much more economically than by setting up an investigative program to review each client's case.

Our contention in regard to 221.62(b)(1) is: The restrictions imposed upon individual centers by this regulation already in effect and not in the proposed changes is detrimental to the new or continued support of the private individual to non-profit groups such as ours. The fact that we may not generate our own funds to be matched is a genuine hardship. It is the nature of the philanthropic donor to want his money to be used for a cause he is familiar with and can identify specifically. The costs involved to make exemptions for those Centers who are proven truly non-profit and community-sponsored would be very small compared to the revenue lost by enforcing the above regulation. The need for a "third-party" check rein is understood and welcomed. However, the inability to use for matching purposes the monies designated for a "recipient" is difficult to explain to generous patrons and a handicap to the community at large. We admit that organizations such as ours may be in the minority now, but we are certain the situation could be vastly improved if there were to be exceptions made.

As a volunteer Board, we object to the high administrative cost engendered by a bureaucracy of government employees. The tax payer's money could be better spent on direct benefits to the children. We are not interested in loosening the purse strings of the government any further. We *are* interested in channeling the monies appropriated in the right direction.

The proposed regulations are missing the true needs. They profess to broaden the scope of "day care", but experience has taught us that their philosophy is incorrect.

In conclusion, the Board of Directors of the Florence Fuller Child Development Center feels that the philosophy and goals of Boca Raton's program cannot be fully realized unless those persons charged with administrative responsibilities at the state and federal level understand the tenor of those goals, namely:

1. The mobilization of community resources to deal with community problems.
2. A comprehensive program situated in the community, involving early detection, early remediation and/or treatment over a reasonable period of time.
3. A wide array of services to be made available, not merely child care but truly corrective treatment or developmental approaches for a child's total growth toward being a self-reliant, productive citizen.

STATEMENT OF THE EAST HARLEM BLOCK SCHOOLS, PRESENTED BY DOROTHY STONEMAN, TRAINING DIRECTOR

Many of the speakers who appear before this committee will be able to discuss the statistics which document the pressing national need for increased day care and nursery services. It is more appropriate for us to give you a sort of worm's eye view of the problem, as it appears in a few blocks of our own neighborhood, New York City's East Harlem.

East Harlem is a neighborhood of some 220,000 people, a mixture of Puerto Ricans, Negroes, and Italians. By most measures it is the poorest neighborhood in the City. Certainly it is the most crowded; many blocks of ten or fifteen tenements have populations of between two and three thousand people.

Several years ago a group of parents in East Harlem started their own day care program with the help of a grant from the Office of Economic Opportunity. During the last few years, the program grew from a single storefront classroom with 30 children, to two day care centers, for a total of 120 children age three to five. Furthermore, the day care centers became merely one division of an educational complex which now includes a remedial reading program, a model elementary school, a summer camp, a high school equivalency program for adults, and an accredited teacher-training program for neighborhood parents and staff. This complex is the East Harlem Block Schools.

The new HEW guidelines for day care provide the basis for preventing the East Harlem Block Schools from maintaining its unique characteristics which have been the wellspring of the energy to build this kind of community educational program.

The East Harlem Block Schools day care program is unusual in several respects. Like all other day care programs in New York City, it operates as a private, non-profit corporation, now funded by the New York City Agency for Child Development. But in our case the board of directors of the corporation consists of parents whose children are enrolled in the program. Furthermore, parents choose to be involved in every level of operating the program, from policy making to kitchen work. Many parents work in the program as volunteers, and many more as paid employees; they are office staff, maintenance staff, kitchen help, community liaison workers, and most important, teacher assistants—two in every classroom. For many of the parents working in the school it is their first job. The process by which parents have become spirited paraprofessional employees rather than recipients of Public Assistance is one of the clear accomplishments of the East Harlem Block Schools. We have seen from this process, repeated many times over, that the road to self-sufficiency, from Welfare, is longer than 60 days.

We have also seen that what makes a difference in a community like ours is the ability of a supportive educational community organization to make a long-term commitment to the development of children and families.

Objections to the New Guidelines

The power to run a program that reflects what we have learned is being stripped from our parents by the new HEW guidelines. These guidelines have only one purpose: to save the government money by taking or keeping people off of welfare. As long as the welfare of the child, of the family, of the community—and, ultimately, of the nation—is neglected, in favor of a concern only to keep costs of human programs down, we will not be able to run programs that make any real difference.

The results of the HEW guidelines, as we anticipate them, will be the following: to spend lots of money to create a centralized bureaucracy designed to exclude children and families from day care; to create segregated babysitting services for poor people; to force lower middle income families to spend exorbitant amounts of money for child care; to use day care to force unready mothers into training programs for non-existent jobs; to eliminate parent involvement in the early childhood education of their children; to eliminate innovative programs; to eliminate staff training.

We are deeply opposed, therefore, to the HEW guidelines.

But we are not opposed to day care programs that encourage and make possible the attainment of self-sufficiency and self-respect for people.

We suggest that for the same money, but with a slightly different viewpoint, with a different goal and different guidelines it is possible to encourage the establishment of many small cooperative day care centers, which can be a real part of their communities, which can educate their children, which can play a vital role in the physical and mental health of the child's entire family, and which can help the mother not just to work, but to work at the job which is best suited to her and her children's needs. We suggest that day care programs which do this are a much better use for our money.

Recommendations for Changes in the Regulations

We need a comprehensive child care bill.

However, in the meantime there are some changes you must make in the present guidelines:

(1) There must be provision for a day care center to accept children because of the emotional, social, or physical need of the child.

The new guidelines allow for the acceptance of such children only if their parents are working for very low wages or if the center can prove that the child is in danger if he is not rescued from his parents. There are many children, with desperate and important needs, whose parents do not fit into either of these categories.

(2) Guidelines for quality programs must be maintained, along the lines of the Federal Interagency Guidelines.

(3) Some encouragement for innovative quality programs should be maintained.

(4) Support for parent involvement must be maintained.

TESTIMONY PRESENTED BY THOMAS M. MCKENNA, EXECUTIVE DIRECTOR OF THE UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.

On behalf of United Neighborhood Houses, which is a federation of 35 New York City settlement houses and neighborhood centers, I wish to thank the Committee on Finance for the opportunity to submit a written statement outlining our objections to the Regulations issued by the Department of Health, Education and Welfare in May 1973.

On March 15, we sent a series of comments to Secretary Weinberger, expressing our concern that the Draft Regulations, as published in the Federal Register of February 16, would seriously limit the provision of basic social services to those in need. While we are glad to note that the revised Regulations meet some of the objections that we raised in our original comments, we still feel that their implementation will greatly lessen the potential effectiveness of many urgently needed programs.

I am attaching to this statement our original comments, and will not deal here with those aspects of the Regulations fully covered therein. (Appendix I.) However, we wish to call particular attention of the Committee on Finance, to some of the provisions that have been retained in the final Regulations and which will, it seems to us who are concerned with the problems of settlements, seriously impair our ability to render maximum service.

I wish, in the first instance, to associate United Neighborhood Houses with the testimony provided to the Committee by Malcolm Host, representing the National Federation of Settlements and Neighborhood Centers, with which we are affiliated. We strongly endorse both his appreciation of the change in the Regulations authorizing continuation of the use of private funds to match federal funds, and we also endorse the concept that agencies such as ours, which make use of private funds, should be held strongly accountable for the use of both private and public funds.

We also wish to emphasize, as does Mr. Host, the significance of the eligibility limitations that eliminate many of the working poor from the receipt of services and, in practice, serve as a "disincentive" to upward mobility. We are in full agreement, both with Mr. Host and with those testifying primarily with respect to day care, that the slight increase with respect to the level of income permissible for families to be eligible for such services is an improvement over the Draft Regulations, but we continue to believe that the eligibility requirements are still far too restrictive, and should not be based on State public assistance payment standards.

Some of the specific points which we would like to call to the attention of the Committee on Finance, can, we believe, still be dealt with if revisions could be obtained in the Regulations. Others, we recognize, derive from the legislation as adopted in 1972, and we would strongly urge that some changes be made in the current legislation.

SERVICES CURRENTLY RENDERED BY SETTLEMENTS, WHICH ARE ENDANGERED BY THE REGULATIONS

Settlement houses traditionally have been established in areas where service is needed by families and individuals living in the community. While in many areas these families today come from minority groups, in a great many of the areas the population served by the settlements are the descendants of the various waves of immigrants that have found living quarters in the tenements and other poor housing that was deserted by the families whose income permitted them to move away. We find Italian, Jewish, Greek, Irish, Scandinavian and Chinese enclaves in the midst of the areas populated by more recent immigrants. While

many of these families, and in particular many of the older members of these families, are in fact living on incomes that would make them eligible for public assistance, they do not apply for such assistance—primarily as a matter of pride. Some also do not apply because they do not know that they are eligible. Many of these individuals and families are receiving badly needed and highly welcome services from settlement houses at the present moment.

A specific example of the type of services that are currently being rendered in 15 settlement houses in New York City is a homemaker-consumer education program that has been funded on the basis of 25% private matching funds and 65% federal funds. This program in the past three months provided direct services to 3,660 individuals. A description of the components of the program is attached. (Appendix II.) Its value to those receiving the service has been attested to by all, and in particular by the monitors of the program who have evaluated its operation in the individual settlements. The current Regulations, which call for what amounts to a means test for each individual served, will endanger the total effectiveness of the program, since it is based on integrated service to individuals in need of help in each of the communities served.

Another example of services rendered in the settlement houses is the child development programs which vary from center care with a large educational and child development component, Head Start, and family day care, with direct service to the parents involved in all of these programs. Here, again, the emphasis has been on meeting the needs of families in the community, primarily on a preventive basis and from the point of view of help to the individual children and families. The rigidity of the Regulations would mean that many families could not use the services, particularly those where the employment of the mother has given the slight additional resources needed to bring the family out of poverty. The provision in the Regulations calling for fee scales that go up to the cost of care, would mean—in many instances—that a far too large proportion of the family income would have to go for day care, and in consequence the mother would be faced with the alternative either of giving up her employment or of finding inappropriate care for the children. The fee scales set for Head Start are a startling example of what would happen to a family whose income is slightly above the level at which fixed scales have been set.

Other services available in settlements are particularly concerned with the elderly, and many of them have been financed under Titles XVI and XIX. Here, again, the need to separate from service those individuals who do not meet the specific requirements in the Regulations would eliminate many from the services they receive in the settlements—and particularly in those settlements which provide escort services, housekeeping services, meals-on-wheels, and other nutrition services.

The new Regulations would eliminate these various services for many families and for elderly single persons because:

A. Since they have not applied for public assistance, they cannot be certified as eligible.

B. They have managed over the years to put together some savings—either in the form of savings bonds, purchased equipment, or even Christmas Club accounts. The very fact that they have such small resources would eliminate them under the Regulations from access to available services.

C. Many in greatest need and making greatest use of settlement house programs are in the age levels of 60 to 62. At 62 they receive their social security, but they are not deemed eligible for service until they become 64½. The injustice of this provision seems obvious.

D. Many of the services currently financed on the 75% federal funding have been moved in the Regulations from mandatory to optional services, and may therefore not be included in the State's or City's priority for funding. If they are not included, it would clearly be impossible for the settlements to provide the services.

E. The requirement in the Regulations for recertification of individuals every six months would impose a dual burden—on the staff of each settlement house operating a program, and on the individuals concerned. In addition to the increase in paper work, it would provide an atmosphere of uncertainty and indignity with respect to the relationship between the service providers and their clients. Annual recertification would seem greatly preferable since it could be done on a fixed, regular basis, and might become a standard acceptable procedure.

Other Issues Which Endanger the Value of Available Services

The elimination of federal requirements for standards, and the emphasis that service should only be rendered to families on welfare or in dire poverty, endangers the whole concept of providing social services which deal with total community problems and which serve as a model for the development of related services by specialized groups or staff. There is little incentive to develop, for example, training programs for para-professionals in fields such as nursing, initial medical help, or even alternative schools for young dropouts. Such programs will be greatly hindered by the issuance of minimum, rather than maximum, standards for service. Moreover, the attempt to provide a national median for standards and for public assistance payments may serve to lower the standards that had been developed in forward looking states such as New York. At the same time, the delegation of maximum responsibility to the State governments leaves little leeway to city and county officials to determine those standards and needs which are most appropriate in a given community—for example, one served by one or more settlements within an urbanized area.

We understand that some of these problems, according to Secretary Weinberger, will be dealt with in the guidelines, but in view of the very limited number of changes that were made in the final Regulations as against the initial Regulations, we greatly fear that the guidelines may do little to alleviate the situation. We strongly urge, therefore, that some requirements be set by the Finance Committee that hearings, and a real opportunity for input, be granted to both local public officials and voluntary agencies, before the guidelines are issued in final form or implemented.

Proposed Legislation

We understand that Secretary Weinberger and Mr. Carlucci, in addressing the Committee on Finance, indicated that the purpose of the Regulations was not to decrease the amount of funds to be used in accordance with the Congressional ceiling placed on social services, but simply to provide what they consider to be the appropriate requirements to implement the legislation. We also understand that they indicated that if all the states requested matching by the federal government of the local and state expenditure allowed, on the basis of their various approved state plans, the Administration would then be prepared to request funds in the amount of the $2.5 billion ceiling. Their indication that the reason for the smaller amount of funds requested currently was their strong belief that many of the states would not be able to meet the requirements for federal matching seems to us to make it evident that some change in the reallocation procedure should be made by Congress. Therefore:

A. We strongly urge support of Senator Javits' proposal of last year that the basis of calculation should be changed to make it possible for states like New York to receive a greater amount.

B. We also support the proposal that if states do not use their full allocation that these sums, up to the amount of the $2.5 billion ceiling, be reallocated to those states which urgently need additional funds and are prepared to match them. We very much hope that the Congress will find it possible to amend—perhaps as a rider to the Technical Amendments Bill—the Social Security Act, in such a way as to permit such a reallocation.

C. In addition, we very much hope that the Congress will find it possible to adopt one of the various bills that have been submitted, permitting child care to be removed from the ceiling, provided that this would have the effect of leaving more funds available under the ceiling for other programs (especially those now in the optional category under the Regulations).

D. Finally, we strongly urge the Congress to adopt amendments to the Social Security Act that would require the preventive services now optional in the Regulations to be made mandatory, and to set forth in the law, standards for determining eligibility that would make it impossible for the Administration to develop requirements such as those appearing in the Regulations. Specifically, we hope that the Congress will prohibit the requirement that no one with any minimum resources or savings may receive services paid for from federal funds, and provide that eligibility be related to those persons with social needs, rather than only those individuals or families receiving or about to receive public assistance.

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.,

New York, N.Y., March 16, 1973.

Mr. CASPAR WEINBERGER,
Secretary, Department of Health, Education, and Welfare,
Washington, D.C.

DEAR MR. SECRETARY: I am writing on behalf of the Board of United Neighborhood Houses to express our deep concern with respect to the effect of the draft regulations as published in the Federal Register of February 16, in limiting services to those in need.

We were delighted to read that you have agreed to authorize the use of private donations as the matching component for federal funds, and we are therefore refraining from further comment on this issue.

However, this concession eliminates only one element in our questions as to the interpretation the regulations place upon the intent of Congress to provide essential and effective social services. Before dealing with some of the specific regulations to which we take objection, we wish to note our strong feeling that the spirit of the regulations is in fact a break with the total philosophy of the Social Security Act itself. We believe that the Congressional intent in enacting and mandating the Social Security legislation was based on the assumption that it is good social policy to serve our most deprived citizens by providing those social services needed to help them become, or remain, self sufficient. We do not believe that the aim of the Social Security Act, nor of the ceiling on federal funding, was to limit social services quantitatively, and only make them available to those living in dire poverty. The proposed new regulations seem to limit the concept those living in dire poverty. The proposed new regulations seem to limit the concept of need on a rigid calculation of economic feasibility, and eliminate both need in relation to maintaining family viability and lessening of the danger of institutionalism. We would urge you to consider our detailed comments, therefore, in relation to the philosophy of providing services that maintain human dignity.

In addition, while we welcome and support the extent to which the new proposed regulations define the type of services that may be rendered, and provide for greater accountability—the lack of which caused many of the Congressional objections to expanding services—we feel that even in this respect the regulations appear to lessen or eliminate the use of federal funds for vital services on the one hand, and on the other will involve a much greater bureaucracy and expenditure of funds on administrative activities at every level.

SPECIFIC ISSUES

Our greatest concern relates to the definitions of eligibility and the effect of the limitations on individuals to be served. We in New York are particularly conscious that the economic eligibility requirements in no way take into consideration the cost of living and, in this respect, affect equally services to families and children and services to adults. We believe the limitation in the definition of former recipients to three months, and potential to six months, is both unworkable and inhumane. We know from our wide experience in working with both the adult and AFDC categories that to restrict service to this kind of timetable makes the determination of an individual service plan one that cannot achieve real goals. Many families have problems which are susceptible to correction through services, but not services that must stop at the end of six months.

In addition, the income limits in both cases are now set so low that the work incentive is removed and both families and children may be permanently damaged by the inability to obtain preventive help. Information from our affiliated settlement houses indicates that the members of families living on marginal income and depending on the services they formerly received through programs such as community mental health activities, remedial education or training, homemaker and related services, have needs which equal those of persons currently on welfare. We strongly urge therefore that you return to the earlier concepts and broaden the qualifications for the individuals to be eligible for service.

Our second major concern is that the relationship of the stated goals to the requirement for individual service plans is misleading. While we heartily approve the concept that individual plans must be developed, monitored and assessed, we believe that the limitation in linking the goals with respect to the elderly to

keeping them out of institutions, is far too narrow and must take into consideration aiding them to retain dignity and self-respect. Where elderly persons are living on very limited income they frequently resent the suggestion that they must in fact undergo a means test in order to be visited by a homemaker. Similarly, in determing the goals with respect to day care and child care generally, the regulations apparently limit the goals to permitting mothers or guardians to obtain training or employment and neglect entirely the goal of assisting the children to develop their own potential. We feel that this will inevitably turn day care programs into a revolving door operation, making for constantly changing clientele and putting individual children in and out of care as their parents become ineligible; and then are forced to return to welfare in order to become newly eligible. There must be some safeguard to avoid this kind of situation.

With respect to the question of mandating determination and re-determination of eligibility, we agree that some change from the current regulations was needed, but we believe that redetermination on a quarterly or even six months basis will call for unlimited paper work and substantial increase in costs, particularly for agencies such as ours, which develop programs on an annual basis and include monitoring and evaluation within our program structure. Moreover, the frequency of recertification involves such indignity to the clients that we have already been informed by some of our agencies that they did not believe the individuals served will be willing to submit the kind of information called for on a quarterly basis.

With respect to the selection of services, we feel that the regulations leave far too great an option to the state and local levels. Day Care in particular should be a mandated service, since it is an essential element in the future security of our citizens. Moreover, the insistence that education and training must be at no cost to the agency receiving federal funds seems to us to restrict the services to both mothers and children far beyond the intent of Congress.

We also deplore the removal of the requirement that there should be advisory committees which include representation of the consumers of services, at the state and local levels for all services rendered. We have operated with such committees in all of our agencies, and find them indispensable in providing the services most appropriate to the needs of the clients. We hope you will reinstate these requirements.

Finally, with respect to the grievance system, we strongly urge that you reinstate the existing requirement for appeals and for hearings procedures. We have seen the value of these procedures in countless instances in our city, and we are aware that the mere requirement that there be some grievance procedure does not meet the needs of the citizens in our most deprived areas.

We strongly hope that our comments will be taken into consideration. In particular we urge that public hearings be held on the revised form of the regulations, that a further period for comment be granted before they are implemented.

Sincerely,

THOMAS M. MCKENNA.
Executive Director.

APPENDIX II.

COMPONENTS OF THE HOMEMAKER PROGRAM

1. Health and safety hazards.—Conducts housing clinics to assist in the upgrading of substandard living facilities. Disseminates information on the identification and repair of safety hazards in the home such as faulty electrical appliances, defective gas burners, etc. Identifies health problems and makes referrals to appropriate agencies.

2. Nutrition and food preparation.—Conducts group sessions for adults and older teenagers on marketing, meal preparation and nutrition. Cooking classes are used as media for training.

3. Consumer fraud, consumer education and shopping skills.—Teaches how to make full use of laws which protect the consumer from fraud. Provides knowledge about the techniques of sound buying for food, clothing and drugs.

4. General housekeeping, sewing.—Strengthens family life and develops self-improvement through group sessions in homemaking skills. Provides knowledge to enable low-income participants to make and repair their family's garments.

5. Tenant and landlord responsibilities.—Develops a more positive relationship between landlord and tenant to meet the specific objectives of improving housing conditions, improving cleanliness, and improving services. Helps tenant groups identify and act on problems. Conducts training sessions to develop self-help techniques.

6. Identification and reporting of housing code violations.—Advises tenants of their rights and responsibilities. Assists in preparation of reports on housing complaints. Conducts housing clinics with landlords or project managers on the upgrading of substandard living facilities. Supports activities to increase the supply and availability of safe and suitable housing.

7. Cooperative buying and credit union participation.—Organizes groups to explore and develop food co-ops and credit unions. Provides the low-income participant with alternatives to conventional food shopping and contracting for high interest loans.

