

STAFF DATA WITH RESPECT TO
LIMITING FEDERAL FUNDS
FOR SOCIAL SERVICES

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*



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LIMITING FEDERAL FUNDS FOR SOCIAL SERVICES

Legislative Background

Enactment of Social Services Provisions

Before 1962, services provided to welfare recipients were subject to the same 50% Federal matching as was available for administrative expenses. In order to encourage States to provide social services designed to prevent and reduce dependency on welfare, the Congress in 1962 enacted legislation increasing the Federal matching for social services to 75% while leaving Federal matching for administrative costs at 50%. No definition of social services was included either in the 1962 bill or in the Committee reports on the legislation; defining the scope of services was left to the Secretary of Health, Education, and Welfare and the States.

The 1967 Social Security Amendments required States to provide certain social services to recipients of Aid to Families with Dependent Children. Under these amendments as interpreted in HEW regulations (45 CFR 220), States are required to provide the following services for families on AFDC:

1. Services to assist all appropriate persons in a family to achieve employment and self-sufficiency.
2. Child care services for children of mothers in training or employment.
3. Foster care services.
4. Services to prevent and reduce births out of wedlock.
5. Family planning services.
6. Services to meet particular needs of families and children in order to:
 - (a) Assist children to obtain education in accordance with their capacities.
 - (b) Improve family living through assisting parents to overcome homemaking and housing problems.
 - (c) Assist in reuniting families.
 - (d) Assist parents in money management, including consumer education.
 - (e) Assist parents in child rearing.
 - (f) Offer education for family living.
 - (g) Evaluate the need for, and in appropriate cases provide for, protective and vendor payments and related services.
7. Protective services for children found to be in danger of or subject to neglect, abuse, or exploitation.
8. Services to help families meet their health needs.

The law also provides that the States, on an optional basis, may include services for current applicants and for former or potential applicants and recipients for public assistance on a 75-percent Federal matching basis. Under the law, the Secretary must prescribe the limits

of eligibility for former recipients and for former and potential applicants. The regulations promulgated by the Secretary contain no such limitations for former recipients and applicants; they merely limit the "potential" recipients to those "who are likely, within 5 years, to become recipients of financial assistance." The range of services for the optional groups is very broad, including "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."

Congressional Intent in Enacting Social Services Provisions

In view of the very broad interpretation of social services now used by the States in order to obtain Federal funds, it is instructive to examine congressional intent at the time the legislation was enacted.

REHABILITATIVE NATURE OF SERVICES

The 1962 Public Welfare Amendments were aimed at encouraging States to provide social and rehabilitative services to welfare recipients so that they would become self-supporting and leave the welfare rolls. The Finance Committee report stated:

It is expected that the Secretary will carefully limit the prescribed services to those which will significantly contribute to the rehabilitative objective of this legislation and meet the serious problems known to exist in the assistance programs. The Committee intends that care will be taken by the Secretary in specifying the 75 percent services in order to avoid the inclusion of ordinary administrative costs. . . . The Committee does not anticipate that the public welfare programs will be used to finance the cost of services normally the responsibility of another State agency (1962 Committee report, pp. 7-8).

SERVICES FOR PERSONS NOT ON WELFARE

A central factor in the large increase in Federal funds for social services in recent years has related to the provision of services to persons not on welfare.

During the Finance Committee hearings on the 1962 bill, Chairman Byrd asked several questions for which Secretary Ribicoff submitted written responses (1962 hearings, pp. 63-64). In one question, the Chairman inquired what the Secretary meant by his description of the legislation as providing "preventive services" to those who might otherwise come on the welfare rolls. In reply, Secretary Ribicoff wrote:

We contemplate that these services would be available only to those whose circumstances identify them as individuals who are likely to become recipients of assistance in the near future because of their circumstances or those who formerly received assistance. We do not see this as a broad program because we feel that the State Public Welfare department should and will want to concentrate those services on those persons who are already on assistance.

In answer to whether these services should be considered a new program or an expansion of an existing program, the Secretary stated:

The Administration's recommendation is to encourage the State to provide "preventive services" with a view to ultimately re-

ducing the number of persons who need aid. The services provided would be comparable to those available to persons who are already on the rolls and thus these services would be more accurately described as an extension of the existing programs.