8. Money management.—Develops the techniques needed in managing the household budget effectively. Conducts group sessions to help participants get the most out of their money through unit pricing, comparison shopping, and the critical examination of labels and advertising.

9. Child rearing.—Develops ongoing groups to provide parents with an atmosphere for sharing problems and establishing mutual aid. Develops an understanding of child development, peer relationships, drug prevention, nutrition and overall health care.

STATEMENT BY DAVID T. MASON, SECRETARY, MARYLAND DEPARTMENT OF EMPLOYMENT AND SOCIAL SERVICES

Mr. Chairman and members of the Senate Finance Committee: I welcome the opportunity to register with you my objections to the social services regulations as revised by the Department of Health, Education and Welfare on May 1, 1973. The program now defined by the amended regulations is so narrow in programmatic scope, so indiscriminate in its exclusions and so contrary to what we believe to be the purposes and requirements of Titles IV-A and XVI that we cannot recommend that they be altered. We urge instead that they be revoked by the Department or negated by the Congress.

With enactment by Congress of a $2.5 billion ceiling on social services expenditures, it could no longer legitimately be claimed that the program is threatened by runaway costs. Once the HEW Secretary has established a program of strict accountability by the States—an objective with which we fully agree—it should then be the responsibility of each State to determine which of its citizens is in need of services and which services can best meet that need—within, of course, the perimeters of the Act. Instead the Secretary, through promulgation of these regulations, has imposed a rein so tight as to be a stranglehold. Among the injured are:

Children living in an unwholesome environment: They are barred from receiving the advantages of day care unless it acts to free the parent to obtain work or training;

The aged, blind and disabled who are potential recipients of public assistance: They are barred from all services. (See Section 221.8(a) (1) and (2));

The aged, blind or disabled whose deteriorating condition excludes them from any possibility of meeting the required goal of self-sufficiency: Absent a linkage to this goal, no service can be provided;

Children of working mothers whose earnings equal or exceed slightly the Federal and State minimum wage: In many instances, they cannot qualify under the income eligibility standard.

These are but four examples of the countless number to whom the State must now refuse service, irrespective of the intensity of their need.

On March 16, 1973, I forwarded to Secretary Weinberger my comments on the proposed regulations. The regulations which were published on May 1, 1973, included some alterations, though not substantial enough to change the negative thrust of the new rules. Therefore, with only minor exceptions, the objections I raised in March remain valid, and I re-state them now, having made slight changes in the light of the revisions made in the final regulations:

I. Legal Objections

The proposed regulations eliminate certain previously eligible services for families with children and narrow the definitions of others. We believe such action exceeds the authority of HEW under Title IV-A of the Social Security Act which itself defines the eligible services and their goals and grants HEW no or only limited powers in this regard. The restriction on matching of only "new-money" expenditures by public agencies after March 1, 1973 is without any statutory base, denies the States the discretion granted by the Social Security Act to determine the social service programs for which they will obtain Federal funds, and the proposed retroactive effect for the final regulation violates the notice requirements for rule making established by the Federal Administrative Procedure Act. The new definitions for "former" and "potential" recipients eligible for social services are so narrow as to literally eliminate these categories. Again, this action seems to exceed HEW's powers under the statute, particularly Title IV-A, which seems limited to prescribing the period to be used in determining persons are "former" or "potential" recipients.

II. Programmatic Objections

This Department has strong programmatic objections to these regulations because they will: (1) cause more than 135,000 families, children and individuals currently receiving service in Maryland to no longer be eligible; (2) reverse programs directed toward prevention of dependency; (3) eliminate comprehensive vocational, educational and rehabilitation programs for persons with special handicaps and needs; (4) create the potential for increasing the public assistance rolls; and (5) negate current efforts to develop comprehensive service programs in cooperation with both public and private service agencies.

These consequences will primarily result from the following specific changes made by the proposed regulations:

A. Elimination of State options by very narrow definition of eligible services

The elimination of child developmental services, legal services, vocational rehabilitation, and special education programs coupled with restrictions in medical services will force the closing of operating programs and cause thousands of persons already involved in rehabilitation, self-support, and self-care programs to be dropped. The direction toward maximizing the capacity for self-support, personal independence, and self-care among such groups as ex-offenders, alcoholics, drug addicts, school drop-outs, and unwed mothers will be reversed.

B. Very restrictive limitations on services to former and potential recipients

Services to prevent deterioration and sustain rehabilitation are virtually eliminated by the narrow definition of the "former" and "potential" recipient. As proposed these definitions disregard the restorative benefits of early intervention for children with special needs, e.g., the retarded, the emotionally disturbed, the physically handicapped. Similarly, the aged citizens must wait until age 64 before their needs can be met through Senior Citizens Centers, homemakers, housing and food services. In Maryland we can anticipate an increase in costly institutional care for many of our senior citizens due to this proposed change.

The proposed imposition of the income eligibility cutoff at 150 percent of public assistance payment levels will strike hardest at low-income working mothers with children in day care provided by the States. The income cutoff for a mother with one child would be $196.50 per month or $2,358 per year. Full time employment would in most cases provide income in excess of proposed income level, thereby, rendering these children ineligible for child care. Inevitably, these women will be forced to leave their jobs and apply for public assistance. This is a paradox to the proposed goal of self-sufficiency. The rationale for the cycle of training, six months of "self-sufficiency" and back to public assistance eludes all logic and explanation.

C. New requirements for purchase of service arrangements

The new money concept will seriously limit the expansion of services through contracted purchase of service arrangements. If the intent is to control purchase of service programs, the mechanisms are presently available through enforcement

of provisions dealing with maintenance of effort, expansion of service and the back-up supports required for all expenditures. The imposition of these prohibitions can therefore only be interpreted as a method of eliminating expansion of service and controlling expenditures below the legislated ceiling level.

III. Administrative Objections

The regulations impose such voluminous and burdensome administrative procedures as to thrust the social services program into the paperwork morass that is plaguing the income maintenance system.

The Maryland Department of Employment and Social Services support the principle of efficient management, accountability and evaluation. We welcomed the implementation of Goal Oriented Social Services and have already taken steps to develop and implement those sub-systems needed for a program of Program-Financial Planning-Evaluation. The proposed administrative requirements are so burdensome, however, that one can only conclude that their sole effect will be to deny and delay the provision of service. We further take exception to those administrative provisions that remove State prerogatives and limit the potential for expanding the service program to its statutory limit. The following provisions are cited as limiting, restrictive and burdensome:

A. Prior approval by the Department of Health, Education and Welfare of all purchase-of-service contracts, thus imposing a delay of such length as to discourage both the agency and the supplier from entering an agreement.

B. Although the period for redetermination of eligibility for applicants and recipients has been extended to six months, the requirement that the status of applicants and recipients must be reviewed within thirty days will require a monthly eligibility review.

C. Individual determinations of eligibility to be performed only by the State agency without any option to delegate this responsibility under the supervision of State staff.

For the above reasons, I urge that the proposed regulations be withdrawn. HEW must permit States to develop preventive and restorative social service programs that will support, enable and promote self-sufficiency, personal independence, and self-care. We believe that the national direction should encourage (a) cooperative, comprehensive programs, rather than fragmentation; (b) mechanisms for joint funding, rather than prohibiting or limiting such efforts; (c) services which would lead to financial independence rather than denying the means for attaining or retaining such independence; (d) services to groups of the aged, the retarded, the blind, the emotionally ill, the youth, rather than denying their status as a population in need and (e) efficient administration, rather than burying service staff in paperwork.

Statement of People for Action, Presented By Ann Miller, Coordinator

People for action, a coalition of some 60 organizations concerned with the delivery of social services welcome this opportunity to testify on the Revised Regulations for Social Services issued May 1, 1973.

After careful review of these regulations in combination with the eligibility regulations and the Quality Control Regulations we are forced to conclude that they create so much confusion that their implementation as written would cut off services to many present receivers and force many who are presently receiving only service either into institutions or on to the welfare roles. We therefore recommend that present regulations be maintained at least through fiscal year 1974.

In making this recommendation we would like to call to your attention the following items:

1. These regulations were issued on May 1, 1973. They apply to fiscal year 1974. State budgets for fiscal year 1974 have already been set and legislators do not reconvene before July 1.

2. The area where proposed regulations have been most relaxed is Day Care for children. Even here confusion reigns for there is no uniform definition of the term payment standard as used in section 221.6. In Maryland the standard of need is $4057/annum for a family of four. The grant or payment is $2400/annum for a family of four. According to the table which accompanies the Revised Regulations, the figure to be used by Maryland as payment standard is $2400.

On the same table Mississippi's standard of payment is listed as $3324 a figure considerably above their grant or payment level. Obviously in deciding who is eligible for Day Care services this difference is crucial not only to clients but also to the State in alloting its matching 25 percent. (We urge that payment standard would be interpreted as the standard of need.)

3. According to Section 1130 of Title III of PL 92-512 there are six services exempted from the 10 percent ceiling on non-welfare recipient services, two of these six services are also mandated. There is in addition one service, Child Protective Service, which is mandated but not exempted. In Maryland last year there were 2500 such cases. Because of the death of a child from abuse this past year, the State Legislature enacted legislation to encourage the reporting of child abuse and to facilitate its treatment. We therefore expect a larger case load this year. It is interesting to note that 60 percent of the cases reported are not recipients present, former or potential. It therefore becomes necessary for the State to allot all 10 percent non-recipient service funds to cover this category.

4. The fourth major confusion relates to preventive services. Baltimore city has already discontinued homemaker services this month to 110 old people who have become ineligible. Many of them will need to be institutionalized because they are not recipients and do not fall into any of the 90 percent categories. Since all 10 percent money will be going to Child Protective services the number of ineligible-old people will increase.

These confusions in conjunction with the massive red tape which still exists in sections 221.7 and 221.8 will make it impossible for Maryland to spend the $46 million which is her share of the funds. Although it is the stated goal of the Department's social service "programs to provide services which either prevent welfare dependence or help people to leave the welfare roles", the regulations set forth in Sec. 221.7 and 221.8 do little to achieve this result. Redetermination within three months of the effective date of the regulations will mean another major review of the entire caseload. In the state of Maryland, one of the smallest, that involves 277,000 cases. This combined with the fact that a similar review was required last year to implement the regulations for employment registration under the Talmadge amendments, the six month review for the Department of Agriculture for Food Stamps, the review for Medicaid eligibility, and the regular 6 month reconsideration required by the Social Service Regulations means either a substantial increase in personnel and machines or else some real effort on the part of the Departments involved on a Federal level to coordinate universal standards and scheduling so that a more efficient operation becomes possible.

Section 221.8 requires still another and different type of six month evaluation—this one in terms of the need for a specific service. We recognize the need for check, but the proposed procedure will certainly cut down on staff time available to "support attainment" of the two stated goals of client "self-support" and "self-sufficiency".

It is true that some of the restrictions of the Proposed Regulations have been relaxed. This, with proper definition, could be especially true in the provision for eligibility for Day Care. However without modification of eligibility as defined in Section 1130, with the multiplicity of required reconsiderations and with the timing of the Revised Regulations we would recommend that present regulations continue through FY 74.

Statement of Lakeview/Uptown Community Council, Prepared by Betsy J. Kirkley, Chairman, Social Service Subcommittee

The Lakeview/Uptown Community Council represents the most heterogeneous communities in Chicago. Over fifty (50) racial and ethnic groups are represented. Economically we range from the richest to the poorest of the poor. The 1970 Census reveals we have a population of 251,335 of which 20,344 are under six (6) years of age, just over 8 percent of the population. The population of those sixty five (65) and over is 40,253 or about 18 percent and ranked number one (1) and number two (2) among Chicago's communities for number of senior citizens. We have a total of 34,168 people between the ages of six (6) and eighteen (18).

Our Council has held a series of community public hearings regarding the proposed federal cutbacks in social service funding and have established where the communities would suffer the most if the cutbacks are allowed to take place. These areas are: (A) Day care, (B) education, (C) employment, and (D) senior citizens.

A. Day Care

Total population under six (6) 20,344
Available day care slots 1,164

The new regulations from Housing, Education and Welfare limiting Day Care Services to those who are on welfare or potential welfare recipients would remove possibly 50 percent of those children now participating who are from the working poor. Of our 20,344 children approximately 40 percent have working mothers, yet our communities have a 50 percent unemployment rate for females. We have a desperate need for increased Day Care Services.

For some of our children Day Care Services are their only exposure to books and educational materials, nutritious food, health care and a normal environment.

We ask for increased funding for Day Care Services and the opening of these services to all economic levels.

B. Education

In the educational area we have had a number of programs financed through federal funding. Among them have been the Stockton Co-Plus School, Teaching English as Secondary Language, and the Schome Child-Parent Center. These programs face serious cutbacks because of reduced funding to about 50% of previous levels.

The Stockton Co-Plus School with its special reading and language skill centers, medical and dental programs has been pointed out as a success and has become a model for other programs nationwide. The reading level of the children has been raised remarkably above the Chicago Public School average.

The Co-Plus School has become a community school offering those classes the community wants for all ages—children and adults—with school both day and night. For many of our adults this has represented their first successful educational experience.

The Schome Child-Parent Center has involved the pre-school child and his parent in a learning setting. The children who have participated have shown remarkable success when they entered grade school. These children have performed well above the levels of other first graders.

For the Schome parents it has been most beneficial in providing training in child care, health and nutrition, and how to help your child learn. It is also providing a basis for many of the parents to re-enter the educational process.

The Teaching English as Secondary Language program is most needed in our communities as according to the 1970 Census we have 5,354 students enrolled in public and parochial schools with Spanish surnames. We have a much larger population who are not in school. Many of these have dropped out, the drop-out rate being 13% of those enrolled. One of the main reasons for the drop-out rate is the language problem. The TESL program has been the one thing that has keep many of these Spanish-speaking students in school.

The TESL program has served more than just the Spanish-speaking, it has served all of our more than fifty (50) racial and ethnic groups: among which are Chinese, Japanese, East Indian, American Indian, Eskimo and European. It has also served adults as well as children.

This program is needed and needs to be expanded greatly. Only through language can communication between our many groups be established, thus we request increased funding.

C. Employment

The elimination of the Neighborhood Youth Corp is a severe blow to our communities. In the Uptown community alone we have over 21,000 youth between the ages of 15 and 24. The unemployment rate for this group is over 15%. A large number of this 21,000 were employed through the Neighborhood Youth Corp providing much needed work experience and income.

Uptown according to the 1970 Census has a total labor force of over 61,000 between the ages of 15 and 64. The unemployment rate is over 10 percent.

Uptown is glutted with Day labor agencies which virtually enslave our people. Many of these people could be placed into the permanent labor force if we had more manpower training programs and expanded permanent job placement services.

These are the poorest of the poor which are affected by the federal cutbacks in the area of employment.

D. Senior Citizens

Total population over 65..... 40, 253

The above 1970 Census figure represents about 18 percent of our population whereas our actual senior citizen population is much larger and is approximately 25 percent of the population. The reason for this discrepancy is that a large number of our senior citizens reside in nursing homes and half-way houses which are not enumerated as places of permanent residence in the 1970 Census. The Uptown community has the largest number of senior citizens per any Chicago community and Lakeview is number two (2). Also we have over 25 percent of all the nursing homes in Chicago.

The thirty-eight (38) agencies in the Lakeview/Uptown communities serving senior citizens had just begun to scratch the surface of providing needed services. Many of these services were recreational in nature. The few agencies that received federal funding were able to move beyond recreational services into much needed health, housing, nutrition, employment and transportation services. With federal funding cutbacks these programs are being severely hindered.

We are in need of expanded federal funding in the area of senior citizens, not cutbacks. The Senior Citizens are the forgotten of our communities.

There are many other areas in which our communities of Lakeview/Uptown need expanded programs and not cutbacks. Among these are juvenile problems, law and order, health, alcoholism and drugs, and housing. We have a severe mental health problem. Over 75 percent of all released mental patients from the State of Illinois facilities find their way into our communities, as we have 75 precent of all half-way houses in Chicago.

We ask that the Senate Finance Committee recommend to the Senate that the Social Services Budgets be increased—not decreased.

Statement by the Black Child Development Institute, Submitted by Evelyn K. Moore, Executive Director

The major criticisms BCDI has to make about the proposed regulations can be summarized very briefly:

1. The restrictive definition of eligibility for services and the reduction of periods of eligibility will deprive high percentages of Black and other minority children of receiving the services they need to which they have a right.

2. The low ceiling for financial eligibility strikes ruthlessly at the working poor who are struggling to provide their families with basic necessities for life.

3. As many as 70% of the child development facilities in some states will be forced to close because of the loss of their clients' eligibility for social service benefits.

4. The civil rights of poor people have been ignored to the point where those who should benefit from social services are excluded from advisory councils and are denied a comprehensive and workable grievance procedure.

5. The proposed regulations mesh with budget cuts, changes in Head Start, the 1972 version of Federal Interagency Guidelines for Day Care, and "Models" for Day Care Licensing—all of which mark the current trend to sacrifice the rights and needs of children on the altar of "economy".

Why should the Senate Committee on Finance heed the Black Child Development Institute when colleagues on the floors of Congress, newspaper articles, and child advocates all over the country are voicing similar objections? Surely you have already been bombarded by the statistics that reflect the desperate need of poor families and children and the vicious circle that undercuts the valiant efforts of the working poor.

You must heed us because BCDI speaks to you as part of the movement of minority people who work *within* the economic and political system of this country to attain that very "self-sufficiency" that people talk about so much. Every day we work with community child care centers that are struggling to serve children on wholly inadequate budgets, and we work with groups of parents that are trying to organize programs for their children. We see first-hand the vital importance of even the pitifully little support this country now gives to children and families.

Most of all, we speak to you as an agency of Black professionals who have worked in good faith with the Executive Branch of this government. BCDI has devoted weeks and months of staff time writing analyses, attending and presenting seminars, participating in coalition projects to enable such offices as the Office of Child Development to become more responsive and responsible to the citizens they were created to serve. We have endured years of lip service to the govern-

ment's commitment to quality programs, to minority imput, to parental participation. And what has come of it? One betrayal of our children after another. The Executive Branch is clearly working toward an abdication of this federal government's responsibility to the nation's families and children.

It is the particular responsibility of the Legislative Branch of government to represent the interests of this country's neighborhoods and communities, and the families and children who live there. By rejecting these proposed regulations, the Senate will be standing behind the principle of children having a decent chance to live a life of dignity in the United States.

The following is a more detailed analysis from a Black perspective of the proposed regulations.

THE PROPOSED HEW SOCIAL SERVICE REGULATIONS: A BLACK PERSPECTIVE BY THE BLACK CHILD DEVELOPMENT INSTITUTE

The Department of Health, Education, and Welfare has proposed new guidelines to regulate Federally funded social service programs for families and children, as well as for the aged, blind, and/or disabled. These proposed regulations feature four basic changes from previous regulations:

1. Eligibility for receiving services would be limited to present or potential welfare recipients and to those who have received public assistance during the previous three months; the serious change in this regulation is that the definitions of "present" and "potential" would now be limited to a three-month period, compared to a six-month period in current regulations.
2. Private matching funds were originally ruled out by the officially proposed new regulations.
3. The Federal Interagency Guidelines for Day Care would no longer be enforced, while standards and licensing are now left up to the individual states.
4. The appeals and hearings procedures, which were an important part of the 1968 Interagency Guidelines, have been omitted.

THE EFFECTS OF SUCH REGULATIONS ON SERVICES TO BLACK CHILDREN IN DAY CARE AND CHILD DEVELOPMENT CENTERS

1. The most serious and most immediate negative impact of the proposed regulations would be caused by the arbitrary narrowing of eligibility for social services. High percentages of the Black children now being served by day care centers would no longer be eligible for such services. Wilson Riles, the State Superintendent of Public Instruction for California estimates that 11,000 of the 19,000 children now being served would lose their eligibility, while the Greater Minneapolis Day Care Association foresees 60% of their children being declared ineligible. Many of the centers themselves would be forced to close due to drastically reduced numbers of clients who could meet the costs of day care. Governor Dale Bumpers of Arkansas expects the loss of 82 centers in his state, and House Majority Leader Thomas O'Neill estimates that the regulations would force closure of a quarter of the day care facilities in Massachusetts.

Limiting eligibility to narrowly defined past, present, or potential welfare recipients hits directly at the Black family that is struggling to make it economically. "Potential welfare recipient" is defined as a *family* whose *combined* income exceeds 133 percent[1] of the state's Aid for Families with Dependent Children (AFDC) payments. Although AFDC payments vary, a family AFDC payment of $700 per year is not unusual in some Southern States.

One hundred thirty-three and one-third percent[1] of $700 equals $931. According to the proposed regulations, then, a working couple in those states whose AFDC payment is $700 and whose combined wages exceed $931 per year would be ineligible for the day care services that allow them to keep working. Low income Black families would thus be caught in a vicious circle of "forced work plans" to get people off welfare, followed by closed off child care services that force parents to choose between employment and basic care for their children. This will reinforce the myth that Black families prefer welfare to work.

Combined with the constricted eligibility requirement is the requirement of administrative checks on each recipient's eligibility every three months. The practical consequence of this provision will be that a greater proportion of what social service funds there are will be siphoned off into administrative costs. A critical consideration is the affect on a child of the disruption in the learning process which could result from tri-monthly threats to his school eligibility.

[1] The welfare line has been lifted in new regulations raising the welfare line from 133⅓ percent above the state's federal financial payments for social service to 150 percent.

2. Much attention has been paid to the original ban on use of private sources for matching funds. The outcry against this provision arose from the fact that many centers that served poor communities would never have made it without private matching funds. In many areas state and local public agencies would not have been able to make up the losses resulting from the deletion of private matching funds. Secretary of HEW Weinberger has now announced that this regulation will probably be dropped. Although important, this is no great concession. The private funds issue has served for months as an effective red herring that has detracted attention from the real crushing blow to services for poor children: the narrowed eligibility requirements.

3. The Federal Government has washed its hands of the responsibility of insuring quality child care services by delegating the responsibility for standards to the States. The affect of State laxity in the field of standards and licensing in the past has meant that even children of middle income families are subjected to expensive yet merely custodial care. This may be more devastating to poor children who may be relegated to warehouses of neglect called "day care" operated by profiteers.

BCDI supports State efforts to establish standards for child care services. At the same time States must be aware that failure to allow child care centers reasonable time to meet standards will defeat their purpose by forcing closure of quality child development centers. The Black Child Development Institute works with community controlled child development centers throughout the country. We have seen many centers that are struggling on a minimal budget but are providing quality comprehensive child development services where there are virtually no other services available. Such centers provide quality care based on curricula that build on the child's cultural heritage and family strengths. By the very nature of their situation, such centers may be operating in facilities that do not meet rigid building codes. In light of their limited finances and the expense and time involved in construction or renovation, such centers deserve and must be given extensions of time so that they may continue to serve children while working to gather the resources to meet licensing standards.

The 1968 Federal Interagency Guidelines for Day Care were a significant step toward establishing a minimum standard of quality for child care services. In 1972, HEW proposed new guidelines that retreated from the standards set in 1968; for example they decreased the number of staff required in relation to the number of children served. Now the new HEW social service regulations do not even include the watered-down 1972 proposed guidelines. Advocates for children see this trend and draw the appropriate conclusion: cutting costs is being given a higher priority than safeguarding and serving children.

4. The procedures outlines in the 1968 Guidelines for appeals and hearings were an important mechanism that allowed local communities and individuals to make social service programs responsive to their needs. These detailed procedures would be replaced by a vague injunction for States to have some sort of "grievance" mechanism. The deletion of these procedures from the proposed regulations make social service programs less responsible to the local level. *Any* governmental program that has no appeals and hearings procedure is a fundamental denial of due process.

Negative Effects Are Already Being Felt

In Pennsylvania, Georgia, the District of Columbia, New York, and Mississippi agencies have already tried to gear their activities to the proposed regulations as though they had already been enacted. Child care personnel and child advocates throughout the country have had to expend their time, energy, and personal resources to investigate the true situation and not only to oppose the enactment of these regulations but also to apply brakes where the proposed regulations are being enforced even before they become law. On January 30, 1973, staff and parents from centers in central and western Pennsylvania arrived by bus in Washington, D.C. and with BCDI's assistance met with their congressmen and senators to discuss the effects of the enforcement of the proposed regulations by the Pennsylvania state regional offices of the Department of Social Services.

Opposition to the Proposed Regulations

Opposition to the proposed regulations is mobilizing at the local, state, and national level. Local child advocacy groups in such states as Alabama, Georgia, Mississippi, California, North Carolina, South Carolina, Michigan are organizing letter writing campaigns, speaking to civic and parent groups, contacting state and national representatives as well as Secretary Weinberger and using the media to alert the public to the threat posed by the proposed regulations. In Montgomery, Alabama, there was a mothers' march to protest the regulations and cuts in services.

At the state level, legislators in New York, California, and South Carolina have introduced legislation to finance day care and other services cut by HEW with state monies or revenue sharing funds. Given the number of programs that will be applying for funds, however, just who benefits from such legislation may well depend on which groups mount the most effective lobbying effort. There is no guarantee that centers in minority and poor communities would receive enough funding to compensate for cuts in federal funds.

Perhaps the most effective opposition to the regulations will come from Capitol Hill, where legislation is being introduced to restore the social services and day care programs threatened by the proposed regulations. There are at least 40 co-sponsors for bills in each House of Congress. These bills in both the House and Senate would continue the standards of the 1968 day care guidelines, would restore private matching funds and in-kind contributions, would expand eligibility to two years for past welfare recipients and five years for potential welfare recipients, would eliminate the three month eligibility determination requirement, and would continue support for comprehensive developmental care for children.

Alternative Sources of Funding for Services to Minority Children

Cuts in Federal funding of services for children leave three alternative sources of support: (1) foundations, (2) state agencies, and (3) local communities. Foundations are receiving increased requests for funding from all areas of endeavor that are being affected by federal budget cuts. Many foundations do not include the funding of individual child care centers in their list of priority programs. State and local governments will have to stretch their revenue sharing funds very thin to even try to cover all the social services that are losing direct federal assistance. When the multitude of other social and economic problems of local and state governments are taken into consideration, the outlook for adequate and consistent financial support from these sources is dim.

The Black Child Development Institute has always maintained that effective quality services for children must take place in the context of community and economic development. If there is one conclusion that can be drawn from the current situation regarding federal activities in social services, it is that stable, reliable financial bases for social service programs for children and families can only be achieved through the economic development of the communities in which children live. Bluntly stated, minority and poor people must get themselves in the position of being able to support their own programs when funding fads veer in other directions.

As the Black Child Development Institute has monitored public policies and programs over the past three years, we have traced the Federal government's move away from the quality child development that was proposed by the 1970 White House Conference on Children. The proposed 1972 Interagency Guidelines for Day Care, "Innovations" in Head Start, the newly released model licensing codes, and now the proposed HEW regulations and the Administration's alterations in budgetary priorities all mark a step-by-step movement toward bargain basement custodial care. The arbitrary manner in which some states have begun to implement them, once again places children below monitary and political expediency.

By reducing the numbers of children eligible for social service dollars, the flow of public funds into private community-based and community-controlled child development centers is being steadily closed off. The right of Black communities to control and benefit from the use of their own tax dollars is being denied, with the result being a stiffling effect on the ability of Black people to develop valid educational alternatives for our children.

COUNTY OF MARIN,
DEPARTMENT OF PUBLIC SOCIAL SERVICES,
San Rafael, Calif., May 14, 1973.

Mr. TOM VAIL,
Chief Counsel, Committee on Finance,
Dirksen Office Building, Washington, D.C.

DEAR MR. VAIL: I have noted in the April 30, 1973 issue of Day Care and Child Development Reports that Chairman Russell Long is having hearings on the Social Service regulations, and that written statements of views regarding the regulations should be submitted to you on or before May 18, 1973.

I can best express my concerns as a county welfare administrator by describing a few situations in the day to day world of social services.

1. INFORMATION AND REFERRAL SERVICES

Subpart B, 221.52(m) limits federal financial participation to situations involving linking a person to employment or training or information about employment or training.

We get about 7,000 telephone calls a year that are service need type of calls as distinct from inquiries about public assistance programs or grants. These calls involve people requesting help in securing needed public or private social rehabilitative, health, employment and other services.

The first step is obvious—answer the telephone and find out who needs what. This is where the cost generated and incurred.

To comply with the regulation that Information and Referral Services may only be charged to I and R when the call and response relates to employment will require an expensive logging system to tie each call to the caller and nature of the call in order to properly allocate each to employment-related I and R, health care, day care, family planning or any of the other proper federally recognized service areas, as well as any other service area not federally acceptable.

The record keeping, accounting, claiming and auditing involved as the regulation stands will be inordinately detailed and expensive.

Additionally we get about 400 people a year who come in because of some stress or crisis that are interviewed by a social worker for the purpose of identifying what the problem is and directing the person to a resource that will respond.

There is no way of telling short of taking the phone call or seeing the person what his particular crisis is. As I said this is where the cost is.

Cost accounting on 2 man years of telephone response and follow-up and 1 man year of in-person interview response to social service needs is cleaner, simpler and cheaper than a sorting and labeling mechanism that will be necessitated by this regulation.

We already have the screening mechanism built in to assure that only social service type contacts get to the service personnel involved.

2. HEALTH RELATED SERVICES

Subpart A, 221.9(b)(9) defines federally acceptable services as those that assist individuals and families to identify health needs, connect with various health care providers, and carry out health recommendations.

We have about 1,400 individuals and families who receive social services because of health related problems.

Some of the tasks are those described in the regulatory definition. The glaring omission in the definition is the crises and problems of daily living created by the health problem of the person as an individual or as a family member. Not infrequent is the situation created by a terminal illness of a parent, and the help with planning for the future of children and the family unit as well as the supportive help through the tragic period. While essential, it has nothing to do with connecting the ill person with his health care provider or his carrying on with his health treatment. An incapacitating illness of the breadwinner requires a total readjustment of family relationships and roles. Illness can create crisis in having to change living arrangements, such as the ill person can no longer climb the stairs, and help with development of alternative possibilities is necessary, in part because the ill person is too ill to cope with it by himself.

3. LIMITATIONS ON FORMER OR POTENTIAL RECIPIENTS

Subpart A, 221.6(c)(3)(i)(A)—income not exceeding 150% of the state's financial assistance payment standard and (3)(iii)(A) and/or (B) a condition which is susceptible to correction or amelioration through provision of services and

which will, without the services, lead to financial dependency within 6 months and same (B)(2), experiencing serious progressive deterioration of sight that without intervention the individual would qualify for Blind Aid in six months.

The Situation is as follows: 150 percent of California's payment standard is $7,344 per year for a family of 6 persons.

The family I know has 6 persons, father, mother, and 4 children. The father's gross earnings are $19,617 per year, and take-home is $13,604.

Two of the children were boys, ages 13 and 16, in 1972. Both were born blind, are retarded and autistic. After years of struggling with local programs and various out-of-home placements, the parents located a small facility about 250 miles distant which offered a specialized program of training and did indeed produce some improvement in the functioning of the boys. For example, the 13 year old spoke for the first time in his life.

The objective of the parents is stated as follows: "Our hope at this point is that our boys will be able to acquire enough self-help, social and vocational skills to enable them to be productive in a modest way in some sheltered environment, working at a job that will help pay their way in life and will give that life some dignity and meaning—and to prepare them for a future when we will no longer be able to take care of them."

The cost of the care of the two boys in the facility was $19,200.

Maximum finds available from special education was $6,720 per year, prorated over 10 months a year.

State Mental Retardation funds had a maximum of $7,200.

This had the family incurring a debt for the boys' care of $5,280 a year. Expenses for the remaining 4 members of the family, including living, working costs, debt retirement, clothing and incidental expenses of the 2 boys and visiting them, exceeded take home pay by $720 a year.

The 16 year old, by virtue of his age, was eligible to Aid to Blind, and hence the public assistance grant and services funds could be utilized to fill in the gap around the two state funds mentioned.

The 13 year old was too young for Aid to Blind or Disabled, and the parents were neither separated nor unemployed to qualify for AFDC. He was, however, on Title XIX Medicaid, and hence qualifiable for federal services expenditures. He could also qualify as a potential AFCD case since the father had already had one heart attack, or potential Blind or Disabled under the earlier time span permitted on potential cases.

As I read the restrictions I referred to on former and potential recipients, there is no way under the new regulations tlat we could address the plight of this family, particularly in respect to the 13 year old. We will indeed have to drop out of the plan for him July 1, 1973.

If this same family addressed us now instead of in 1972, we would have to be one more deaf bureaucracy in this family's long years of tragedy, rebuff and failures in their attempts to modesly improve the functioning level of their two sons.

Their request in 1972 was a desperate one of asking the court and Department of Social Services to take over the responsibility for the next two to three years because they could no longer cope with it. They were really "going under" financially, physically and emotionally.

While dramatic, I hope this situation gives Senator Long and members of the committee a sense and feel for the real world in which people struggle to live and in which social services programs operate. I do not have the impression that the regulation writers know that such things happen to ordinary people, or that the federal social services funds have been put to this kind of use in an effort to rescue a whole family from a state of collapse and to minimize the totality of the lifetime of dependency these boys face which will be largely at public expense. There is no alternative in the long haul.

4. Educational Services and Employment Services

Subpart A, 221.9 (b) (4) and (5)

Both sections specify that services can be extended to help individuals secure education or training at no cost to the agency.

Such programs at no cost are available only through the public school system. The school system operates on the school year or semester system, and courses are scheduled within it.

Our experience is that purchasing a concentrated short-term course, such as for clerical skills, can ready a person for the labor market in significantly less time than it takes in the public school system. Two years of aid to complete a series of school courses is more costly than the tuition cost of a 3–4 month course.

5. Foster Care Services For Children

SUBPART A, 221.9 (B) (8)

I am glad to see the regulation eased to permit foster care services to other than court adjudicated cases.

There are three areas that do not appear to me to be covered, either in this section or in 221.30 Purchase of Services.

1. Receiving homes

These are licensed foster family homes that are available to receive dependent, neglected and abandoned children 24 hours a day, 7 days a week. For this availability they are paid a retainer, which has been funded on federal services fund sharing. Board and care for children placed is carried on the public assistance grant basis. This offers children a family setting rather than an institutional one when their own home and family cannot function.

2. Child treatment institutional care

For some seriously emotionally disturbed children, a period of care in a child treatment facility is the only solution. Rates of care cover a therapeutic cost as well as a board and care cost. The distinguishable treatment component has been a federally shared cost on services funds, distinct from the public assistance payment for board and care.

3. Foster parent training

In order to upgrade the quality of foster parenting, as well as to teach foster parents techniques to handle disturbed and acting out children, special training programs have been purchased. Foster parents themselves want training. They recognize that taking children whose life experiences produce the necessity for foster placement is quite different than raising their own children successfully.

I hope that we are not losing the capability to fund these three important components of a foster care program for children through the new regulations.

Sincerely yours,

(Miss) Betty L. Presley,
Director.

Richard Ellery Loughborough,
Attorney-at-Law,
Atlanta, Ga., May 15, 1973.

Hon. Tom Vail,
Chief Counsel, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.

Sir: I would like to submit the enclosed detailed report for the hearings on S. 1179, S. 1631, and S. 4.

It is meant to show that employees have, as of now, little or no protection against conflicts of interest, mismanagement, failure of communication, and denial of plan benefits without due process.

Respectfully,

Richard Ellery Loughborough.

Enclosure.

A. It is not within the power of the Internal Revenue Service to recover for a participant an unlawfully withheld pension.

B. The Director, Office of Labor-Management and Welfare Pension Reports is without authority to enforce participants' rights under private pension benefits plans. As a matter of fact, I don't believe that one single case has been brought under the Welfare and Pension Plans Disclosure Act for failure of employers to publish and file the reports required by the Act. I have made it a point since filing my suit against the bank to ask many, many employees of numerous employers, having retirement plans, whether they have ever heard of the Act or seen any Description or Annual Report—all the answers have been "NO." And this is true even though Section 2(b) of the Act provides that the purpose of the Act is to protect the interests of participants in welfare and pension benefit plans.

C. In most cases, an employee would lose his job if he dared to challenge the employer's handling of its retirement plan.

D. A provision for early retirement in a pension plan appears to be idle words because the employee can only request early retirement; granting of his request most times depends upon the decision of board members who could care less about the average employee's well-being. If the employee's request is not granted, his future with the company is in jeopardy (salary as well as advancement).

E. Many times an employer's pension retirement committee is comprised of several members of the employer's board of directors (doctors, dentists, realtors, persons of inherited wealth, status symbols in the community, officers of a corporation which does business with the employer, members of the family of the employer's president), none of whom really cares about the well-being of the average participant. And very few of these directors know anything about the technical field of retirement plans or about investments.

F. The following facts appear to indicate a serious conflict of interest which is detrimental to the best interests of employees covered by the bank's plans.

1. Profit-sharing plan:

(a) Created on November 15, 1963.

(b) Same law firm that is bank's legal counsel drafted the plan and all amendments thereto.

(c) Bank paid this law firm legal fees of about $100,000 last year and previous years.

(d) Two senior partners of this law firm are on the bank's board.

(e) One of the senior partners also is a member of bank's executive committee.

(f) All the outstanding stock of the bank is owned by The Fulton National Corporation, a one-bank holding company.

(g) The bank's president beneficially owns about 60,000 shares of the holding company.

(h) Various members of the family of bank's president own an appreciable number of shares.

(i) Various members of bank's legal counsel beneficially own about 60,000 shares.

(j) Since the establishment of the plan on November 15, 1963 up to 1973, the trustees of the profit-sharing trust were bank's president, a senior partner of bank's legal counsel (which drafted the plan and trust), and a nonofficer employee.

(k) In late 1972 or early 1973, and after I filed my complaint, bank's president and the senior partner of bank's legal counsel removed themselves as trustees of the profit-sharing trust. But the bank's president appointed a subordinate officer of the bank to take his place, and the senior partner of bank's legal counsel appointed another partner of his firm to take his place. So the status quo was maintained.

(l) Notwithstanding the requirement of Section 401 of the Internal Revenue Code and the Regulations that before the employer may invest plan contributions in its own stock, there first must exist diversification and a fair rate of return, 88 percent to 100 percent of all bank contributions to the trust have been invested in the one-bank holding company stock since the inception of the plan. And as of 1972, the trust owned about 90,000 shares.

(m) Under the terms of the trust, the trustees vote all holding company stock held by the trust.

(n) As a result of their individual holdings, the holdings of bank's legal counsel, the shares owned by the profit-sharing trust, and the shares owned by members of the president's family, the bank's president and bank's legal counsel vote or control at least 200,000 shares, or at least 20%, of all outstanding shares of the holding company.

(o) I must conclude—and any reasonable man must conclude—that the only purpose of the investment policy of the bank with respect to its profit-sharing trust is to maintain the bank's president in office and to assure bank's legal counsel of its appreciable fees. Surely, investment of between 88% and 100% of all contributions to the profit-sharing trust in holding company stock is not a prudent investment.

G. I have filed a complaint against the Fulton National Bank of Atlanta under the Welfare and Pension Plans Disclosure Act. All of the stock of the bank is owned by The Fulton National Corporation, a one-bank holding company. I have reviewed the facts in this case with several experts in the field, and all agree that this is the worst case of which they have ever heard. Perhaps the following will help the Committee to approve a bill which will greatly benefit employees.

1. On December 15, 1948, the bank established its pension plan. On December 29, 1948, the bank very materially amended the original plan. In early 1949, it published to employees a bound booklet to communicate the plan to employees. The explanation of the plan failed to reflect the December 29, 1948 amendment, but the text of the pension trust agreement included in the booklet reflected this amendment. Yet the date appearing at the end of the text of the pension trust agreement is December 15, 1948.

2. After the issuance of this bound booklet to employees, the plan was amended eight more times over a 24-year period, and not one single letter was changed in the booklet to reflect any of these eight amendments.

3. On November 15, 1963, the bank rewrote the December 15, 1948 pension plan in its entirety, but no change whatsoever was made in the original bound booklet.

4. In early 1964, the bank issued a loose-leaf ring binder to employees, one of the purposes of which was to explain the bank's pension plan. There is not one word in this loose-leaf booklet to indicate that the original plan had been revoked in its entirety. After the issuance of this loose-leaf booklet, the bank amended the plan five more times over the next eight years without changing this booklet one iotā to reflect any of the five amendments.

5. Another purpose of the loose-leaf booklet described in "4" above was to explain the November 15, 1963 profit-sharing plan established by the bank. Then the bank amended the profit-sharing plan six times over the next eight years without changing the booklet one iota to reflect any of these six amendments.

6. The bank's pension plan became subject to the Welfare and Pension Plans Disclosure Act on January 1, 1959. Notwithstanding that the Act required the bank to publish to each plan participant a Description of the bank's pension plan on Form D-1 and a revised Description on Form D-1 or D-1A to reflect changes in the original Description brought about by amendments to the plan, not one single description of the pension plan ever was published to plan participants during the next 13 years, despite six amendments to the plan during such period.

7. Notwithstanding that the Welfare and Pension Plans Disclosure Act required the bank to publish 13 Annual Financial Reports to pension plan participants between January 1, 1959 and 1972, not one single annual financial report was so published during such period.

8. The Bank's profit-sharing plan became subject to the Welfare and Pension Plans Disclosure Act on November 15, 1963. Notwithstanding six amendments to the plan during the next eight years, not one single description was so published to plan participants during such period. And during such eight years, eight Annual Financial Reports on Form D-2 were required to be published to plan participants, but not one single annual report was published to plan participants during such period.

9. The Welfare and Pension Plans Disclosure Act required the bank to file with the Office of Labor-Management and Welfare Pension Reports copies of the Descriptions and Annual Reports described in "6" through "8" above. Of all the over 25 reports the bank was so required to file, it filed only SIX, and every one of these six was filed months and months late (two, 7 months late; two, 10 months late; and two, 17 months late). It was not until 1972, when the bank and its legal counsel met with the Compliance Division of the U.S. Department of Labor, that the bank accounted for its past failure to publish and file the required reports. However, this meeting was not voluntary on the bank's part but resulted from information furnished by me to the Office of Labor-Management and Welfare-Pension Reports after the bank failed to furnish me with such reports upon my written request.

10. On April 16, 1971, I made written request of the bank for copies of the Descriptions and Annual Reports relative to both its plans. To date, the bank has made no effort to comply.