In reply to a question as to whether a needs test would be required for these services, Secretary Ribicoff stated:

It is not contemplated that "preventive services" would be available to applicants who could purchase the type of consultation and service which they need from available community sources, who are not at present applicants or eligible for assistance. Nor is it contemplated that these services would be extended broadly to very many people other than those already on the assistance rolls. It is the objective of the provision to reach people who are likely to become recipients of assistance in some immediately foreseeable period in the future.

In 1967 legislation creating the Work Incentive Program, the Committee placed great stress on services needed to permit persons to participate in the WIN program, as is reflected in this excerpt from the 1967 Committee report:

The Committee is well aware that the services which the States will be required to furnish AFDC families will impose an additional financial burden on the States. Therefore, the provisions of law relating to Federal financial participation would be amended by the Committee bill to provide 75 percent Federal financial participation in the cost of all the services provided under these new requirements upon the States. In addition, as is provided under present law, 75 percent Federal sharing would be available for services for applicants and families that are near dependency. Provision of such services can help families to remain self-supporting. As appropriate for this purpose, services may be made available to those who need them in low-income neighborhoods and among other groups that might otherwise include more AFDC cases (1967 Committee report, p. 157).

CONTRACTING FOR SOCIAL SERVICES

The original 1962 legislation permitted welfare agencies to enter into agreements with other governmental agencies for the provision of services if in their judgment they could not directly provide services as effectively or economically themselves. The use of this authority was subject to limitations prescribed by the Secretary of Health, Education, and Welfare; the welfare agency could enter into an agreement for the provision of services with the State health agency, the vocational rehabilitation agency, or any other State agency the Secretary of HEW determined appropriate. The services could either be provided directly by the other agency or through contract with public (local) or nonprofit private agencies.

One of the primary issues in 1962 had been the concern of the vocational rehabilitation agencies that the welfare agencies not take over their functions of providing vocational rehabilitation services. Thus the legislation provided an exclusion from Federal matching of vocational rehabilitation services provided by welfare agency personnel, and included the contracting provision for services from vocational rehabilitation and other State agencies. The 1962 Committee report stated: "The Committee does not anticipate that the public

welfare programs will be used to finance the cost of services normally the responsibility of another State agency."

In 1967, the Administration requested an extension of the contracting authority in a context of expanding the work and training provisions of the legislation. In hearings before the Finance Committee, Secretary Gardner stated that "the House bill also authorizes Federal financial participation in day care for children of mothers working or taking work training when care is purchased from community agencies." (1967 Hearings, page 260).

In explaining the provisions relating to social services, the 1967 Committee report stated:

In 1962 amendments relating to social services provide that, with certain exceptions, the basic services must be provided by the staff of the State or local welfare agency. The Committee bill proposes some changes in this provision to take into account the need for a variety of services in State implementation of the plan for each family. Thus, an exception is permitted, to the extent specified by the Secretary, to permit child welfare, family planning, and other family services to be provided from sources other than the staff of the State and local agency. This will permit the purchase of day-care services, which, as indicated above, the committee anticipates will be needed in great volume under the bill, and other specialized services not now available or feasible to be provided by the staff of the public welfare agency and which are available elsewhere in the community. Services may be provided by the staff of the State or local agency in some part of the State and may be provided in other parts of the State by purchase. The Secretary, in his standards governing this aspect of the program, may permit purchase from other agencies and institutions. The basic reason for the exception is the variety of existing arrangements around the country in which some kinds of services are now provided, usually institutional services by other than the State or local public welfare agency (1967 Committee report, p. 157).

As far as services for the aged, blind, and disabled are concerned, the 1967 committee report stated that "the purchase of such services as home-maker and rehabilitation services" are authorized.

SUMMARY

In brief, then, the Congress in enacting the present social services provisions in the Social Security Act basically intended to provide 75 percent Federal matching for social services of a casework nature which would be provided directly by welfare agencies to welfare recipients. The legislative history indicates that exceptions to this basic rule were contemplated principally for vocational rehabilitation services, child care services, and family planning services. But developments in the past two years have broadened the use of 75 percent Federal matching for "social services" far beyond anything intended by the Congress.

The Problem

Like Federal matching for welfare payments, Federal matching for social services under present law is mandatory and open-ended. Every dollar a State spends for social services is matched by three Federal dollars. The Secretary, by law, is given specific authority to limit the contracting authority for social services and to limit the extent of preventive services. In both cases, however, he has failed to establish effective limitations. In fact, the regulations he has promulgated and the actions of HEW regional officials have invited the very expansion which has taken place. In the last two years particularly, States have made use of the lack of limits on social services under the Social Security Act and the Act's open-ended 75-percent matching to pay for many programs previously funded entirely by the States or funded under other Federal grant programs at lower than 75-percent matching.

As a result of growing State exploitation of the open-ended 75-percent Federal matching Federal funds for social services have doubled and redoubled, as shown in the chart on page 6.

Federal Share of "Social Service" Costs

<u>Fiscal Year</u>	<u>Amount</u>
1969	\$354 million
1970	522 million
1971	746 million
1972	1,547 million
1973:	
<i>May 1972 estimate</i>	2,158 million
<i>July 1972 estimate</i>	4,692 million

Congressman Robert H. Michel of Illinois, a member of the House Subcommittee on Health, Education, and Welfare Appropriations, made these comments on the social services program in the House on July 24 of this year:

This program is simply out of control.

There is an almost complete lack of accountability in the present system. We do not know how the money is being spent, nor how effective the funds are in reducing dependency.

For instance, I find that on the purchase of services provision, there is no accountability requirement whatsoever, so there is no way to tell if the people who are supposed to be receiving the services are actually getting them.

We find that States can contract away their responsibilities to other State or private agencies without those other agencies being subject to the same standards as the State welfare department.

We also find that some contracts did not require any progress reports by the contractors, and some failed to specify who has title to equipment or supplies purchased under the contract.

Contracts are not awarded on a competitive basis, with no documentation available to determine whether or not the negotiated amounts were reasonable.

An investigation will disclose openend contracts with provision for funding increases without any corresponding change in the number of people served or the time period covered by the contract.

There are contracts calling for lump-sum payments with no minimum performance requirements.

Many cases can be cited where ineligible clients are served because the contractor has been given the responsibility of determining eligibility, and has used very liberal standards. And on top of that, families with excessive income are receiving services because the contractor did not verify or update the income information it had on those families.

It is very clear to me that many States are using purchased services as a means of multiplying funds. And, it looks as though about 80 percent of the increase in this whole social services item for fiscal 1973 will be in purchased services.

This is the only service program not subject to congressional control, accountability, and limitation. It is so wide open that about the only real limit on it is the ingenuity of the States in identifying social programs which meet the broad requirements of the law, and in finding ways to fit them within the Federal regulations.

It is possible now for the States to finance almost anything under this system. For example, did you know that one State financed a half million dollar TV documentary with social services money?

In another State, social service funds have gone into the State highway department.

Did you know that in one State program funds are going for advice on personal grooming to potential parolees from the State prisons?

Another State is financing a prekindergarten education program with these funds.

And the list goes on and on. In many States as much as 80 percent of their Federal funding under this program is going for refinancing of what were formerly State-financed services. State welfare departments, who are supposed to exercise control over these expenditures, are becoming little more than fiscal conduits. Some States have even gone so far as to formally appropriate private funds—like UGF, and so forth—so they will qualify for Federal matching money.

A big part of the problem, too, is that there is no formula for insuring an equitable distribution of social services money among the States. What we have done is open up a wild chariot race among the States for Federal funds, with the strongest and most aggressive getting the lion's share. . . .

This is revenue sharing at its worst. We are not even sure that the social service programs into which the States are pouring money to get the extra Federal dollars have any real value to the recipients. . . .

We are nullifying our own budget decisions, our own priorities by allowing this to continue, because the social service programs become the place where programs can be financed that are not successful in competing for Federal dollars in other Federal programs.

If we are going to have revenue sharing, then let us set it up on an equitable basis, so that every State will have an equal opportunity, and there will be a rational basis for distribution of the funds.