11. The law firm defending the bank drafted both the bank's pension and profit-sharing plans and all amendments to the plans. Both the plans have a provision which states that the Administrative Committee of each plan shall file all reports required by any State or Federal law, such as the Welfare and Pension Plans Disclosure Act.

One senior partner of the bank's legal counsel, the same firm which drafted both plans and all amendments thereto, is and has been a member of both these Administrative Committees. Yet, not one single Description or Annual Report with respect to either plan was published to any participant prior to 1973, and only six out of about twenty-five required to be filed with the Labor Department were actually filed (and all six were filed months and months late).

H. The investment of almost all of the bank's contributions to the profit-sharing plan from November 15, 1963 to date in stock of The Fulton National Corporation (a one-bank holding company which owns all the stock of the bank) not only has involved a conflict of interest, but has been seriously detrimental to the interests of participants. For Example:

1. For the years 1963 through 1970, the bank contributed $13,190.77 on my behalf.

2. Total dividends during this period on Fulton National Corporation stock purchased for my account was $1,472.95.

3. When I resigned on April 16, I received a check for $14,637.03, $26.69 less than the total of contributions plus dividends credited to my account, and even though I was 100 percent vested. From this check for $14,637.03, I paid substantial capital gains tax.

I. Because I was deprived of a pension, I was unable to exercise my stock option; I lost $50,000 worth of insurance coverage which I was unable to convert; and the bank cancelled my hospitalization—at a time when I was almost 60 years of age.

J. I was told by bank's legal counsel that I was not entitled to any pension. I was deprived of the due process provided for by the bank's pension plan and trust.

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION

CIVIL ACTION NO. 16196

ORDER

The foregoing amendment has been read and considered. It is hereby allowed and ordered filed, subject to objections.

This 3rd day of August, 1972.

RICHARD C. FREERYA,
Judge.

In the United States District Court, Northern District of Georgia, Atlanta Division

RICHARD ELLERY LOUGHBOROUGH, PLAINTIFF

File No. 16196

THE FULTON NATIONAL BANK OF ATLANTA, DEFENDENT

AMENDMENT TO COMPLAINT

Plaintiff moves this Court for leave to file amendments to his complaint in the above entitled cause, as shown in the attached amendments to complaint.

RICHARD ELLERY LOUGHBOROUGH,
Plaintiff.

In the United States District Court, Northern District of Georgia, Atlanta Division

RICHARD ELLERY LOUGHBOROUGH, PLAINTIFF

File No. 16196

THE FULTON NATIONAL BANK OF ATLANTA, DEFENDENT

AMENDMENT TO COMPLAINT

Plaintiff in the above styled action, with leave of the Court, amends his complaint by striking the original complaint in its entirety and substituting in lieu thereof the following:

This action is brought by petitioner under § 9(c) of the Welfare and Pension Plans Disclosure Act of 1958, as amended, Act of August 28, 1958, Public Law 85-836, 85th Congress, 2d Session, 72 Stat. 977, effective January 1, 1959.

The petition of Richard Ellery Loughborough, a citizen of the State of Georgia, residing at 1850 Winchester Trail, Atlanta, DeKalb County, Georgia 30341 respectfully shows the Court:

I

That The Fulton National Bank of Atlanta is a national banking institution, having its principal office at 55 Marietta Street, Atlanta, Fulton County, Georgia 30303, and is named defendant in this petition.

II

That prior to his resignation on April 16, 1971, plaintiff was a vice president and trust officer of defendant, having been employed by defendant on January 14, 1958.

III

On December 15, 1948, defendant established its pension plan. To communicate this plan to employees, defendant issued to them on or after February 1, 1949 a BOUND booklet. This booklet contained an explanation of the original plan, together with the text of the plan itself, as amended on December 29, 1948. This booklet is afterwards called the "Blue Book" in this complaint.

Subsequent to the issuance of this Blue Book to employees in February 1949, defendant amended the plan EIGHT times on the following dates (or over a period of about TWENTY-THREE years) without revising the Blue Book one iota to reflect any of such amendments: (A) April 3, 1956, (B) April 11, 1963, (C) November 15, 1963, (D) June 24, 1964, (E) July 14, 1966, (F) April 1969, (G) May 1, 1969, and (H) November 12, 1970.

This Blue Book remained in employees' hands, unrevised in any manner to reflect any of the eight amendments, over the entire twenty-three year period.

In 1964, defendant issued to employees an undated loose-leaf ring binder. Pages R-1 through R-6 were devoted to an explanation of a November 15, 1963 amendment to the December 15, 1948 pension plan. This binder hereafter is called the "Orange Book".

Between November 15, 1963 and April 16, 1971 (date of plaintiff's resignation), defendant amended the pension plan on the following dates without issuing to employees any replacement pages for or revising the Orange Book one iota to reflect any of such amendments. (A) June 24, 1964; (B) July 14, 1966; (C) April 1969; (D) May 1, 1969; and (E) November 12, 1970.

And this Orange Book remained in employees' hands without revision to reflect any of such amendments over a period of about EIGHT years. In other words, employees had issued to them the Blue Book which reflected only the December 29, 1948 amendment to the pension plan and the Orange Book which reflected only the November 15, 1963 amendment to the pension plan. SEVEN amendments to the pension plan never were reflected in either the Blue Book or the Orange Book.

IV

On November 15, 1963, defendant established its profit-sharing plan. Pages P-1 through P-9 of the Orange Book were devoted to an explanation of this plan, and as explained in paragraph III, this Orange Book was issued to employees in 1964.

Subsequent to the issuance of the Orange Book to employees in 1964, defendant amended its profit-sharing plan SIX times on the following dates without issuing to employees any replacement pages for or revising the Orange Book one iota to reflect any such amendments. (A) June 24, 1964; (B) July 20, 1965; (C) February 4, 1966; (D) April 11, 1969; (E) May 1, 1969; and (F) November 12, 1970. And this Orange Book remained in employees' hands unrevised for about 8 years.

V

It was abuses such as those explained in paragraphs III and IV that prompted the passage of the Welfare and Pension Plans Disclosure Act. Section 1(b) of the Act provides, "It is hereby declared to be the policy of the Act to protect * * * the interests of participants in employee welfare and pension benefit plans * * * by requiring disclosure and reporting to participants * * * of financial and other information with respect thereto."

The defendant has repeatedly and willfully violated §§ 5, 6, 7, 8, and 9 of the Act as explained in the following paragraphs. Webster's Dictionary defines "willful" to mean voluntary, self-determined, and willing as well as intentional. And Black's Law Dictionary states, "A willful act may be described as one done knowingly and purposely without justifiable excuse." As pointed out in *Howenstein* v. *United States*, 263 F. 1, 3, the word "unlawfully" will supply the place of the word "willfully" in an indictment.

VI

Prior to his resignation on April 16, 1971, plaintiff made several oral requests of defendant for copies of both plans and all amendments thereto. Defendant refused each request. Because of these refusals, and prior to plaintiff's resignation, plaintiff made written request of defendant under § 9 of the Welfare and Pension Plans Disclosure Act for copies of both plans, all amendments thereto, and copies of U.S. Department of Labor forms D-1, D-1A, and D-2. On or about May 13, 1971, defendant's counsel (Kilpatrick, Cody, Rogers, McClatchey & Regenstein) responded to this request by mailing to plaintiff the following:

A. U.S. Treasury Department form 990-P which was not requested by plaintiff and is totally unrelated to plaintiff's request.

B. Description form D-1 relative to defendant's pension plan—the form was undated, but information from the U.S. Department of Labor indicates this Description was dated March 19, 1959, and was the INITIAL description of the plan filed shortly after the Act became effective on January 1, 1959.

C. Undated and unverified Annual Financial Report form D-2 for calendar year 1970 relating to defendant's pension plan.

D. Copy of December 15, 1948 pension plan and nine amendments thereto.

E. Copy of November 15, 1963 profit-sharing plan and six amendments thereto.

In violation of §9(b) of the Act, defendant failed to furnish plaintiff the following documents requested by him:

A. Copy of amendment No. 1 to the pension plan.

B. Copy of amendment No. 2 to pension plan.

C. Description on form D-1 or D-1A reflecting December 29, 1948 amendment to pension plan.

D. Description on form D-1 or D-1A reflecting April 11, 1963 amendment to pension plan.

E. Description on form D-1 or D-1A reflecting November 15, 1963 amendment to pension plan.

F. Description on form D-1 or D-1A reflecting June 24, 1964 amendment to pension plan.

G. Description on form D-1 or D-1A reflecting July 14, 1966 amendment to pension plan.

H. Description on form D-1 or D-1A reflecting April 1969 amendment to pension plan.

I. Description on form D-1 or D-1A reflecting May 1, 1969 amendment to pension plan.

J. Description on form D-1 or D-1A reflecting November 12, 1970 amendment to pension plan.

K. Executed and verified Annual Financial Report on form D-2 of pension plan for year 1970.

L. Annual Financial Report on form D-2 of profit-sharing plan and covering year 1970.

M. Initial Description of profit-sharing plan on form D-1.

N. Description on form D-1 or D-1A reflecting June 24, 1964 amendment to profit-sharing plan.

O. Description on form D-1 or D-1A reflecting July 20, 1965 amendment to profit-sharing plan.

P. Description on form D-1 or D-1A reflecting February 4, 1966 amendment to profit-sharing plan.

Q. Description on form D-1 or D-1A reflecting April 11, 1969 amendment to profit-sharing plan.

R. Description on form D-1 or D-1A reflecting May 1, 1969 amendment to profit-sharing plan.

S. Description on form D-1 or D-1A reflecting November 12, 1970 amendment to profit-sharing plan.

VII

Because of the failure of defendant to revise either the Blue Book or Orange Book to reflect any of 13 amendments to both plans—because defendant allowed the Blue Book to remain in employees' hands for 23 years without one single revision—because defendant allowed the Orange Book to remain in employees' hands for 8 years without one single revision—because defendant displayed utter indifference to plaintiff's rights under the Welfare and Pension Plans Disclosure Act by sending plaintiff irrelevant material, sending plaintiff unexecuted and unverified documents, and failing to send plaintiff the documents requested, plaintiff turned to the U.S. Department of Labor, Washington, D.C. for assistance.

Plaintiff's request for assistance was referred to the Regional Office, Office of Labor-Management and Welfare-Pension Reports, Atlanta, Georgia. After months of investigation by this Office to determine the extent of defendant's amendments to its plans and compliance with the various provisions of the Welfare and Pension Plans Disclosure Act, plaintiff was advised by such Office to make written request under the Act to the Director, Office of Labor-Management and Welfare-Pension Reports, Washington, D.C., for copies of defendant's plans, all amendments thereto, and forms D-1, D-1A, and D-2 filed by defendant. In response to this request, plaintiff received the following:

A. Copy of November 15, 1963 profit-sharing plan.

B. Copy of June 24, 1964 amendment to profit-sharing plan.

C. Copy of initial Description (form D-1) of profit-sharing plan, dated October 2, 1964 and received by the Office of Labor-Management on November 10, 1964.

D. Copy of 1970 Annual Financial Report with respect to profit-sharing plan, which Annual Report failed to disclose investment in stock of The Fulton National Corporation.

E. Copy of December 15, 1948 pension plan.

F. Copy of April 6, 1956 amendment to pension plan.

G. Copy of November 15, 1963 amendment to pension plan. Received by Office of Labor-Management after June 9, 1965.

H. Copy of June 24, 1964 amendment to pension plan. Received by Office of Labor-Management after June 9, 1965.

I. Copy of initial Description (form D-1) relative to pension plan dated March 19, 1959.

J. Copy of revised Description (form D-1) relevant to November 15, 1963 and June 24, 1964 amendments to pension plan, and received by Office of Labor-Management after June 9, 1965.

VIII

The Act required defendant to file with the Office of Labor-Management and Welfare-Pension Reports, Washington, D.C., an initial Description of the pension plan on form D-1 by March 30, 1959, an initial Description of the profit-sharing plan on form D-1 by February 15, 1964, and a revised Description on form D-1 or D-1A to reflect each amendment to each plan within sixty days after the amendment is effectuated.

Not only did defendant fail to publish to plaintiff any Description or Annual Financial Report with respect to either its pension or profit-sharing plans, and failed to furnish all the documents plaintiff requested in writing under § 9(c) of the Act, but defendant failed to file, or failed to timely file with the Office of Labor-Management and Welfare-Pension Reports the following required reports:

A. December 29, 1948 amendment to its pension plan—never filed.

B. April 11, 1963 amendment to its pension plan—never filed.

C. November 15, 1963 amendment to pension plan required to be filed by January 15, 1964—not filed until after June 9, 1965, 17 months late.

D. June 24, 1964 amendment to pension plan required to be filed by August 24, 1964—not filed until after June 9, 1965, at least 10 months late.

E. July 14, 1966 amendment to pension plan required to be filed by September 14, 1966—never filed.

F. April 1969 amendment to pension plan required to be filed by June 19, 1969—never filed.

G. May 1, 1969 amendment to pension plan required to be filed by July 1, 1969—never filed.

H. November 12, 1970 amendment to pension plan required to be filed by January 12, 1971—never filed.

I. November 15, 1963 profit-sharing plan required to be filed by February 15, 1964—not filed until November 10, 1964—9 months late.

J. June 24, 1964 amendment to profit-sharing plan required to be filed by August 24, 1964—never filed.

K. July 20, 1965 amendment to profit-sharing plan required to be filed by September 20, 1965—never filed.

L. February 4, 1966 amendment to profit-sharing plan required to be filed by April 4, 1966—never filed.

M. April 11, 1969 amendment to profit-sharing plan required to be filed by June 11, 1969—never filed.

N. May 1, 1969 amendment to profit-sharing plan required to be filed by July 1, 1969—never filed.

O. November 12, 1970 amendment to profit-sharing plan required to be filed by January 12, 1971—never filed.

P. Revised Description form D-1 or D-1A relative to April 11, 1963 amendment to pension plan required to be filed by June 11, 1963—never filed.

Q. Revised Description on form D-1 or D-1A relative to November 15, 1963 amendment to pension plan required to be filed by January 15, 1964—not filed until after June 9, 1965, at least 17 months late.

R. Revised Description on form D-1 or D-1A relative to June 24, 1964 amendment to pension plan required to be filed by August 24, 1964—not filed until after June 9, 1965, at least 10 months late.

S. Revised Description form D-1 or D-1A relative to July 14, 1966 amendment to pension plan required to be filed by September 14, 1966—never filed.

T. Revised Description form D-1 or D-1A relative to April 1969 amendment to pension plan required to be filed by June 1969—never filed.

U. Revised Description on form D-1 or D-1A relative to May 1, 1969 amendment to pension plan required to be filed by July 1, 1969—never filed.

V. Revised Description on form D-1 or D-1A relative to November 12, 1970 amendment to pension plan required to be filed by January 12, 1971—never filed.

W. Initial Description form D-1 relative to November 15, 1963 profit-sharing plan required to be filed by February 15, 1964—Not filed until November 12, 1964, 9 months late.

X. Revised Description on form D-1 or D-1A relative to June 24, 1964 amendment to profit-sharing plan—never filed.

Y. Revised Description on form D-1A relative to July 20, 1965 amendment to profit-sharing plan—never filed.

Z. Revised Description on form D-1 or D-1A relative to February 4, 1966 amendment to profit-sharing plan—never filed.

AA. Revised Description on form D-1 or D-1A relative to April 11, 1969 amendment to profit-sharing plan—never filed.

BB. Revised Descriptions on form D-1 or D-1A relative to May 1, 1969 amendment to profit-sharing plan—never filed.

CC. Revised Description on form D-1 or D-1A relative to November 12, 1970 amendment to profit-sharing plan—never filed.

Section 5(a) of the Act required defendant to publish a Description of each plan and an Annual Financial Report with respect to each plan.

Under §6(a), the initial Description of the pension plan was required to be published to each participant by March 30, 1959, and the initial Description of the profit-sharing plan was required to be published to each participant by February 15, 1964. Section 6(b) required that the Description include, among other things, a copy of the plan or trust agreement under which the plan was established and is operated.

Under §6(b), amendments to the PLAN, reflecting changes in the data and information included in the original PLAN were to be included in the Description on and after the effective date of such amendments. And such changes were to be reported to the Office of Labor-Management and Welfare-Pension Reports within sixty days after the change has been effectuated.

IX

Section 401(a) of the Internal Revenue Code and the Rules and Regulations issued thereunder, provide that the investments of an exempt employees' trust must be consistent with the primary purpose of benefiting employees. The "exclusive benefit of employees" requirement demands that before an employer may

invest in stock or securities of the employer, the following requisites, among others, must be met: there must be a fair return, and the safeguards and diversification for which a prudent investor would look must be present.

Between the inception of defendant's profit-sharing plan on November 15, 1963 and April 16, 1971, 80 percent to 100 percent of all of defendant's contributions to the trust have been invested in Fulton National Corporation stock. Such investment policy has not met the requirements of fair return and diversification. For example, the return has been between 2.1 percent and 2.8 percent since 1963. There has been practically no diversification.

It is clear that the Welfare and Pension Plans Disclosure Act sought to prevent such an abuse by requiring, in § 7(f)(1)(c), that if an employee pension benefit plan is funded through a trust, the Annual Financial Report (form D–2) of such a plan must include a detailed list, including information as to cost, present value, and percent of total funds of all investments in securities of the employer or any other party in interest. Defendant has failed to reflect its investment policy in its Annual Financial Reports (form D–2) with respect to its profit-sharing plan. For example, defendant's form D–2 for the year 1970 showed only:

Cash	$1, 096. 90
Common stocks	1, 286, 017. 68
Goodyear variable note	174, 000. 00
Total	1, 461, 114. 58

There is nothing to indicate that over 88 percent of all investments of the profit-sharing trust comprises stock of The Fulton National Corporation.

Defendant has willfully and repeatedly violated the Welfare and Pension Plans Disclosure Act in the following manner:

A. In violation of §§ 5, 6, and 8, defendant failed to publish to plaintiff one single description of the pension plan at any time prior to his resignation on April 16, 1971.

B. In violation of §§ 5, 6, and 8, defendant failed to publish to plaintiff one single Description of the profit-sharing plan prior to his resignation on April 16, 1971.

C. In violation of §§ 5, 7, and 8, defendant failed to publish to plaintiff one single Annual Financial Report of the pension plan prior to his resignation on April 16, 1971.

D. In violation of §§ 5, 7, and 8, defendant failed to publish one single Annual Financial Report of the profit-sharing plan to plaintiff prior to his resignation on April 16, 1971.

E. In violation of § 8(b), defendant failed to file numerous Descriptions, Annual Financial Reports, and amendments to both plans, and in other instances filed the required reports and amendments late.

F. In violation of § 7(f)(1), defendant failed to reflect investments of profit-sharing contributions in stock of The Fulton National Corporation in its Annual Financial Reports.

G. In violation of § 9(b), defendant failed to furnish to plaintiff, upon his written request, the documents described in paragraph V.

H. By failing to file the documents and reports required by the Act, defendant has made it impossible for the Office of Labor-Management and Welfare-Pension Reports, Washington, D.C., to furnish plaintiff the information to which he is entitled under the Act.

For these reasons, plaintiff respectfully asks the Court:

A. To order defendant to furnish all the documents requested by him as explained in paragraph V of this Complaint.

B. To award plaintiff $50 per day for each day defendant failed to furnish plaintiff with the documents requested by him in paragraph V, that is, $50 per day commencing with May 13, 1971 to the date of filing this Complaint.

C. To award plaintiff reasonable attorney's fees, costs of action, costs incurred by plaintiff in securing documents from the Labor Department, Washington, D.C., reimbursement for time spent as an attorney in determining plaintiff's rights under the Act, and costs of action.

RICHARD ELLERY LOUGHBOROUGH,
Petitioner.

STATEMENT PRESENTED BY WILSON RILES, CALIFORNIA SUPERINTENDENT OF PUBLIC INSTRUCTION

Senator Long and Members of the Committee: The California Legislature, California Congressional delegation and a great many other people in our state are vitally interested in the new federal social service regulations, particularly as they affect the provision of day care for low income welfare and potential welfare families. In California the Legislature has recently assigned responsibility for administration and supervision of all child development and child care programs to the State Department of Education. This explains our great concern with the impact of the new federal regulations on child development and child care in our state.

We understand the reasons that impelled Congress to establish a ceiling on social service expenditures and why the Department of Health, Education and Welfare formulated regulations to bring expenditures within the ceiling. The ceiling, we believe, was designed to prevent use of the current regulations to subsidize with federal funds programs outside the scope of the service provisions of the Social Security Act—not to eliminate programs clearly within the scope of the Act that meet the needs of the most deprived segments of our population.

As we understand the "New Federalism" of the present Administration, the intent is to allow greater discretion and latitude at state and local levels in determining program priorities and needs. However, while the final regulations reflect this to some extent in terms of optional services, the range of those services has been reduced to such an extent that some essential, worthy programs for the poor will no longer be eligible for federal matching. Others will be sharply reduced in a way that will seriously handicap our efforts to provide needed social services and child care to low income families in California. Doubtless this will also be true elsewhere. I will review briefly the impact of the relevant regulations in California.