House-Passed Version of H.R. 1

The House-passed version of H.R. 1 contains several provisions affecting Federal payments for social services. These are discussed below.

Social services for Federal welfare recipients.—The Federal Government would arrange for and pay 100 percent of the cost of supportive services to allow welfare families to participate in work and training programs, as well as 100 percent of the cost of vocational rehabilitation services for incapacitated recipients of family assistance.

Grants to States for social services.—H.R. 1 would replace the present open-ended 75 percent matching for social services with a program of grants to States for social services. Only child care and family planning services would continue to be federally matched on an open-ended basis. Under H.R. 1, 800 million dollars would be authorized for social services expenditures in fiscal year 1973 (excluding child care, family planning, and foster care and adoption services). Amounts for future years would be determined by the Congress on the basis of its evaluation of the needs and priorities for each year, and allotment of amounts appropriated among the States would be on the basis of: (1) the State's share for services in the previous fiscal year; (2) \$50 million to help raise the services levels of States below the national average closer to the national average; and (3) the balance would be apportioned to each State according to its proportion of the recipients under the Opportunities for Families Program, the Family Assistance Plan, and the programs of assistance to the aged, blind, and disabled.

The bill would set a Federal definition of which services would be subject to 75 percent Federal matching under the Social Security Act. For families, the services would be:

(a) services to unmarried women who are pregnant or already have children, for the purpose of arranging for prenatal and postnatal care of the mother and child, developing appropriate living arrangements for the child, and assisting the mother to complete school through the secondary level or secure training so that she may become self-sufficient;

(b) protective services for children who are (or are in danger of) being abused, neglected, or exploited;

(c) homemaker services when the usual homemaker becomes ill or incapacitated or is otherwise unable to care for the children in the family, and services to educate appropriate family members about household and related financial management and matters pertaining to consumer protection;

(d) nutrition services;

(e) services to assist the needy families with children in dealing with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home management and maintenance;

(f) educational services, including assisting appropriate family members in securing available adult basic education;

(g) emergency services made available in connection with a crisis or urgent need of the family such as those resulting from fires, floods, accidents, desertions and illnesses;

(h) services to assist appropriate family members to engage in training or secure or retain employment;

(i) informational and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services; and

(j) services to meet problems of drug addiction and alcoholism.

For the aged, blind, and disabled, the services would include:

(a) protective services for individuals who are (or are in danger of) being abused, neglected, or exploited, such as institutional services for those aged or physically or mentally disabled who are unable to maintain their own place of residence;

(b) homemaker services, including education in household and related financial management and matters of consumer protection; and services to assist aged, blind, or disabled adults to remain in or return to their own homes or other residential situations and to avoid institutionalization or to assist in making appropriate living arrangements at the lowest cost in light of the care needed;

(c) nutrition services, including the provision, in appropriate cases, of adequate meals, and education in matters of nutrition and the preparation of foods;

(d) services to assist individuals to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home maintenance and management;

(e) emergency services made available in connection with a crisis or urgent need of an individual;

(f) services to assist individuals to engage in training or securing or retaining employment;

(g) informational and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services; and

(h) services to meet problems of drug addiction and alcoholism.

Finance Committee Action on H.R. 1

In its action on H.R. 1 the Committee agreed to a limitation on social services different from that in the House bill. The Committee provision has three parts to it: (1) a statutory list of social services for which Federal matching would be available; (2) a limit on funds authorized for social services other than family planning and child care services; and (3) a reduction in the Federal matching percentage for social services.

Social services for which Federal matching is available.—The Committee's list of federally matched social services is the same as the list in the House bill, except that educational services (item (f) under AFDC) and services to drug addicts and alcoholics (item (j) under AFDC and item (h) under aid to the aged, blind, and disabled) are deleted in the Committee bill.

Limit on funds for social services.—Under the Committee bill child care and family planning services would continue to be matched on an open-ended basis, and child welfare services would continue to be a separate Federal grant program. With these exceptions, Federal funds for all other social services in both the adult and AFDC categories would be limited to not more than \$1 billion annually beginning in fiscal year 1973. The Federal funds appropriated for social services would be allocated among the States on the basis of total State population. Any funds which are allotted but not used by one State may be reallocated among the other States.