First, how will the new regulations affect our Preschool Educational Program which serves approximately 19,000 children and their economically deprived mothers, almost all of whom are on welfare and for a variety of reasons are unable to seek or retain employment?

This Preschool Program was approved by HEW in 1966 under Title IV–A as a public social service program with health, nutrition, education and social service components. It is designed to assist welfare recipients to overcome deprivation, to better prepare their children for regular school, to try to break the poverty cycle by stimulating parent participation and self reliance.

This program serves both the parent and the child. Like Head Start, it is a "hope" for the poorest of the poor. We have documented case after case where the parent has become involved with her child and now is employed as a paid paraprofessional teacher aide. These are practical and realistic methods for upward mobility, for assisting the poor to break out of the poverty trap.

Since child care under the federal regulations is limited essentially to parents who are working or in training, it appears that this program would no longer qualify for federal matching and California would lose approximately 15 million dollars in federal funds. We consider this most unfortunate since the Preschool Program serves the most economically deprived segment of our population.

The environment where the parent can experience hope for herself and her child is our best tool for helping those who are "poor in spirit" to get involved in self-renewal and positivism. The strongest instinct for our species is the interest and protection of its young. We dare not deny the resources and destroy the environment that offer hope to those whose strength to respond to that instinct is weakest.

Therefore, it is our hope that this Committee and the Department of Health, Education and Welfare will reassess the impact of the regulations. We urge you to take such action as would permit urgently needed programs such as this one to continue to receive Title IV–A funding.

One of the most deprived groups that will be severely affected in California by the new regulations is the migrant worker and his family. Under present regulations, because these workers are treated on a group basis in terms of eligibility and do not have to be individually certified for child care, we have been able to establish and operate one of the best day care programs for migrant workers in the United States. It serves approximately 1,100 children annually in 26 locations. The need for this program is demonstrated every day of the growing season by the many reported incidents of injury and neglect that afflict these children in the absence of organized, supervised day care programs.

We have been able to provide child care for migrants under the present federal regulation which permits service to those who are "at or near the dependency level with common service needs". Many children have been saved from exposure and neglect while their parents work in the fields.

We believe the new regulations will exclude all but a handful of present migrant child care recipients for three reasons: the need to be individually certified, the need to meet the deprivation requirement and the need to meet the resource requirement. The group eligibility approach is the only one that makes sense with the migrants, since their earnings fluctuate monthly and the average in California is only $2,000 annually. They can be eligible one month and ineligible the next. Many are families in which both parents are present, so there is no parental deprivation. At certain times during the year liquid resources will exceed $600 and a few weeks later the family is on welfare.

Young children need stability in their world. Surely, essential services to children of migrant workers are more important than the apparent objective of requiring absolute, certifiable poverty before poviding assistance.

With respect to the definition of "potential" recipient, Secretary Weinberger and the Department of Health, Education and Welfare are to be commended for relaxing the income standard to permit greater numbers of the working poor and the near poor to receive child care. However, the requirement that recipients must be expected to meet the AFDC deprivation factor within six months—namely that a child wil be deprived and that they cannot exceed the resource limitation for AFDC which in California is $600—will result in many being disqualified. It would seem illogical to define a potential recipient in terms that almost require the individual to be eligible for welfare when what we are trying to do is to provide preventive services that will help keep him off welfare. It would appear that under the final regulations, HEW is taking away with one hand what it offers with the other. The liberalized income standard is helpful, but not if many who qualify under it are going to be declared ineligible because of the very limiting deprivation and resource requirements.

Finally, one must question the need for the greatly increased certification and recertification requirements. These requirements represent a large and expensive increase in bureaucratic red tape. The official position seems to be: The requirements are set in order to assure that this will not become a runaway, giveaway economic program. However, let me remind the Committee that the most effective means of accomplishing that objective has already been devised, a ceiling of 2.5 billion dollars nationwide.

In conclusion, I would like to summarize briefly our recommendations:

1. We urge modification of the regulations to permit federal matching funds for the poor under Title IV–A for preschool and similar programs where for a variety of legitimate reasons parents are unable to work or qualify for training. Simple equity dictates at least a hold-harmless provision should be inserted to protect California's state Preschool Program at the present level; or that regulations be otherwise modified to accomplish the same result.

2. We urge modification of the regulations to permit group eligibility for social services for migrant workers and other clearly identifiable low income families where children as a group are considered at risk.

3. We urge elimination of the AFDC linkage and resource requirements for "potential" recipients since the income limitation in almost all cases will serve to reduce the number of persons eligible for services.

We sincerely hope that some further accommodation to the realities of service needs among the poor will be possible and that the federal rules will be modified accordingly. Thank you.

WILSON RILES.

AMERICAN FRIENDS SERVICE COMMITTEE, INC.
Philadelphia, Pa., May 17, 1973.

To: Members of the Senate Finance Committee and the House Ways and Means Committee.
From: Barbara Moffett, Secretary, Community Relations Division.
Subject: Comments on proposed regulations for public assistance.

We are enclosing a copy of the comments we have submitted today to the Department of Health, Education and Welfare concerning the regulations proposed for the administration of Public Assistance.

Our basic response is that the proposed regulations be withdrawn. We have recommended that the Department examine how it can serve the needs of America's poor people more effectively and more humanely and that public hearings be held in order to facilitate this examination.

We will appreciate knowing your reactions to our comments and your views on this issue.

Enclosure.

AMERICAN FRIENDS SERVICE COMMITTEE, INC.
Philadelphia, Pa., May 17, 1973.

To: Administrator, Social and Rehabilitation Service, Department of Health, Education and Welfare, 330 Independence Avenue SW., Washington, D.C.
From: Community Relations Division, American Friends Service Committee.
Subject: Proposed welfare regulations.

The Community Relations Division of the American Friends Service Committee wishes to submit comments on the proposed new regulations concerning public assistance, contained in the Federal Register of April 20, 1973.

Our comments are based upon more than twenty five years of experience in working with groups of people struggling against poverty, exclusion and denial of rights and opportunities and seeking a share in the decisions which determine their lives. Our field experience has been varied—involving rural, small city and metropolitan centers in twenty five different states, north and south, east and west.

Three years ago, we presented testimony to the Senate Committee on Finance regarding income maintenance legislation. What we said then, we regret to say, holds true today:

We are constantly struck (by) the tendency to judge the success of assistance programs by the wrong standards. Low welfare rolls and low expenditures are seen as evidence of success. But in fact they indicate failure if needs are left unmet because people do not know that they are entitled to benefits or because of geographic or procedural obstacles. The true test of a successful assistance program is the extent to which poverty is eliminated.

The proposed new regulations appear to say forcefully to the states that the federal government cares only about keeping costs and rolls low, and is unconcerned about methods states use to achieve this goal. There is a disturbing contrast between these proposed Public Assistance regulations and the new Social Services regulations. The first eliminate many requirements which have served to protect poor people; the second impose requirements which limit the capacity of states to respond to the needs of poor people. Less federal control in one case, more federal control in the other case; the common thread is a stripping away of protections for poor people.

The new Public Assistance regulations, if allowed to stand, would certainly increase the hardships suffered by those Americans who are most in need of assistance. The regulations would permit a return to degrading and punitive investigations. They would water down the basic due process protections for welfare recipients and applicants. They would punish poor people for errors made by welfare functionaries. They would increase administrative overhead and red tape. Can we justify these changes as a way to cut the welfare rolls?

We note that in a related action, the Department of Health, Education and Welfare decided that as of April 1, 1973 is quality control system will abandon any check on terminations and denials of aid. This action seems to confirm an abandonment of national concern for those who may be unjustly or inequitably treated by state and local officials.

We urge that the proposed regulations published on April 20 for Public Assistance be withdrawn in their entirety.

In place of the proposed regulations, we urge that the Department of Health, Education and Welfare examine how the present regulations can be revised in order to assure full protection of the interests of the poor, the excluded, the children, the mothers, the elderly and the disabled, who are the special charge of the Department, and for whom the nation, acting through the mechanisms of the federal government, has a responsibility that cannot be shrugged off.

In the meantime, we believe that the Department should recognize that such sweeping and drastic changes in the rules governing welfare should not be instituted without the most thorough-going public examination. We strongly urge the Department of Health, Education and Welfare to hold public hearings regarding

these proposed changes and to suspend implementation of any changes pending such hearings.

We wish to comment more specifically on a number of items in the proposed regulations concerning applications, determination of eligibility, fair hearings and recovery of overpayments. In preparing these comments, we have tried to gather as many illustrations from our field experience as the brief time period would allow.

1. We recommend that the following current regulations be allowed to stand, in order to expedite the application process and to help assure assistance to those who are eligible: (1) Sec. 206.10a1, permitting application by mail or telephone; (2) Sec. 206.10a3, requiring action not later than 30 days after application; and (3) Sec. 206.10b2, counting as date of application the date on which desire for assistance has been indicated. (The proposed regulations, under the same section numbers, would require a signed written application; would extend the time limit for action to 45 days; and would start only when written application is received.)

A memorandum from the west coast says: "When people are sick or have problems with child care, the possibility of telephoning is sometimes the only possible way for them to apply. It cannot be stressed too much that it is our continued experience that people do not apply for welfare until they absolutely need it—until they become destitute. This means that extending the time determining eligibility to 1½ months rather than 1 month creates an almost impossible situation."

A staff member working in the rural South points out that lack of transportation is an obstacle to participation by poor people in programs to which they are entitled and which they desperately need for survival. How do you get to the county seat to apply when you do not have access to a car and there is no public transportation?

2. We also urge retention of the language in the present regulations (Sec. 206.10a10) banning harassment, violation of privacy and personal dignity and violation of common decencies, and specifying banning certain practices, such as entering a home by force, without permission or under false pretenses. All these protections are removed by the proposed new regulations (same section number) which ban only violation of constitutional rights, including illegal entry and search.

The existing ban has not always prevented welfare administrators from action in violation of these human rights. Is it the intent of the new regulations to imply that the Department condones such actions?

The Southern staff member quoted above tells of an elderly near-blind individual who has been denied food stamps and has been cut off from disability benefits because of his assertion of his civil rights and a decision to enroll his children in a desegregated school. In addition, his mail has been opened and the contents divulged to the welfare department. In another case in Northern California, a woman whose husband was in jail was denied welfare assistance for herself and her children, despite clear eligibility and need, because the welfare authorities disapproved of the family's political activities.

3. With regard to *investigations*, we prefer the present protections against secret investigations. The current regulations (Sec. 206.10a12) start with the applicant as the primary source of information; call for the applicant's permission for outside investigations and therefore allow withdrawal if the applicant finds that investigation would bring unacceptable side affects (such as eviction, loss of employment, public humiliation); tend to cut down on expensive, time-consuming and punitive checking of information. This section also requires the agency to provide assistance, if needed, in obtaining the necessary information. The proposed regulations omit the entire section concerning securing of information.

A caseworker who works with a support group for elderly residents of San Francisco's Chinatown points out that small employers in this area, out of their own desire for privacy, tend to fire employees about whom investigations are made. Production of pay records by the employee should be adequate to avoid this loss of employment.

While we would prefer the current regulations to those proposed, we recommend a new system, involving self-certification plus spot checks. This is the method now used to distribute large benefits to wealthy recipients through the tax system. For the capital gains preference, investment credits, charitable deductions, home mortgage interest deductions and the like, the benefit is given

on the basis of self-certifications, the recipient is required to have corroborative evidence available, and the Internal Revenue Service carries out spot checks. The recipient is not subjected to prior investigation before taking the benefit. We suggest a comparable arrangement for the far smaller welfare benefits available to the poor.

4. The proposed *time periods* for action on applications (changed from 30 to 45 days) and for action on fair hearings (changed from 60 to 90 days) would be particularly damaging to poor people. These new regulations could mean that 4½ months could expire before an eligible applicant was granted the benefits to which he or she was entitled. For migrant workers, these delays are tantamount to denying benefits entirely. Too often now, under the present regulations, migrant workers are refused benefits which they need for family survival. The proposed regulations give federal sanction to this denial.

People working closely with farmworkers in Florida report that the regulations would constitute a shocking blow. The time element is already critical, for several reasons. First, farmworkers usually keep working as long as any work at all is to be found. They do not come to the welfare office until they are desperate. Experience shows that the welfare office, already overworked (and facing additional demands under the new regulations), seldom acts on applications until the last day. A further 30 days at the least usually goes by after approval of an application until the first check is received, retroactive to the approval date. Thus under the present system, it takes two months before people get help. People can and do die, or suffer starvation-related illnesses, or commit a crime during this interval. A family in Florida was notified that their application for welfare was approved, but received an eviction notice and were in fact evicted from their home before the first check arrived.

5. We urge retention of the present practice of continuing current benefits until an opportunity for a fair hearing has been afforded (Sec. 205.10a5iii of the current regulations). The proposed regulations (under the same section number) permit termination or reduction of aid after an "evidentiary hearing". Local "evidentiary hearings" before the very officials who have made the disputed decisions cannot meet the demands of due process. Also they add another layer of bureaucratic involvement and expense.

Termination or reduction of aid pending a hearing will remove the incentive for prompt disposition of questions. Furthermore, it will require recipients who may be without funds to carry the entire burden for errors made by welfare officials.

A member of the AFSC National Community Relations Committee has shared with us the comments of a welfare recipient: The case workers try to get you to have a conference instead of a Fair Hearing. This way they can settle the matter without having the Fair Hearing. This saves them money. They will tell you things and you will think they are right so therefore you don't ask for the Fair Hearing. And it might be that if you filed the Hearing you might get a different decision. The case workers are not in favor of the recipient very often. They are unfeeling and not understanding. They give you the impression that you are beneath them. They quote the Manual all the time and say that they can't change it. But I think that there are ways that they can learn that will make them better case workers and therefore they will do better work.

6. We also oppose the suggested change in definition of timely advance notice prior to reduction or termination of benefits, from 15 days to 10 days (Sec. 205.10a51a of current regulations and proposed regulations). Ten days is not adequate, particularly since the advance notice period affects not only the subsistence plans of families but also the possibility of having assistance continued pending a local evidentiary or state fair hearing.

7. We regard the proposed elimination of any advance notice in certain cases (Sec. 205.10a5ii of the proposed regulations) as being in blatant violation of due process and of human rights. We particularly object to such peremptory action in cases where fraud is considered likely but where there has been no finding of fraud and in cases where the welfare department may decide unilaterally to switch to a vendor payment, for example direct payment to a landlord. Perhaps worst of all, because it is so amenable to punitive and arbitrary action, is the elimination of advance notice requirements in cases where there is information which "requires termination or reduction" and the recipient "indicates in writing that he understands that this must be the consequence of supplying such information". How this provision could be misused against recipients who cannot

read or who read only Spanish or who are faced with lengthy and complicated forms can only be fully imagined by those who have observed the workings of the welfare system in places like rural counties of the deep South or Indian reservations.

8. We recommend that questions of agency policy should continue to be recognized as an appropriate matter for consideration in fair hearings, as is now the case under current regulations (Sec. 205.10a3). The reference to an alternative procedure (in the proposed section of the same number) is not adequate to protect the rights of recipients and applicants. Very often the issue in fair hearings revolves around borderline questions on the borderline between fact and policy; poor people should not be denied due process in the resolution of such questions.

9. We also recommend retention of the present regulations protecting the interests of the claimant by recognizing the convenience of the claimant in setting the time and place of fair hearings (Sec. 205.10a7) and providing a voice in determining the selection of a person to supply a second medical assessment (Sec. 205.10a9). These compare to the proposed regulations (under the same section numbers) which omit reference to the convenience of the claimant and call only for another medical assessment. A community person in Georgia points out that this would simply be another welfare doctor, who might base his assessment on a review of the medical record, without ever seeing the claimant.

10. We object strongly to the proposed recoupment of overpayments from welfare recipients. Numerous studies have established that half of all overpayments are due to error by the welfare agency. To take back from welfare recipients overpayments due to agency error, essentially disregarding the availability of funds, as permitted in Sec. 233.20a12 of the proposed regulations, is to punish poor people by literally taking the bread from their mouths. We remind the Department that the maximum benefit under Aid to Families with Dependent Children in Mississippi is $108 per month, regardless of family size. The current regulations (Sec. 233.20a3iic) properly limit recoupment of overpayments to currently available resources and bar reduction of current assistance payments except in cases of fraud.

A community person from Nevada writes: "The cost of living in Nevada is high and if you don't live in a low cost housing project and you have your check cut for overpayments then you will have to cut down on something.

"Where do you cut down? You can't cut down on your rent as you need a place to live. You can't cut down on your food as you don't get enough food to eat as it is. I can't think of a thing that the people can do without."

JANE MOTZ.

THE RIMLAND SCHOOL FOR AUTISTIC CHILDREN,
Evanston, Ill., May 18, 1973.

Hon. Senator RUSSELL LONG,
Chairman, U.S. Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SIR: This letter is in regard to the Revised Social Service Regulations pertaining to Day Care, under Title IV-A of the Social Security Act.

According to the information which we have received relative to the revised Regulations, the only category of handicapped children whose families must meet only the Income requirements of the new Regulations in order to be eligible for day care services, is mentally retarded children.

We want to protest the inclusion of only this single handicap. By singling out mentally retarded children for this special consideration, the revised Regulations discriminate against various other types of handicapping conditions which create hardships of equal or greater severity in low income families who require day care for their handicapped children.

Our particular concern is with autistic and/or seriously emotionally disturbed children from low income families. For children so afflicted, day care (or placement in a school such as ours) is a must. In situations where such a child has been excluded from public school attendance because of his severely disordered behavior, his family has no alternative other than to seek placement in a private school like ours; but families who are on welfare, or whose income is so low that they are potential recipients of welfare, can not possibly pay us our actual

per capita costs. We feel that it is grossly unjust to exclude these cruelly handicapped children from the special provisions which have been set up for mentally retarded children.

We therefore respectfully urge you to expand the Exceptions to the basic Regulations as they pertain to handicapped children whose families are welfare recipients and/or potential welfare recipients, in terms of the provision of day care services, to include emotionally disturbed children (and perhaps other types of handicapping conditions, too) *as well as* mentally retarded children.

Respectfully yours,

ROSALIND C. OPPENHEIM,
Director.

STATEMENT BY THE HEALTH AND WELFARE COUNCIL OF THE NATIONAL CAPITAL AREA, SUBMITTED BY HARRY T. MARTIN, EXECUTIVE DIRECTOR

The Health and Welfare Council is the central agency for developing and coordinating the support of the private sector for health, welfare and related community services in the greater Metropolitan area of Washington. It is a nonprofit organization financed chiefly by the United Givers Fund and is responsible for the allocation of UGF funds to eligible private voluntary agencies. The Council is a citizen-led organization representative of all segments of the Metropolitan area.

The 200 organizations affiliated with the Council represent the entire range of private social service agencies. Some of our agencies operate under contract with public agencies; nearly all of them deal in some way with people whose lives are influenced by federal welfare assistance.

While the May 1 version of the social services regulations improves upon the February draft in some respects, it still serves to erode the Congressional commitment to provide social services for low-income and disabled Americans.

Coupled with other regulatory changes proposed (April 20) by the Department of Health, Education and Welfare, these regulations constitute an assault on the precepts of the Social Security Act, which mandates federal funds for services 'to help (families with needy children) maintain and strengthen family life," and to help aged, blind and disabled persons "to attain or retain capability for self-care."

The regulations subvert these objectives by:

Eliminating services to large numbers of working poor persons who will no longer be eligible because of rigid restrictions, such as the assets limitation; and forcing other families to remain on welfare in order to continue receiving vital services;

Building in disincentives for clients to apply for services, (such as six-month recertification of eligibility for non-recipients) or for states to provide services (elimination of mandatory status for programs essential to aged, blind and disabled clients).

In response to Finance Committee members' questions about specific programs, HEW officials on May 8 revealed a very narrow conception of "social services." They disqualified legal services, education and training and services specifically authorized by Congress to reach potentially eligible recipients, such as family planning and treatment for alcoholics and drug addicts. We believe a broad definition of social services must be preserved if the basic objectives of the Social Security Act are to be attained.

Even before they are officially effective, the regulations have had a damaging impact on social services in the metropolitan Washington area: In mid-March, some day care centers in the District of Columbia which were formerly funded under Title IV-A were asked by the Department of Human Resources to sign contracts retroactive to March 1 restricting services to children on welfare or in families with incomes below $7,000. (These contracts were withdrawn.)

The State of Maryland Department of Social Services told all county welfare departments last month to discontinue all services to potential and former recipients except protective services, which were using up the 10 per cent of resources allowable for non-recipients.

But the impact after July 1 will be even more serious, particularly for persons in the "potential" and "former" categories of eligibility. In Virginia, a low-income individual or family that owns a car will be ineligible for any federally funded

services because of the stipulation that assets of applicants for services not exceed those required by the state for welfare recipients. A widow in Virginia whose husband left her more than $400 in cash, bonds, life insurance or real property (other than her home) also will be ineligible for services. Foster care and protective services in Virginia will be drastically reduced unless the state or the local governments provide total funding.

In the District of Columbia, one of our member agencies will have to disqualify from day care the infant child of a girl who is living with her parents while she finishes high school. She'll fail the assets test because her parents' income is above the income criteria stipulated by the regulations. Other school-age parents receiving day care and other services will be similarly ineligible.