Federal matching percentage.—The Committee bill would replace the present open-ended 75 percent matching for social services with a program of grants to States for social services. Under the Committee amendment, Federal matching for social services beginning January 1973 would be the same as Federal matching for Medicaid (which ranges from 50 percent to 83 percent, depending on State per capita income), with two differences: (1) Federal matching would not exceed 75 percent, and (2) for the 12 months of calendar year 1973, the Federal matching percent would not be below 65 percent even if the Medicaid matching rate is below 65 percent.

Separation of services from cash assistance.—On May 12 of this year, the Committee decided to delete that provision of the House-passed version of H.R. 1 which would require States to separate the administration of social services from the administration of cash assistance. Instead, the Committee voted to make it optional with each State whether to administer these programs separately or jointly. Three weeks after the Committee decision was announced, the Department of Health, Education, and Welfare issued a regulation requiring all States to have completely separate administrative units handling the provision of social services and handling the determination of eligibility for welfare. The issuing of this regulation was justified by the Department on the grounds that the House-passed version of H.R. 1 would be enacted and would require a separation of the State-administered services programs from the Federal welfare payment programs. The regulation requiring the separation of services also reflects the theory that Federally funded social services should be made available to the population generally and not be restricted primarily to recipients of assistance.

Limitation on Social Services Funds in Health, Education, and Welfare Appropriation Bill

In the 1973 HEW appropriation bill, the Senate Appropriations Committee added a provision limiting Federal funds for social services in fiscal year 1973 to \$2.5 billion (including child care and family planning services), somewhat above the \$2.2 billion then estimated for social services. The Committee report described its position as follows:

This Committee has included in the appropriation for Grants to States for Public Assistance a maximum limitation of \$2,500,000,000 for Federal participation in social services under titles I, IV-A, X, XI, XIV, and XVI of the Social Security Act. The Committee has come to view with some alarm the phenomenal growth in Federal financing of social services during the past several years. A few years ago Federal matching for services amounted to a few hundred million dollars. In FY-1971 the Federal Government spent \$750,000,000 for services and our 1972 appropriation was over \$1,295,000,000. This included a \$500,000,000 supplemental appropriation required by the incomprehensible growth in Federal financing of this program.

The latest State estimates submitted to the Department of Health, Education, and Welfare in May 1972 indicate that the States will require a total of \$2,162,000,000 in Federal financing of services during FY-1973. If this estimate is correct, this would represent a nearly three-fold increase in services during the past two years and an increase over \$865,000,000 in just one year.

The Committee is not convinced that these funds are being spent prudently and effectively, in all cases.

This Committee is concerned that the use of this source of Federal financing is out of any reasonable control: The Department of Health, Education, and Welfare cannot even describe to us with any precision what \$2,000,000,000 of taxpayers money is being used for.

In order to afford the Department an opportunity to improve its management of this program, this Committee recommended and the Congress approved in the fiscal year 1972 supplemental appropriations bill a substantial increase in SRS manpower. The Committee wishes to reemphasize its intent to provide the SRS with whatever staff is necessary at a sufficiently high civil service grade level to attract the best people into this effort. The Committee believes this latter point is pivotal to the entire effort and will not tolerate any bureaucratic excuses in this regard. The Committee included the full budget request for this special management effort in the fiscal year 1972 supplemental appropriation bill. If the SRS finds these resources to be inadequate to the task, the Committee will entertain a supplemental request for additional resources. The Committee fully intends to hold the Administration to its claim that this management initiative will save over \$400 million in Federal funds during fiscal year 1973 without curtailment of benefits and useful services to those persons eligible for those benefits and services. In order that this Committee can assure itself that the necessary management improvements are being accomplished and that the allocations to each State relates to the needs of that State, the Committee will expect the Department to provide a comprehensive analysis of this program in the fall of this year. However, until these improvements are accomplished, this Committee believes that the Congress must limit the Federal liability for this largely unknown, undefined, and open-ended financing mechanism.

Our proposed limitation for FY-1973 of \$2,500,000,000 is over \$350,000,000 higher than the amount requested by the States for FY-1973. In other words, every State will receive at least the amount they have estimated as required—and in most cases this requirement includes a significant increase in Federal funds for each State. Our reason for establishing a ceiling that is significantly higher than the amounts the States estimate they need is to take into consideration the possibility that some States may have submitted faulty estimates or have under-estimated their genuine requirements. On the other hand, this Committee believes that it is its responsibility to prevent the continuing uncontrolled and open-ended Federal liability for this program until the Congress has been convinced that these funds are being spent prudently and effectively.

An attempt to remove the limitation on the Senate floor on June 27 was defeated by a 52 to 39 vote. However, the conference committee on the appropriation bill agreed to delete the limitation.

Revenue Sharing Aspects of Social Services Funding

The most recent official HEW estimate of the Federal share of social services costs was made in May and totaled \$2.2 billion. More recent information submitted by the States at a July conference of Governors' representatives and State social services administrators estimated the fiscal 1973 Federal funding at \$4.7 billion. The amounts by State are shown in Table I. It might be noted from this table that a number of States would be spending far more for social services than for cash payments to needy persons, and several States would receive considerably more as Federal matching for social services than they would receive under the House version of the revenue sharing bill.

TABLE 1.—CURRENT AND PROPOSED FEDERAL FUNDING FOR SOCIAL SERVICES, CASH PUBLIC ASSISTANCE, AND REVENUE SHARING

	Federal share of social services						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Fiscal year 1971	Fiscal year 1972 ¹	Fiscal year 1973 (HEW) ²	Fiscal year 1973 (Governor's Conference) ³	Percentage increase, 1971 to 1973 (increase between col. (1) and col. (4))	Federal share of cash assistance, fiscal year 1973 ⁴	Federal revenue sharing under H.R. 14370 (first year) ⁵
Total.....	\$746,381	\$1,546,756	\$2,158,270	\$4,692,516	529	\$7,104,378	\$5,300,000
Alabama.....	6,802	11,667	41,250	144,489	2,024	155,308	80,100
Alaska.....	1,865	3,990	18,906	19,724	958	6,067	6,600
Arizona.....	2,830	4,696	6,304	6,700	137	48,775	46,100
Arkansas.....	2,003	3,533	4,725	18,450	821	98,873	38,400
California.....	210,823	252,749	272,999	273,000	29	1,024,925	610,800
Colorado.....	11,741	18,993	22,655	29,800	154	72,443	59,400
Connecticut.....	7,590	8,169	15,829	18,829	148	66,662	72,700
Delaware.....	2,844	20,000	35,000	46,750	1,544	12,615	17,300
District of Columbia.....	7,042	9,057	10,056	32,000	354	84,194	26,000
Florida.....	13,128	94,958	112,611	112,610	758	207,922	150,000
Georgia.....	12,083	31,311	58,025	222,597	1,742	204,342	103,400
Hawaii.....	5,519	1,590	2,059	2,378	358	23,419	25,900
Idaho.....	1,218	1,633	2,287	3,900	220	17,582	15,400
Illinois.....	28,276	181,156	147,458	172,500	510	471,158	301,700
Indiana.....	2,516	5,835	6,685	15,000	496	101,626	113,800
Iowa.....	6,810	9,789	12,809	13,500	98	60,868	67,800
Kansas.....	5,879	7,414	7,414	8,415	43	60,299	47,800
Kentucky.....	6,394	12,337	19,361	30,024	370	98,242	71,800
Louisiana.....	9,296	12,856	16,308	34,875	275	201,897	83,200
Maine.....	3,563	6,570	7,182	20,000	461	46,595	19,800

[Dollars in thousands]