A single mother of three children who completes secretarial training and qualifies for a $9,000 per year job will be ineligible for subsidized day care, but she will not be able to afford the cost of care for three children. (It should be noted that there will be no Title IV–A funds available for day care in the District of Columbia; the city's entire $8.9 million allotment is budgeted for salaries of caseworkers in the Department of Human Resources. Revenue-sharing will be the only source of public funds available for day care. Even though the social services regulations do not apply to revenue-sharing-funded programs, the District Government, without community consultation, has chosen to apply them.)

In addition to eligibility requirements, we are also concerned about the quality of services these regulations will foster. Acting SRS Commissioner Philip Rutledge warned at a briefing on the regulations April 26 that "Services for the poor tend to be poor services."

Reinstatement of federal standards for day care is not reassuring when HEW asserts that it can no longer "afford" the high quality mandated in the 1968 Federal Interagency Day Care Requirements. Nationally approved licensing standards such as those of the Child Welfare League of America and the National Council of Homemaker-Home Health Aide Services have been discarded. The May 1 version even deletes the words "age, physical and mental health" in defining state agency standards for in-home day care providers.

Although Secretary Weinberger told the Senate Finance Committee that the proposed regulations were "not designed to trim costs," their restrictive eligibility requirements and narrow definition of services, will make it almost impossible for states to provide the volume of services authorized by Congress. As a result, private social welfare agencies will be compelled to try to meet the increasing need for services with their own limited resources. But voluntary agencies are not able, and should not be expected, to assume the entire burden. We believe a public-voluntary partnership is the most effective arrangement. We appeal in the strongest possible terms for a continuing, strengthened commitment of federal resources for these programs.

MICHIGAN FEDERATION OF PRIVATE CHILDREN'S AGENCIES,
Grand Rapids, Mich., May 18, 1973.

Hon. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The Michigan Federation of Private Children's Agencies, and its more than seventy member agencies and institutions, respectfully request that your committee review Section 221.9 b8, as it appears that they discriminate against private institutions.

We believe the wording of this section, as we interpret it, represents a massive intrusion of the public agencies into the private institution's sector, seriously damaging the ability of the private citizen to make choices consistent with his needs and desires.

It is a fact that the majority of institutional services provided to children in the United States are provided by private non-profit agencies and institutions. Private facilities have been largely respected because they have consistently provided better care and treatment of our nation's needy children at less expense than public facilities. These new regulations will force private facilities out of an area in which they have provided services for many years. The States are not now capable of assuming these responsibilities because of the lack of qualified staff, trained and oriented to the individual programs of private facilities. The

treatment methodology of facilities varies widely according to problems of children. The staffs of these facilities have, by training and direction, focused these modalities to meet the individual needs of children. Maintenance and services in group facilities cannot be separated. Treatment programs for children are a twenty-four hour effort, totally coordinated into every part of the child's activity. Artificial separation of these items, as these sections imply, would destroy the basic unity of programming that is presently the essence of helping children with problems.

As these regulations now stand, we of the Michigan Federation of Private Children's Agencies can truthfully say that we interpret them as "One small step for Socialism—one giant leap for bureaucracy."

We believe it is essential that Section 221.9 b8 be amended to make available federal funds for services provided by private institutions to preserve the present total treatment program for children.

Sincerely yours,

RENALD J. NAGELKIRK, MSW,
President.
LLOYD T. CONKLIN, MSW,
Executive Vice President.

TOWN OF GREENWICH,
BOARD OF SOCIAL SERVICES,
Greenwich, Conn., May 16, 1973.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The Board of Social Services of the Town of Greenwich, Connecticut appreciates a second opportunity to comment on proposed regulations for the administartion of public welfare and attendant social services.

We would like to respectfully register our concerns regarding the following matters:

REVENUE SHARING

Revenue sharing "without strings" fails to serve as a workable alternative to the direct funding of social services, unless states are required to direct sufficient portions of these revenues to the support of social services at the local level. To allow the delivery of these services to be at the fiscal discretion of states and/or localities means that no level of government is made finally responsible for seeing to it that human needs are met. Futher, it effectively destroys quality control and accountability. Federal social programs have developed in large measure because of the failure and/or inability of lower levels of government ot develop them. We have seen nothing in recent years to indicate that this situation has changed.

If revenue sharing persists as an alternative to adequate funding of categorical programs, then we believe that mere population is not the proper standard by which to apportion it, for mere size of a given population does not take into account the degree of need which exists within it.

RESIDENCY REQUIREMENTS

We are puzzled to note that states will be permitted to reinstate residency requirements under "Amendments to Public Assistance Titles," for residency requirements have been declared unconstitutional by the Supreme Court. But, more important, residency requirements are inconsistent with a mobile, open society.

PREVENTIVE SERVICES

New strictures on the provision of services to "former and potential clients" are penny-wise and pound foolish. From our experience, we know that these services have, in fact, kept people off of welfare rolls, and that they make more probable, not less probable; the achieving of the administration's stated goal of helping citizens to achieve "self-support and self-sufficiency."

Lack of Standards

We are alarmed at the cavalier attitude shown toward standards for purchase of services. For example, unless there is provision for strict quality control and accountability in Day Care facilities and Homemaker-Home Health Aide programs, these institutions can become more destructive than helpful. In the absence of quality control, the proliferation of proprietary agencies constitutes a danger.

You should not be deceived into thinking that mandatory standards would be too expensive to achieve. Quality control is the only way to ensure adequate services at minimum cost, and the achievement of the administration's goal of reducing costs. In this connection, we recommend to your attention and study the following release by the Social Service Division of the Department of Human Resources at Washington, D.C. on February 20, 1973:

Costs to the Department for the period May through October, 1972 for homemaker-home health aide services purchased for AFDC families from the following approved and non-approved services as follows:

Approved service

Homemaker Health Aide Service of the National Capital Area, provided homemaker-home health aide service to 1,007 families. The average cost *per family*—$250. The charge *per hour*—$4.06.

Nonapproved service (proprietary agency)

Provided homemaker-home health aide service to 230 families. The average cost per family—$563. The charge per hour—$4.50.

Work Requirements for AFDC Mothers

We question the philosophy which holds that the mother who chooses to devote full time to her growing children is contributing less to a stable society than is the mother who is forced to place her children in the care of others in order to take employment. Adequate day care in our part of the country cannot be provided for less than $3,200 a year per child. If this kind of money is available, consideration might be given to making it available instead to enable mothers to fulfill their primary responsibilities in the home. Day Care facilities, however, must be available, for the mother who prefers employment to staying home with her children ought, for the children's good as well as her own, to have day care centers in which to leave them. But at whatever economic level, there must be freedom of choice in this sensitive and vital matter.

Provisions for the Aged

We wish to applaud the provision of some tax relief to 20,000,000 citizens aged 65 and over, and the increase in Social Security allotments to widows.

We deplore, however, proposals that the medically indigent pay premiums for Medicaid. Quite simply, if people are medically indigent by definition, they have no monies for medical premiums.

Food Stamps

We deplore the removal of recipients of public assistance from access to food stamps.

Malnutrition is already a primary cause of medical problems among the elderly, and medical costs account for a major part of welfare budgets. In our own department, aged people with medical problems are the very welfare recipients whose names appear on the welfare rolls for the longest periods. Not only do the aged need food stamps; they need access to proper preparation and delivery of the food which the stamps would buy.

Removing access to food stamps from AFDC families seems to us to be the height of social improvidence. Lack of adequate protein reduces energy and initiative and, over a period of time, can cause mental retardation. In our developed society, failure to provide growing children with adequate nutrition creates mounting social problems for coming generations to solve. Surely this lesson has been painfully learned.

Thank you for your attention. These are matters which will determine the social health of our country. We wish you all wisdom in dealing with them.

Respectfully yours,

E. Adele Bruce,
Chairman.

AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES,
Washington, D.C., May 17, 1973.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Dirksen Building,
Washington, D.C.

DEAR SENATOR LONG: As an Association representing more 1100 two year colleges across the country the AACJC would like to make a few comments about the Social Services regulations which your committee is currently reviewing.

Junior and community colleges, of course, are not social service organizations, and thus are not as directly affected by these regulations as are many of the groups which have communicated with your committee. However, as you may know, our colleges are deeply concerned with minorities, the socially and educationally disadvantaged, and the urban and rural poor. One of the prime missions of our colleges is to provide low-cost, accessible post-secondary education for all Americans, and our colleges work vigorously and sincerely to provide educational opportunities and programs which will help the poor and the near-poor improve their life-chances and occupational choices.

Therefore, we do have a strong concern that the Social Services regulations, as announced by the Department of Health, Education and Welfare on April 26, are so restrictive that the level of federal assistance to current, potential,-and past welfare clients will be greatly reduced, which will be contrary to the stated purpose of the Social Services programs of helping people gain the strength and competence to stay off welfare.

You have received many detailed comments about the regulations, and it is not necessary to repeat them here. We concur with many of the criticisms, including especially the greatly reduced period of eligibility for social service. These marginal social groups cannot be effectively strengthned if they can only be assisted at the crisis stage—no more than six months before and no more than three months after receiving aid under the AFDC program. Again, the regulations are unduly punitive as to income eligibility in using the low figure of 150% of the state's financial assistance payment standard as the income cut-off point. As has been pointed out in a great many comments, for many people this will make it more profitable to be on welfare than to be working.

The effects of these regulations on educational services will be disastrous, from at least two points of view. While the AFDC regulations do permit educational services, presumably to parents as well as children, these services are to be at no cost to the agency". Is this a presumption that education costs nothings? Are buildings, teachers, materials, etc., to spring full-blown from the ground? This will eliminate such worthwhile projects as Project HELP in Minnesota, which helps welfare mothers with their education costs. At the same time, the severely restrictive eligibility requirements will eliminate a number of adult education projects which have been funded under the social services program. A community college in Illinois has informed us that 1800 adult basic education students will be displaced because of this, and there are no alternative funds to continue the program. Social services funds have also been used in some situations for specific educational services to AFDC children in college—tutorial services, for example, which help these young people to overcome their educational disadvantages, succeed in their college work, become skilled and employable, and permanently removed from the lists of potential welfare clients.

We are grateful to this committee for its efforts in calling attention to the programs inherent in these new regulations for Social Services.

Sincerely yours,

CLAIRE T. OLSON,
Associate Director,
For Governmental Affairs.

STATE OF CALIFORNIA—HUMAN RELATIONS AGENCY,
DEPARTMENT OF SOCIAL WELFARE,
Sacramento, Calif.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I have reviewed the social services regulations which were adopted effective July 1, 1973 amending Chapter II, Title 45 of the Code

of Federal Regulations and published May 1, 1973 in the Federal Register, Volume 38—Number 83, Part II, and wish to submit my evaluation to you for your Committee's consideration.

As you know, Governor Ronald Regan in his 1971 message to the California State Legislature called for a complete overhual of the welfare system, both payments and social services, to eliminate waste and to cap the heretofore uncontrolled growth in the cost of welfare. California's accomplishment in welfare reform has been hailed nationally and has given impetus to other states to undertake similar reform.

The thrust of California's social services reform has been to establish a management system that will ensure delivery of well-defined, fiscally sound, cost effective services to that segment of the population that truly needs services, i.e., those people who are current recipients of a welfare grant, be it Old Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, or Aid to Families with Dependent Children, and to those who are in immediate danger or becoming dependent on welfare unless they are provided with timely and effective services.

Several factors impeded services reform. The major obstacles were:

Demands from public and private sectors to expand poorly defined service programs by use of the unlimited federal matching funds.

Rigid federal requirement to provide innumerable "mandated" services on statewide basis that ignored the vast variations in needs and resources of local communities.

In the above context, therefore, I am pleased to state that the new federal social services regulations promote goals compatible with California's Welfare Reform efforts:

Ceiling is placed on the amount of federal funds each state may receive for social services, thereby controlling the spiralling cost of services.

Mandated services are limited to those specifically required by federal law and essential to help individuals and families achieve or retain self support or self-care.

Local flexibility is made possible in the provision of optional services.

Services are discretely defined.

Services are focused toward those truly in need and those who are on the verge of dependency, with tighter control on determination and redetermination of eligibility for services.

Use of private donated funds is under greater control.

Monitoring and evaluation are required to ensure services are goal oriented and cost effective.

The one question I have is that the resources restriction in the definition of potential recipients creates a cumbersome administratiev burden for the determination and redetermination of eligibility and may unduly limt the low income working families from qualifying for child care services.

Your Committee will undoubtedly be receiving many comments, pro and con, as you deliberate on whether modifications are needed. I appreciate this opportunity to express my support of the regulations.

Sincerely,

DAVID B. SWOAP, *Acting Director.*

STATE OF NEW JERSEY,
DEPARTMENT OF INSTITUTIONS AND AGENCIES,
DIVISION OF YOUTH AND FAMIY SERVICES,
Trenton, N.J.

MR. THOMAS VAIL,
Chief Counsel, Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. VAIL: Although not scheduled for oral presentation, New Jersey human service agencies wish to make clear their concern with the Regulations on Service Programs for Families. While recent revisions in the proposed regulations have been desirable, still the regulations do not reflect congressional intent. The resulting loss of programs, dependent upon federal funding, will have of programs, dependent upon federal funding, will have a serious effect upon the service delivery capabilities of the State. We have, therefore, prepared our views on this

subject and have suggested changes in certain restrictive passages in the regulations. We are submitting them to you for inclusion in the records of the hearings.

Thank you for this opportunity to express our request for needed change. If you need any further information, please do not hesitate to contact us.

Very truly yours,

FREDERICK A. SCHENCK.

NEW JERSEY COMMENTS ON 1973 HEW REGULATIONS: SERVICE PROGRAMS FOR FAMILY AND CHILDREN

The primary impact of the overly restrictive components of these regulations will fall upon our State's child and family service agencies. The Division of Youth and Family Services (DYFS) is the major provider of State child welfare services in New Jersey. A priority goal of New Jersey government for the past three years has been the strengthening of State resources for the protection of endangered children. The DYFS thus provides both in-home and residential care for approximately 30,000 troubled, neglected, delinquent and distributed children. The State's dependency reduction services are provided by County Welfare Boards, who have established large social service units that specialize in delivering service that enable families to escape dependency status.

Our capacity to succeed in these programs is based upon appropriate Federal match. We were pleased by the passage of Section 130 of the Social Security Act, because it limited threatened runaway spending while retaining funding for programs essential to our goal.

Unfortunately, the Regulations on Service Programs for Families and Children do not reflect the intent of Section 1130 of the Social Security Act. Although the Department of Health, Education, and Welfare has, through version, improved the proposed regulations published in February of this year, it is our contention that the regulations published on May 1 still contain restrictive passage contrary to congressional intent and prejudicial to our goal.

As you know, the amendment to the General Revenue Sharing Bill enacted by Congress placed a ceiling of $2.5 billion on social service funds for Fiscal Year 1973, of which $87.6 million was apportioned to New Jersey. Although we believe that this congressional limitation on funds was necessary, HEW's regulations place unnecessary restrictions on, and create unnecessary conditions for, social service funding which will prohibit New Jersey from making use of its allotted share of the social service dollars for improving and maintaining service delivery capabilities:

1. Congress established priorities by designating five services available to former, actual and potential recipients of AFDC: child care, family planning services, foster care for children, treatment of drug addicts and alcoholics, and services to the mentally retarded.

The HEW regulations, however, place restrictions on the definitions of child care services and foster care services and thereby limit federal funds for service programs when funding of these programs was advocated by Congress.

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

The Departemnt of Health, Education, and Welfare elaborates upon this definition and at the same time limits the scope of services by defining child care as day care. Child care is defined by HEW regulations as "Services provided to meet the needs of a child for personal care, protection, and supervision (as defined under day care services for children) etc." It is our interpretation that Congress intended that all protective services for children be exempt. The regulation's restrictive definition of child care seems to indicate that the only federal matched services which can be provided to all children (former, actual and potential recipients of AFDC) in need of protection is day care. Homemaker services, family life education, and parent therapy can be matched only for those children in need of protection who are actual recipients of AFDC. Only 10% of federal money spent on actual recipients may be used to match expenditures for former and potential recipients receiving these services.

We believe that children in lower income groups (but no factual recipients) should not be denied protective service. Should an abused child be denied homemaker service because he is not eligible for AFDC? We feel that the regulations should be revised and all protective services should be exempt as well as mandatory. It should be noted that the denial of these in-home services will lead to additional foster placement which is, ironically enough, federally matched.

2. Likewise, Congress defined foster care as "services provided to a child who is under foster care in a foster family home (as defined in such section), or while awaiting placement in such a home or institution, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such child because he is under foster care."

Regulations define foster care services for children in terms of caseworker time involved in service delivery. Foster care services involve placement of a child in a family home or group care facility. Services include preparation, supervision, services for return to own family, "*excluding activities of family or facility in providing care and supervision.*" Congress has not made this distinction.

Previously, matching was available for "social services" provided in the foster care facility and only the subsistence costs were not matchable. Supervision and service may overlap. We prefer the prior definition, which distinguished between social services and subsistence. The regulations present complex definitional problems and will probably lead to substantially less matchable costs, thus in diminished resources for making appropriate residential placements. If the regulations prohibit funds for services which are partly supervisory in nature, the definition of the matchable components of foster care should be revised to make them consistent with congressional intent.

3. As mentioned, Congress defined five exempt categories of services available to former, actual and potential recipients of AFDC. The HEW regulations establish an income limit on potential recipients at 150% of the State's financial assistance payment level and thereby substantially limits the number of people who qualify for exempt service. The potential level was formerly $9,800 (as determined by New Jersey under previous HEW definition of applying AFDC incentives to earned income). Now the level for a family of four will be $5,800 since the AFDC level for this family is $3,880.

We anticipate that this restrictive definition of "potential" will make 20% of our clients (6,000) previously considered potential recipients, ineligible for family planning services, protective services, and foster services. We contend that this is contrary to congressional objectives in these areas. If we wish to emphasize self-reliance, we cannot establish regulations which force people of marginal income to seek public assistance status or lower incomes in order to be eligible for needed services.

The income level of "potential recipient" should be raised to at least 233% of the basic public assistance level, which is the upper limit for fees for day care services as calculated by the Department of Health, Education, and Welfare. Matching for essential services would then be available to a New Jersey family of four with total income less than $9,000 per year.

SAN DIEGO, CALIF., *May 15, 1973.*

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
2227 Senate Dirksen Building, Washington, D.C.

DEAR SENATOR LONG: We would like to thank you for the opportunity to present the Senate Finance Committee our written testimony (to be placed in the hearing record) in lieu of appearing in person at the public hearings now being conducted by your committee with regards to the proposed HEW Regulations governing Title IV A Funds under the Social Security Act. These regulations appeared in the Federal Register May 1, 1973.

In San Diego there is a present enrollment of 1328 children throughout 16 Children's Centers. Of these, 425 children are current welfare recipients and 903 are non-welfare recipients; most of them are classified as former or potential recipients under the present guidelines.

The San Diego Children's Centers programs are under the administration of the State Department of Education and the San Diego City Schools. The centers are divided into two age levels: (1) Early Childhood Education which encom-

passes children ages 2 thru 5 and the Elementary Level which includes children from Kindergarten to Sixth Grade. In carrying out the above mentioned programs, two private educational firms were contracted with to aid in perfecting particular facets of our programs.

a. Palo Alto Educational Systems, Inc., a private firm of educators, for the implementation of a highly individualized preschool curriculum program.

b. Hoffman Systems, being used with the school age children as a reading rediness and enrichment aid. This system assists the children in acquiring language arts and phonics skills as well as providing motivation for independent reading.

Both above mentioned programs blend with the many other facets of the Children's Centers programs to help provide a *total educational experience* for the children. (See Enclosure (1) for complete details).

The proposed federal cutbacks and the change in federal eligibility requirements will cut the heart of our programs, which are unique in California. A few results of these proposed cutbacks will be:

a. Restricting "mandatory services" to (1) Foster care, (2) Emergency child protection, and (3) Family Planning. *Child care* would be *optional.* Optional programs seldon get funds. Without funds, we will experience:

(1) A great reduction in our staff of credentialed teachers.

(2) Loss of Resource Staff; i.e. psychologists, counselors and resource teachers.

(3) Loss of funds earmarked for replacement of condemned buildings and improvement of other facilities and equipment.

The change in eligibility requirements would:

a. Require individual certification with "individual service plans" to be reviewed *(by additionally hired caseworkers)* every 6 months.

b. Would restrict eligibility to former, potential or current welfare recipients.

(1) Former recipients would be redefined from 2 yrs. to *3 months.*

(2) Potential recipients from 5 yrs. to *6 months.*

These restrictions would disqualify from Children's Centers Services many taxpaying, working parents (most of whom are single parents) who would not fall under the above categories. The majority of these parents would be forced to find far too expensive custodial or private babysitting services. In San Diego, the average monthly rate per child is $80 to $100. This would force some of these parents on to the Welfare rolls or create "LATCHKEY CHILDREN", no one at all to care for them. They could show up in other kinds of statistics later, as juvenile delinquents and drug addicts. *Then* we will pay highly for their care. (See Enclosure (2) for more detailed information)

New regulations became necessary when the Congress in 1972 placed a ceiling of $2.5 billion on the annual Federal share of social services funds, and directed that 90% of such services had to go to welfare families or families near that income level. Secretary of Health, Education and Welfare, the Honorable Caspar W. Weinberger states that:

a. Families whose incomes do not exceed 150 percent of a State's welfare payment standard (which in California has been set at $3,768, gross for a family of four) are eligible for social services, including free child day care for working recipients.

b. Child day care *can* be (*not* will be) provided on a sliding fee basis for families whose income is between 150 and 233 percent of a State's welfare standard (which in California has been set at $8,792. gross for a family of four). How can the needs of 73,000 children in San Diego from families with welfare level incomes and those with marginal income (working or near-poor) levels be adequately met when only 1328 are enrolled in Children's Centers and approximately 2500 are provided for in Licensed Child Care Facilities for both welfare level and marginal income level families? (See Enclosure (3) for more detailed information)

It should be clearly pointed out the majority of all the childen in our Centers come from one-parent families who, because of death, desertion, or divorce have been forced to work to provide an adequate, decent way of life for themselves and their children. It is sad, but true, to note that some of our single working mothers have refused raises because in some cases, their fees would be raised higher than the actual amount of their raise, thus forcing them to find other means of child care and losing the quality of educational care provided by our teachers in the Centers. Their motivation for getting ahead financially is lost, because by working hard to rise above the low or marginal income level, they lose the greatest benefit of all; the security of knowing that their children are not only adequately cared for but, are also receiving quality educational care.

Prior to 1969, the State of California had the sole responsibility of funding the Child Care Programs and the services offered were on a first come, first serve basis, to all working parents of low and middle income whose children had the need for the Children's Centers. Fees were based on their income and many were full cost parents who were glad to pay for the services given to their children. After the Federal Government stepped in and starting providing 75% of the funding, most of the full cost families were forced out of the centers, and the basis for the need for child care was limited to current, former and potential recipients. *This constitutes reverse discrimination.* Since when have children's needs been determined on their parent's income? The welfare of children is a *basic human right* and *Children* have the greatest need of all to be properly taken care of. A few of us in San Diego are fortunate enough to have Children's Centers, which are the best in the country, but, we would like to to see these services expanded to meet the needs of all the children who need them.—not just a chosen few . . .

We appeal to you, Senator Long and your committee, as mothers, parents and teachers, to please fight with us to prevent these cutbacks and the changes in eligibility requirements. We cannot go back and destroy what it took 30 years to build in California. We have achieved in quality education what no other state has achieved. We don't want to lose it now. As you can see, *we are unique!!!*

In closing, we would like to thank you for your interest and concern in this most vital matter.

Ms. JEAN HAME,
Twain Children's Center.
Ms. SHONNIE MCCORKLE,
President, Whittier Parents Association.
Ms. JUDY WARD,
Vice President, Wegeforth Parents Association.

SAN DIEGO CITY SCHOOLS CHILDREN'S CENTERS

In January of 1943, the California Legislature enacted a bill authorizing the establishment of a state-wide Children's Centers program under the administration of the State Department of Education and local school districts. As a result of this bill, San Diego Children's Centers came into existence, under the administration of the San Diego City Schools. Children's Centers are financed through state apportionment based on the hourly attendance of children; through district support; and parents' fees.

At present, there are 16 Centers under the auspices of the Children's Center administrator. The Centers are divided into two age levels. Early Childhood Education encompasses children 2 to 5 years of age. The Elementary level includes children from Kindergarten through the Sixth Grade.

Parents are eligible to enroll children in a center when both are gainfully employed; where one is employed and the other is incapacitated; or where one is employed and the other in school at least half time; or WIN, ETS, or AFDC participants. Some parents may be eligible because of family status or type of work. A lone parent who both supports and cares for a child, and who is taking education or training to qualify for employment may be eligible during this training period. All parents must reside wthin San Diego City Schools distrct.

Verfications of parents' work hours and income must be presented in advance of enrollment. Nursery children must have a health examination and must be toilet trained. Fees are determined by the total family net income and the number of dependents. Minimum hours for both nursery children and school-age children are 35 hours per week.

Centers are open Monday through Friday from 6:30 a.m. to 6:00 p.m. year round. Nursery children remain in the center the entire day, while school-age children come to the center before and after school. Two snacks and a hot lunch are served each day.

Each center is staffed with a Head Teacher and an Assistant Head Teacher, each holding an Administrative and Supervisory Children's Centers Credential. All teachers must be full credentialed by the State Department of Education. Those teachers currently seeking employment must hold a valid Elementary Teaching Credential.

In addition to the teaching staff, a Physician, Nurse and Health Clerk work on a weekly schedule of visitations to the Centers administering to the health and safety needs of the children. Two District Resource Teachers make continuous observations and offer guidance to each Center's staff and program. Two District Counselors make weekly visits to work with children and parents. A District Psychologist is assigned to provide special help for staff, children and parents. A Housekeeper is assigned to each center and is responsible for maintaining a clean physical environment. Each center is staffed with a minimum of two college aides who assist the teaching staff in carrying out the total program.

Children's Centers have been established to meet the needs of the children in our community. The Center's environment invites exploration, manipulation and acquisition of new concepts, skills and ideas. The school provides experiences that challenge the total personality of the child. He is offered experiences in science, art, language, music, physical education, math, crafts, creative play and democratic practices. The school provides learning experiences and instructional materials which motivate pupil experimentation and discovery. The atmosphere is one of warmth and security in which a child is encouraged to explore, create, and use his total life experience. Each child is helped to develop a sense of security, independence, self-assurance and self-discipline. Through these new experiences the child broadens his personality and acquires a zest for life.

In carrying out the above program, two private educational firms have been contracted with to aid in perfecting particular facets of the program. In April of this year, Children's Centers contracted with Palo Alto Educational Systems, Inc., a private firm of educators, for the implementation of a highly individualized preschool curriculum program. The project will take fifteen months and is organized into five parts.

Part One is a survey of the existing Children's Center's educational program. Its purpose is to get an accurate description of the present program so as to better blend its best features with the Palo Alto preschool program.

Part Two is a survey of the buildings and grounds, equipment and material of the Children's Centers. Its purpose is to help plan for the continuation of the long range building and renovation program now occuring in Children's Centers.

Part Three is the heart of the project. It is the providing of the preschool educational program and its related teacher training. This part will take twelve months to accomplish.

The Palo Alto Preschool curriculum covers seven major areas: (1) Concept Development, (2) Oral Language, (3) Children's Literature, (4) Personal Management and Social Development, (5) Art, (6) Music, and (7) Dance and Physical Development. Each of these will be modified by information gathered from teachers and staff. The seven areas are documented in teacher's guides which contain teacher strategies, materials, suggested lesson plans, and an evaluation system. The teachers and other staff of the Children's Centers will be asked to suggest modifications which might apply to their particular situations. Palo Alto Educational Systems, Inc. will also provide direct consulting service to each of the Children's Centers.

Part Four provides for the development of a management information system for both the preschool and day care portions of the Children's Centers program.

Part Five is the portion of the project which ties it all together in a system, relating all of the parts and translating them into what is sometimes called a Programming, Planning, and Budgeting System (PPBS). The purpose of part five is to lay careful plans for the future of the Children's Centers so that their full potential for the education of San Diego's children will be realized.

Facets of the Palo Alto Educational Program are being adapted for use with the Children's Centers school-age children.

Another program, Hoffman Systems, is being used with the school-age children as a reading readiness and reading enrichment aid. This system assists the children in acquiring language arts and phonics skills as well as providing motivation for independent reading.

Both the Palo Alto and Hoffman Educational Systems blend with the many other facets of the Children's Centers program to help provide a total educational experience for the children.

SUFFER THE LITTLE CHILDREN . . . THE AMERICAN CHILD-CARE DISGRACE

[From MS magazine, May 1973]

"So critical is the matter of early growth that we must make a national commitment to provide all American children an opportunity for healthy and stimulating development during the first five years of life."—Richard M. Nixon, the President's message establishing the Office of Child Development, January, 1969.

"Neither the immediate need nor the desirability of a national child-development program of this character has been demonstrated. . . . For the federal government to plunge headlong financially into supporting child development would commit the vast moral authority of the national government to the side of communal approaches to child-rearing over against the family-centered approach."—Richard M. Nixon, the President's veto message on the Comprehensive Child Development Bill, December, 1971.

(By Maureen Orth)

In Chicago, a day-care center licensed to care for 18 children was found to have 51 infants strapped in cribs and high chairs—with only one employee to care for them.

In Los Angeles, some mothers who must work outside the home have become so desperate that they leave their children with junkie babysitters, knowing that a cash payment at the end of the day will bring the addict back the next morning.

In Cleveland, there are so many children who come home from school to an empty apartment, but who are too little to be trusted with loose keys, that neighborhood stores sell chains for the purpose of hanging keys around the necks of these "latchkey" children.

In Detroit, a working mother discovered that her small daughter was being physically abused by the neighbor—herself the mother of many small children—with whom she had been leaving her for a year.

In New York, a report on police efficiency found this interesting problem with patrolmen on the night shift: they failed to make arrests that would require their presence in court during the day. Their wives work, and the men must be home with the children.

These examples are heartbreaking but not unusual. They can be multiplied across the country thousands, millions of times—a testament to our inability to deal with a fundamental human need.

Today we have more working mothers than ever before, more than twice as many as in 1950, and the figures are expected to double in the next decade. Nearly one-third of all mothers with preschool children and half the mothers with children 8 to 14 are working. Each year, more and more research piles up attesting to the importance of learning in the first five years of life. We live in a country that pays lip service, at least, to the idea that the welfare of the child is a basic human right. Yet we have no national network of subsidized quality child-care centers (not day care, which assumes all people's needs fall from 9 A.M. to 5 P.M.) where parents can be sure their child will be able to develop her or his potential, will receive health care, hot meals, preschool education, and personal attention—a full range of developmental services plus the opportunity to relate to and learn from a variety of adults and children. Child care, of course, must not be tied exclusively to the needs of the working mother. The father, too, has an equal need—whether he is raising children alone or is the only wage earner in a family that desperately needs a second income. And children have the greatest need of all. Our goal should be free, universal, consumer- (this means parents) controlled child care, where children, even rich children, have the daily companionship and learning opportunity of being with their peers as well as their parents.

But instead, we have millions of children, at least eight million in desperate need, who should be in centers but aren't. Many are cared for by a succession of untrained baby-sitters. Others have brothers and sisters who are forced to drop out of school to care for them. The notion of aunts and grannies in the home who love to take care of little children just isn't true any more. Estimates of latchkey

children run as high as a million and a half. No one at all takes care of them. But they often show up later as other kinds of statistics, in juvenile delinquency cases and drug-addiction centers. Then we pay highly for their care.

There's nothing so radical about the idea of making voluntary child-care programs available to American parents and their children. During World War II, for instance, the government cheerfully paid for child-care centers for more than a million-and-a-half children whose mothers were working in defense plants. Currently, however, the only justification for subsidized child care that the government will accept is to get off the welfare rolls—a goal that results in isolating poor and minority children in custodial centers so that their mothers can be forced to work.

We shouldn't have to declare World War III to understand children have basic human rights. The constituency for child care is no less than the parents and children of America. Yet despite the serious need for early childhood development, there is little action. Why is child care a dead issue in Washington today?

"I've spoken to hundreds of women across the country, rich and poor, women who make $20,000 a year—women whose lives have been blighted because they have been unable to find satisfactory day care," says Dr. Edward Zigler, a Yale professor of child development, who is the former head of the Office of Child Development at the Department of Health, Education and Welfare. "What's happened to their children? Almost 50 percent of all mothers work, yet so far they haven't exerted pressure on the government. I am convinced it has to do with the downtrodden nature of women in America. They feel this is the way things are supposed to be. They're supposed to be put upon. Farmers and the aerospace industry fight for their interests and get billions of dollars worth of subsidies. The government helps them, but doesn't help mothers. We've so conditioned women to get the short end of the stick that they think it's the plight of women to suffer, and they don't expect any action."

Zigler's observation offers some insight into at least one of the reasons why the Comprehensive Child Development Act of 1971—a bill of direct benefit to millions of mothers, fathers, children, and employers; a bill which passed Congress but was vetoed by President Nixon—never caught fire in the grass roots, and didn't receive the lobbying support it needed to survive. (Simply put, the bill would have extended downward the age at which a child is eligible to attend school. Parents would have had the option of placing children of two-and-a-half, and even younger, in child-care facilities that offered education, nutrition, and health programs. The services, including prenatal care, were to be available to the middle class as well as to the poor. Although the bill fell short of providing free care, since all persons earning over a specified income would pay on a sliding scale, it would, nevertheless, have established the beginnings of a socially and economically mixed preschool system.)

While women continue to suffer because of the overwhelming difficulty of finding affordable, quality child-care arrangements, they may keep their suffering hidden, even to themselves. Many women are tortured by guilt when they leave children in the care of others, not matter how justified the reasons or how educational for the children. They don't think of turning to the government for help. Somehow we have so indoctrinated women with the sacred, romantic myth of motherhood (significantly, not parenthood) plus the ideal of the nuclear family, that they are reluctant to admit when they need help and reluctant to demand that some of their tax dollars go toward child care. As long as the American mother has feelings of guilt and is unable to see child care as more than a personal problem, the politicans will continue to ignore her and the basic rights of her children.

But women are not to be blamed out of proportion to their real political power. The failure of child-care legislation goes beyond lobbying.

CHILD-CARE PROGRAMS COULD ULTIMATELY COST $20 BILLION A YEAR; IN 1972, OVERRUNS ON DEFENSE CONTRACTS COST $20 BILLION

Obviously an adequately funded child care and development program costs money—an estimated $20 billion a year to fulfill today's needs. "You won't get twenty billion in a decade," asserts an aide to the Senate Finance Committee, "because the American taxpayer doesn't care that much about kids." But this

figure does not seem hopelessly huge when compared with other government figures—particularly items in the Department of Defense Budget. There, cost overruns on military contracts—not the contracts themselves—ran to more than $20 billion in 1972 alone.

Another obstacle in the path of subsidized child care is the fact that the majority of the lawmakers and Administration aides charged with deciding the fate of crucial legislation are men past the age of parenting. They seem unable to grasp what it means to be a 32-year-old wage earner responsible for three children under the age of eight. This insensitivity, fortified by the scare rhetoric of the right wing (the sovietization of American youth," "the final fatal step toward 1984"), places any concept of comprehensive child care in jeopardy. The opponents of federal child-care programs, furthermore, write letters to the White House and to Congresspeople far out of proportion to their numbers. And the media, responsive to the issue only during volatile, after-the-fact confrontations, have not been persuaded to provide the ongoing coverage so needed to communicate the philosophy and significance of government involvement in child care.

According to Edward Zigler, "Any legislation as fundamental as the Comprehensive Child Development Act of 1971 cannot succeed without a substantial national dialogue. The woman in Dubuque and the man in Los Angeles have to grasp the issue." Given the media's apathy, the inability of put-upon parents to form an effective, visible lobby, plus the savvy of the issue's professional foes, the President's veto becomes less surprising.

If we are to fight successfully in the future for quality child-care programs, a recap of the legislative fate of the Comprehensive Child Development Act affords some valuable lessons.

The bill originated in Congress, which made it unique and problematic from the start. (The Executive is accustomed to initiating major legislation.) For over a year, the Administration could not decide what position to take. Health, Education and Welfare—the agency charged with administering the bill—was being asked to create both philosophy and bureaucracy at once, in addition to carving out a whole new sphere in American education, subject to a wide range of special interest groups (from textbook salespeople to a vast new children's lobby). Yet by the summer of 1971, everyone was cautiously predicting the bill would become reality.

But liberals in the electorate (who formed the "day-care lobby" as it was called) and liberals in the Senate toughened their position on consumer control. They wanted funds to flow in a direct federal-local relationship to child-care centers, thus bypassing involvement of the state governments. (Remembering Mississippi, for example, which held back progress in Head Start because the programs had to be integrated, they decided not to let history repeat itself.) But Republicans and some moderate Democrats felt the states should be involved, that exclusion constituted a violation of states' rights, and that direct funding would create a "vast [federal] bureaucratic army." Powerful Republicans in Congress warned that the cutting out of the states would lead to a veto. In order to preserve the original bipartisan nature of the bill, Representative John Brademas (D.-Ind.), the bill's mentor in the House, sought to maintain some role for the states.

In the end, though, the liberals were able to maintain "consumer control" provisions intact. Many Washington observers believe their refusal to give on this point resulted in the winning of the battle only to lose the war.

The final version of the Comprehensive Child Development Act was reported out of the joint Senate-House Conference Committee with the stipulation that any locality over the size of 5,000 could apply for direct funds from the federal government, thereby limiting the states to a mainly technical or advisory role. Most of the Senate Republican leadership voted for the bill anyway, knowing it would probably be vetoed. Many had cynically voted for passage because, after all, who wants to vote against little children with an election year coming up?

When the bill arrived on President Nixon's desk for signature, it landed among thousands of letters peppered with such phrases as "the heavy hand of government in every cradle." The proponents of the bill, organized into a 23-group coalition led by Marian Wright Edelman, Director of the Washington Research

Project, had not convincingly demonstrated (to Mr. Nixon's satisfaction) what they knew to be the needs of so many American families.

Although Patricia Nixon was then Honorary Chairperson of the Day Care and Child Development Council, one of the staunchest advocates of subsidized child care, Richard Nixon pandered to the conservative outcry (perhaps mindful that the conservatives were also angered over his trips to China and Russia) and struck down the Comprehensive Child Development Act. In an inflammatory veto message, he chose not to commit "the vast moral authority of the national government to the side of communal approaches to child-rearing over against the family-centered approach." It didn't seem to matter that the veto message contradicted one of the Presidents pet pieces of legislation at that time, the Welfare Reform Bill "H.R. 1"—which sought custodial child-care facilities for the children of welfare mothers so they could enroll in work-training programs. Without child care, what chance would there be to get these women off the dole? Evidently, it was all right to "break up" the families of welfare recipients to get them to work, but those mothers of middle-class families who were already working would be forced out of the labor market.

While Marian Wright Edelman's coalition worked hard to promote the bill, they, in the words of Washington reporter John Iglehart, "never sold day care as a middle-class need. Most politicians don't see day care any differently than any other OEO [Office of Economic Opportunity] liberal, bleeding-heart program." According to Theodore Taylor, Executive Director of the Day Care and Child Development Council of America, "There [was still] the sense that child-care institutions undermine the stability of the family and that child care or child development is really only an adjunct to welfare." So the massive, three-year-long struggle that spanned thousands of pages of testimony, endless conferences and meetings, and hundreds of hours and thousands of dollars of staff time was scratched with one stroke of the Presidential pen.

Because the Administration's attitude toward child care has hardened so much in the time since the veto, it now seems almost utopian to think that developmental child care ever had a chance of becoming law. Since the veto, major governmental effort in the child-care field has been a part of the insidious design to provide custodial baby-sitting for the children of welfare mothers, but only for those mothers on work-training programs. Spaces for their children would come, not through the creation of new facilities, but from the elimination of the children of the working poor and middle class who are already in subsidized centers.

Now, "revenue sharing" is the new code word used in government to dismiss queries about instituting a national network of child care. Under revenue sharing, each state receives a check from the federal government to spend as it wishes. The Administration purports not to care if the states spend the money on child care or lowering property taxes or paving highways. The practical consequence of revenue sharing, though, has been to pit all the social-welfare programs that receive federal moneys—but which are now under a spending ceiling limit—against each other. As a result, drug-rehabilitation programs are fighting the elderly who are fighting the handicapped who are fighting child-care people—all for limited funds.

This is so because, under the legislation passed by the last Congress, social-welfare programs that previously received matching funds from the federal government are subject to a $2.5 billion spending ceiling. The child-care money that used to come out of Title IV–A and IV–B of the Social Security Act is also part of that limit. Formerly, if state and local governments or private local donors could come up with 25 percent of the money to fund a child-care center, the federal government would foot the additional 75 percent—providing a center met certain criteria. There was no upward limit on the money the states could apply for. Few states, however, took advantage of the law, which also stipulated that Title IV–A and B funds were for "any kind of service that was rehabilitative or preventive in nature for past, present, or potential welfare recipients." However New York liberally interpreted that definition and began setting up child-care centers for middle-class children; Mississippi went even further—it saw the legislation as a way to practically fund their state government. Congress plugged

that loophole. And in February, the Administration introduced regulations that would severely restrict the eligibility of a past or potential welfare recipient. Previously, a "past" recipient was defined as someone on welfare within the last two years; this may be changed to the last three months. A "potential" welfare recipient was someone who, without child care, would go on welfare in five years—this may be changed to six months. There was even a proposal—since abandoned—to prohibit the use of private money to get matching funds. This would have been especially damaging to poorer states that have no hope of generating child-care funds from their own revenues. As one Administration official, summarizing the current Nixon philosophy of government spending and social welfare, put it, "You've got to get the right bang for the buck."

Today we are in the paradoxical position of having the number of children who require child care dramatically increasing and the number of federal government "slots" in child care decreasing. The new restrictive guidelines hit hardest at the working poor—women who have struggled valiantly to stay off welfare. "Day-care prices most frequently quoted are $25 to $36 a week," one mother of a three-year-old child told me. "Since I take home $100 a week, this is impossible." If their children are no longer "eligible" for subsidized child-care facilities, many parents who are now classified as working poor will have to quit their jobs and be forced to rely on unemployment and eventually welfare. Is this "the bank for the buck" the Administration is seeking?

* * * * * * *

The morality of "cost benefit analysis" has effectively stopped the creation of new child-care facilities across the country, threatened the existing quality of child care received, and perpetuated a vicious cycle isolating the poor. Though revenue sharing purports to throw the burden of providing child-care services to the states, the states have not had an impressive record of achievement in establishing new child-care facilities, licensing private day-care homes, or training personnel to staff the centers.

Although the once lofty hope of comprehensive childhood development has been reduced to a repressive social-service concept connected to the employability of welfare mothers, we do not lack legislators eager to sponsor bills that would guarantee to all young children vital health and educational services. What the Brademases, Mondales, Reids, Hecklers, Chisholms, and Abzugs in Washington need is tangible support at the community level. We must continue to make our needs known to our mayors, city councils, governors, and state legislators. They in turn will be forced to demand federal relief. For example, Mary Sansone of New York City, representing the Congress of Italian-American Organizations (CIAO), informed the local establishment that they could cross off the support of Italians on election day if much needed child-care facilities weren't forthcoming. She even went to Washington to lobby powerful national legislators. Wilbur Mills, Chairman of the House Ways and Means Committee, showed how child care is, in many legislators' minds, connected to welfare and minority stereotypes: he astonished her by saying, "I wasn't aware that Italians needed help." But, because of her and the Organization's persistence, CIAO has obtained funding for three centers.

A larger grass-roots effort must also be made to overcome the indifference to inadequate child care and the die-hard myths, particularly the guilt-inducing exclusivity of parenting, that prevent a commitment to early childhood development programs. "Advocates of free, universal child care would do well to focus on consciousness-raising about child care and finding a legislative vehicle which will enable Congress to spend money without seeming to be helping 'the poor'," advises William Pierce, Director of the Washington office of the Child Welfare League of America. He suggests a possible legislative vehicle: "Attach child care directly to education. California already has [some] child care connected to education. Bipartisan action might be possible for some bill [in 1974 but not before] which uses the California experience as a model."

Can we wait yet another year? Another year of vital human needs going unmet? of latchkey children roaming the streets? of substandard baby-sitting services? of prevailing upon a grandmother or a neighbor who may already have too many children of her own? of middle- and upper-income children who vegetate by the television set?

American parents must start asking why.

Statement of Need—Child Care—City of San Diego

[Figures derived from 1970 Census information and November 1972 telephone survey]

Children 12 years and under in City of San Diego (1970) (Total)	154,000
Children 12 years and under in City from families with Incomes below OEO Poverty Level ($4,200/yr. or less for urban family of 4) 8,000 preschool age; 10,000 elementary school age (total)	18,000
Children 12 years and under in City from Families with marginal Income (working- or near-poor) levels ($4,200–$7,500/yr. for urban family of 4) [1] 25,000 preschool age children; 30,000 elementary age children (total)	55,000
Children 12 years and under in city from poor or near-poor families 33,000 preschool age; 40,000 elementary age	73.000
Children 12 years and under in City enrolled in Licensed Child Care Facilities (full- and half-time care) including: Headstart (150); State 1,331 Pre-school program (650); Family Home Day Care Program (500); San Diego School's 16 Children's Centers (1,328); and other private non-profit and profit day nurseries (1,200) from the 1972 MCJW San Diego Child Care "Directory;" does not include informal child care arrangements parents make with babysitters, neighbors, relatives, older siblings, or nobody to provide care	3,828

[1] OEO Poverty Guidelines still list $4,200 per year for urban family of four as the "poverty line" but this does not represent the true measure of need. In 1971, both the Bureau of Labor Statistics and the U.S. Congress established the minimum income necessary for an urban family of four to meet their basic needs (food, rent) as $7,578.

It is undetermined how many poor or near-poor parents would actually seek upgraded or full employment, education, or job-training if accessible and adequate child day care were available, but the potential number with need (especially female single heads of households) who might if the opportunity were made available could easily exceed 35,000. Of course, there are not 35,000 job, education, or job-training slots available either.

Nationally, there is a need for 8 million pre-school age child care slots for low and middle income families; nationally, there are ony 700,000 slts available.

In California, there is a need for 1.25 million pre-school age child care slots for low and middle income families; only 60,000 licensed slots are available.

In San Diego (City), there is a need for 33,000 pre-school age child care slots for low and middle income families; only 3,780 licensed slots are available. In San Diego 50% of the available slots are offered in private commercial facilities; these are either filled to capacity or are far too expensive ($100 per/mo./child average) for low and middle income families.

STATE OF WASHINGTON,
OFFICE OF ECONOMIC OPPORTUNITY,
Olympic, Wash., May 17, 1973.

Hon. WATER MONDALE,
Senator,
Washington, D.C.

Attention: Bert Carp.

DEAR SENATOR MONDALE: The 4–C Council from the State of Washington wishes to address this testimony to the reasons we believe the group eligibility designation for child care services for the children of migrants and seasonal farm workers should be extended beyond the presently proposed deadline of December 31, 1973.

Although we only address this testimony to concerns for children of migrant and seasonal farm workers, the Washington State 4–C Council wishes to make it clearly understood that we actively support the increased flexibility and greater latitude of individual States to determine the types of services which may be provided under current Social Service Regulations. We would encourage the Committee to review testimony by Governor Evans of the State of Washington as well as testimony which has been presented to Health, Education and Welfare regarding the impact that both the proposed and revised Social Service Regulations would have on families and children in this country.

THE NEED FOR PROTECTIVE SERVICES FOR CHILDREN OF MIGRANTS

A. The death rate among infants and young children from the families of migrants and seasonal farm workers is among the highest of any minority group in the United States. In the State of Washington a survey was completed in 1967 of the migrant farm workers which come into this State, and it was found that the average life expectancy of the Mexican-Americans migrants was just 37 years, compared to a national average life expectancy of 70 years. Children under the age of five accounted for 41 percent of the deaths in this group.

B. Migrant parents will be unable to locate or to pay for privately secured child care services if center services are unavailable to them. Some of the reasons for this are the following: Field work in many crops begins as early as 4:30 a.m., an hour which private providers of child care services have been unwilling to accommodate; migrant parents in need of services are strangers in local communities and do not know how to obtain child care services nor can they afford the time from work to develop individual care arrangements; the greatest need for migrant workers is in isolated rural areas where most local people are also involved in the harvest, leaving a scarcity of persons willing to take on child care services, by private arrangement; even though the migrant is employed during his stay in the area, it is the practice of some employers to withhold pay until the end of the crop season in order to hold the workers and so that they lack funds to pay for child care services and can seldom obtain them on credit.

C. In the families of migrant farm workers, over 80 percent of the mothers work as well as all children of mature and responsible age, leaving young children with no alternative family member who could provide child care service. When service has been denied, we have found children left in the care of other children as young as six, or with older persons so disabled that they could not properly care for young children or physically remove them from danger in the event of fire.

THE REASONS INDIVIDUAL CERTIFICATION OF CHILDREN FOR SERVICES WITHIN THIS GROUP IS NOT FEASIBLE

A. Because of mobility, families move from area to area, staying in many crop areas only in a few weeks. They would need to be recertified for services in each area, and the inevitable time delays involved under even the most efficient processing would very likely exceed their stay in many areas, and would be repeated with each new location so that the ultimate effect would be to deny children necessary services because of administrative procedures.

B. Migrants come into isolated rural areas since this is where the need for temporary seasonal help is greatest. These areas have social services staffing based on the small residential population, which is in no way able to handle individual certification in order to qualify migrant children for child care. In addition, the workers in these areas usually cover an area in which distances between communities is very great which would further reduce their ability to handle the task of individual certification.

C. The purpose of returning to the practice of individual screening in place of group screening has been stated to be the wish, to focus funds on persons who are most in need. In the case of mighrants and seasonal farm workers, this requirement is met with statistical certainty without individual screening. The income eligibility guideline for free services in the State of Washington under the new regulations is $5,202 for a family of four. Average family size among migrant workers in the State of Washington is over six persons and average total family income is $2,812 in Washington. Nationally, the United States Department of Labor reports indicate the persons employed in seasonal farm work to be the lowest paid occupational group in the United States. The average migrant family income nationwide is $2,040 per year. Within this situation, the percentage of families who might exceed the guidelines that would apply if individual screening were carried out is so small that the dilution of funds by their inclusion is not statistically significant, and would be less than the amount of money the process of individual screening would inevitably cost. The result would be greater costs, plus denial of service to many children who are likely to be in grave danger of neglect or injury without child care services.

CONCLUSION

A. Because migrants are mobile, they live in many States throughout the year and for this reason the provision for their welfare is a responsibility which is properly shared between the States and the Federal government. Continuation of the group eligibility covered within Title IV regulations will make this possible.

B. There is documented evidence that children of this occupational group have a compelling need for the protective services of child care and that the denial of these services will add to an already appalling rate of death by accidental injury.

C. Group eligibility instead of requiring individual certification for children of migrants and seasonal farmworkers is the only practical way of providing child care services because of conditions unique to the living and working conditions affecting this group.

D. The principle of using Title IV funds to benefit the very poorest of our citizens is fully met by this group, as well as the principle of providing child care where it will benefit a family by enabling adults to work instead of falling back to a reliance on welfare and dependency.

Thank you for the opportunity to insert this testimony into the record.

Sincerely,

LOUISE GUSTAFSON,
Chairperson, Washington State 4-C Council.

STATE OF MINNESOTA,
GOVERNOR'S CITIZENS COUNCIL ON AGING
St. Paul, Minn., May 14, 1973.

Senator WALTER F. MONDALE,
443 Old Senate Office Building,
Washington, D.C.

DEAR SENATOR MONDALE: The goal of self-sufficiency for older persons and enabling older persons to remain in their own homes, despite low income, is most desirable.

Older persons who are living on less than or within new welfare income limits should *not* be required to apply for cash benefits to get these services.

In Minnesota, ½ of the people who are now receiving social services from the welfare programs are former or potential (eligible) welfare recipients.

Broader and more flexible regulations on social services are critical for the welfare, personal independence, and dignity of thousands of older adults.

Therefore, the Governor's Citizens Council on Aging urges that the Federal Guidelines for social services be altered to provide social services to low income, disadvantaged and disabled older adults. Many of these persons have low incomes and are generally eligible for welfare but haven't and probably will not apply for welfare cash payments. Because of this, many older people will be *forced* into nursing homes to get the supportive services (home and home health services, counseling, and services to combat isolation, etc.) they have received through social service programs in the past.

Sincerely,

GERALD A. BLOEDOW,
Executive Secretary.

KIDS INC.,
St. Paul, Minn., May 15, 1973.

Senator WALTER F. MONDALE,
443 Old Senate Office Building,
Washington, D.C.

DEAR SENATOR MONDALE: In line with earlier conversation with you regarding our efforts in behalf of rural disadvantaged children, and particularly the operation of Camp Buckskin, we have been exploring every possible source of funding or support in the event that the change in regulations will not permit Title 4A of the 1967 Social Security Amendments to again be made available for this need. To date, we have had no encouragement or indication that the needs of these children can be met by any other kind of federal funding that will be available following this change of regulations.

I am enclosing a letter from the acting director of the medical service division of the state public welfare office as further indication that this whole area has been studied, and *those who deal with these children on the first hand basis are of the same opinion as we are, that this remedial program will be terminated unless the proposed changes in these regulations are altered or deferred to a later date.*

I am also enclosing a fact sheet and summary [1] on the Camp Buckskin operation as evidence of the information that we have discussed with you in the past substantiating that the reading improvement for these children is approximately 1.5 years of progress in a five week camp period. In view of the value of this training and adjustment in the total lives of these young people, it seems unthinkable that the minimal expenditure required to provide this service should be terminated.

We know of your great concern and direct involvement and are most appreciative of both. While the outlook for these young people is indeed black at the present time, we will continue to do whatever we can and will be in touch with you periodically in the future.

Sincerely,

CY CARPENTER, *Chairman.*

STATE OF MINNESOTA,
DEPARTMENT OF PUBLIC WELFARE,
St. Paul, Minn., May 11, 1973.

Re: Funding of Camping for Low Income People.

CY CARPENTER,
President, KIDS Inc.,
Care of Minnesota Farmers Union,
St. Paul, Minn.

DEAR MR. CARPENTER: Ralston (Duffy) Bauer, the Director of Camp Buckskin, suggested that you might be interested in the conversation he and I had this morning.

New Social Service Regulations were published on May 1, 1973 by the Social and Rehabilitative Services, Department of Health, Education and Welfare. These regulations seem to prevent utilizing Federal social service funds to help pay for camping experiences for children in low income families effective July 1, 1973.

I realize it is not much solace for you to know that the restrictiveness of the regulations apply to a wide variety of services in addition to camping. However, I am concerned that the kind of educational and camping opportunities that should be available to children of low income and Public Assistance families is not provided for in these regulations.

Mr. Bauer had been told that money would be available from other Federal "Mental Health" or "Educational" sources. Therefore, IV-A funds were not needed. In our exploration for alternative funding for camping for the people we are concerned about we have not found either of these to be resources.

I am certain that your organization and the many other civic and fraternal organizations and individuals who have donated funds freely for camping will be disappointed to learn the Federal government has pulled out this "partnership." Since 75% of the cost was through Federal funds I assume this means you can help only about one fourth the number you helped last year.

I, and I am sure Mr. Bauer, too, felt quite frustrated as to what to do. The one ray of hope we could agree on is the Congressional Hearing now being held in Washington on the regulations. Perhaps out of this will come some action favorable to our common concern.

Sincerely,

RICHARD W. NELSON,
Associate Division of Social Services.

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[1] The fact sheet and summary were made a part of the official files of the Committee.

STATE OF MINNESOTA,
DEPARTMENT OF PUBLIC WELFARE,
CENTENNIAL OFFICE BUILDING,
St. Paul, Minn., May 11, 1973.

MR. CY CARPENTER,
President, Kids, Inc.,
Care of Minnesota Farmers Union,
St. Paul, Minn.

DEAR MR. CARPENTER: I am writing in response to a conversation that I had today with Mr. Duffy Bauer regarding federal support for camping activities for children, particularly rural underprivileged children.

Some camping activities of the kind provided by Camp Buckskin have in recent years been funded for eligible youngsters under Title IV A of the 1967 Social Security amendments. Revised HEW regulations for the use of Title IV A funds have just been issued by the federal government and they appear to preclude the use of those funds for many activities, including camping, after June 30, 1973.

Mr. Bauer has been informed that these kinds of activities can be funded out of other federal mental health and education funds. Federal funds coming into the states are of three types. One type is funding for state hospital improvement grants and staff development grants which are clearly earmarked for upgrading the competence of state hospital personnel in caring for people who are patients in state hospitals. It does not appear that this funding could be of any use in supporting underprivileged children, particularly children who have no connection with a state hospital. The second source of funding is that of staffing grants to centers qualifying for them by providing the so-called five essential services. These funds are limited to staffing and supportive costs and would not be available for individual persons, such as children needing a stipend to go to camp. The third source of funds is a federal grant-in-aid to each state under Section 314(d) of the comprehensive health planning, or partnership for health, act. In Minnesota we have funded two specific camps, one for children with learning and socialization problems in the Owatonna area and the second for an experimental camp for selected Junior High youngsters in Hennepin County who were to be exposed to information regarding drug usage and abuse in the hopes that these youngsters would be a positive influence on their classmates. The administration is attempting to see that this Act is not continued beyond its expiration date of June 30, 1973 or, to eliminate the present requirement that at least 15% of a state's formula allotment for public health services be available for only mental health services. In the event that either of these strategies succeeds that funding source will terminate. This money has been used for a variety of purposes and projects over the years but because it is likely to terminate we are in no position to even discuss seriously the possibility of using it for camping for the coming summer.

To the best of my knowledge there is then no currently available source of federal mental health funding that could be used to assist camps such as Camp Buckskin to provide what appears to be a very desirable service for youngsters. I regret to give you such unpleasant information but I hope that it will be of use to you in your efforts to bring this matter to the attention of our congressional delegation.

Very truly yours,

TERRY SARAZIN,
Acting Director, Medical Services Division.

WRITTEN TESTIMONY IN REGARD TO S. 1220 SUBMITTED BY JOSEPH A. MATERA, EXECUTIVE DIRECTOR, LEGAL AID BUREAU, INC., BALTIMORE, MARYLAND

The Baltimore Legal Aid Bureau participates in a statewide Legal Services Program organized by the Maryland State Department of Employment and Social Services. The statewide program purchases services from the Baltimore Legal Aid Bureau for Baltimore City and for five counties surrounding Baltimore City, and operates through the Department of Judicare legal services deliv-

ery system for all twenty-three counties of Maryland generally. The program is funded as an HEW social services program, as are programs in Pennsylvania, Georgia and Montana. Legal services has been an important and very beneficial HEW social service program in these four States, making our nation's idea of equal justice for all a greater reality for thousands of poor people.

Public Law 92-512 amended the Social Security Act to provide that 90% of the recipients served by HEW social service programs must be welfare recipients. The HEW regulations provided at that time that legal services was one of the social services that could be funded. 45 C.F.R. 220.51(c)(4). HEW has, however, subsequently amended those regulations so that legal services can now be funded only to assist a person to seek or retain employment. 45 C.F.R. 221.9 (B)(14). This has created a "Catch-22" situation for provision of legal services under HEW. For we are limited to providing services to welfare recipients in order that they might seek or retain employment. Welfare recipients are not generally employed and would be ineligible in most cases for a welfare grant if they were so employed. While Public Law 92-512 reduced significantly the group of individuals who could receive the services, the new regulations limit the scope of the services drastically. Taken together, the two changes make it virtually impossible for a legal services program to be funded through HEW.

We, therefore, support an amendment to S. 1220 to read as follows: On page 2 of S. 1220, line 19, after the word "services," add the following: "legal services," This would freeze the regulations as to legal services as of January 1, 1973. The services would still be limited by P.L. 92-512 to welfare recipients, but there would then be a broad range of services that at least could legally be provided by legal services through HEW. The restriction of services to welfare recipients and the elimination of the working poor for services is a matter that should be rectified by further legislation, which I understand is pending.

It has been suggested that the legal services programs currently receiving funds under HEW should in the future be funded by the proposed National Legal Services Corporation. This would be rational and most acceptable to our program if the proposed Corporation was to be funded at a level equal to the current funding of OEO Legal Services ($71.5 million) and HEW Legal Services ($5 million). However, the Administration proposal for the National Legal Services Corporation sets funding only at the OEO Legal Services level, namely, $71.5 million.

I am attaching a copy of our Comments, Objections and Recommendations to the Proposed Rule Making of 45 C.F.R., part 221.[1] This document, which was submitted by our program and the Baltimore Bar Association's Committee on Legal Services to the Indigent to HEW when that Department was in the process of the changing of the regulations, sets forth in detail the reasoning for the continuation of legal services as a HEW social service program.

BAY AREA CHILD CARE CENTER, INC.,
Coos Bay, Oreg., May 5, 1973.

Mr. TOM VAIL,
Chief Council, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. VAIL: I have started to write you many times about the disastrous course that the present Administration is taking with regards to the new HEW regulations for Social Service funds. People have said many things about this situation. I can only concur one hundred percent with those who oppose these regulations.

I would only like a moment to speak about the ethical nature of the commitment to children. Along with this letter I have included some copies of the 1970 White House Conference on Children, commissioned by President Richard M. Nixon. I have underlined those comments, facts, and recommendations that are directly pertinent to the issue at hand.

[1] This was made a part of the official files of the committee.

The thrust of the Commission report was not to question *should* we have child care but *what* should it look like. The report states time and time again that the Federal Government should be a child care advocate providing leadership for funding, coordination, development and implementation.

If the progressive direction of this Commission is ignored, or was one of tokenism, then I suggest future money be channeled into programs. Many Centers could have operated on the budget of the Commission.

Assume, Mr. Vail, that the Commission's job was not received with tokenism. Then what sense do the HEW regulations make?

I know that you will present a fair and impartial hearing. I ask you to keep to the forefront the ethical commitment we have made as a nation.

I have included other documents, fact sheets, and a brochure to give you a concrete picture of our own Center, one that is typical of the Child Care Centers of our nation.*

Sincerely,

WILLIAM KUTZ, *Director.*

Day care factsheet

Eligibility requirement:	
1. Working parent(s).	
2. Parent(s) in vocational training.	
3. Incapacitated parent(s).	
Enrollment, attendance, and cost:	
Children enrolled	32
Average daily attendance	28
Cost per month per child	$170. 50
Number of working families	20
Number of families in training	10
Income:	
Average income of working families per month (before taxes)	$400
Average income per year of 20 working families	96, 000
Spendable and taxable income:	
1. Spendable family income	96, 000
2. Staff wages	60, 000
3. Annual day care budget	80, 000
Total	236, 000
Take 80 percent spendable	[1] 187, 000
or	
20 families on welfare (ADC recipients) grant of $153 per month:	
Monthly ADC 20 families	1, 830
Yearly ADC 20 families	36, 520
Difference:	
Day care	187, 800
Welfare (ADC)	36, 520
Day care benefit	150, 280

[1] $187,800 is money spent in community or money received in taxes.

*These documents were made a part of the official files of the committee.

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