Maryland.....	15,096	18,771	21,820	417,713	2,667	88,481	117,500
Massachusetts.....	8,375	16,670	19,701	60,000	616	253,512	179,000
Michigan.....	17,621	41,600	85,838	85,900	387	303,927	243,700
Minnesota.....	15,402	20,092	24,111	96,500	527	132,559	114,100
Mississippi.....	1,098	1,775	14,238	463,572	42,118	97,158	46,000
Missouri.....	11,948	12,965	16,335	16,335	37	145,575	107,500
Montana.....	2,115	3,000	3,300	1,028	-51	12,672	16,800
Nebraska.....	5,809	7,246	12,564	12,600	117	33,678	34,500
Nevada.....	1,004	1,800	1,980	2,000	99	9,763	12,200
New Hampshire.....	2,050	2,833	3,033	6,000	193	15,427	13,500
New Jersey.....	29,958	30,362	38,320	58,300	95	201,740	179,700
New Mexico.....	3,826	3,655	6,396	47,000	1,128	34,815	22,500
New York.....	88,627	382,076	618,443	850,000	859	836,123	649,600
North Carolina.....	12,819	19,816	47,100	50,388	293	107,843	113,100
North Dakota.....	2,465	3,236	3,957	4,957	101	14,103	12,000
Ohio.....	11,079	18,261	22,515	60,015	442	218,700	227,300
Oklahoma.....	7,520	10,446	11,609	54,004	618	105,949	52,800
Oregon.....	24,271	20,816	24,907	30,736	27	50,395	60,000
Pennsylvania.....	36,337	60,884	100,627	264,600	628	381,011	300,900
Rhode Island.....	4,388	5,686	6,248	15,800	260	29,440	25,800
South Carolina.....	3,592	6,890	14,138	214,138	5,862	50,712	57,800
South Dakota.....	2,049	2,559	2,929	* 2,929	43	18,158	13,500
Tennessee.....	9,949	21,900	43,500	230,212	2,214	117,801	79,300
Texas.....	12,963	15,196	42,402	178,621	1,278	392,593	248,200
Utah.....	3,123	4,264	5,250	7,214	131	33,000	29,000
Vermont.....	1,646	2,356	2,599	2,600	58	21,307	11,000
Virginia.....	10,186	16,206	19,604	31,954	214	109,816	115,600
Washington.....	31,178	49,460	57,924	74,154	138	83,432	79,100
West Virginia.....	7,911	6,578	7,871	15,400	95	53,725	36,400
Wisconsin.....	18,026	40,475	58,500	113,500	590	81,569	137,000
Wyoming.....	728	579	608	* 608	-16	5,582	6,100

¹ Source: Department of HEW.

² Based on May 1972 estimates received from the States.

³ Revised State estimates presented at July 17, 1972 conference of Governors' representatives and State social service administrators.

⁴ Source: HEW budget justifications.

⁵ Source: H. Rept. 92-1018, p. 3.

* State did not report new estimate. May estimate (col. 3) used.

When a panel of Governors testified before the Committee on the revenue sharing bill, several members of the Committee expressed their concern that States would be able to turn the \$5 billion of revenue sharing under H.R. 14370 into \$20 billion of Federal funds by applying the \$5 billion to "social services" expenditures. The Governors indicated they had no objection to preventing such an eventuality by amending the revenue sharing bill.

Staff Recommendations on Limiting Federal Funds for Social Services

1. The staff suggests that the Committee consider adding to the revenue sharing bill the social services provisions it has already approved as part of H.R. 1 (listing the social services which will receive Federal matching, reducing the Federal matching percentage, and providing an overall limitation on funds for services other than family planning and child care). The Committee may wish to consider modifying these provisions further, as noted below.

2. The major cause of abuse of the social services provisions of the Social Security Act has related to persons who are not welfare recipients but who have been classified as "likely to become dependent." This device has enabled States to receive Federal matching for social service programs completely unrelated to welfare. The legislative history indicates that in providing services to persons not currently on the welfare rolls, the Congress basically had in mind offering family planning services and child care services. The Committee in its action on H.R. 1 has already made a distinction between these two services and other kinds of social services. It is recommended that Federal matching for all social services other than family planning services and child care services be limited to services provided to welfare recipients.

3. Another area of abuse has been the indiscriminate use by the States of the contracting authority which under the specific statutory authority of existing law could have been adequately supervised and controlled by the Secretary of HEW. The Committee might wish to remedy this situation by continuing the existing statutory provisions as they relate to contracting for day care and family planning services, while requiring the Secretary to prescribe explicitly which other services may be contracted for and under what circumstances the States may arrange for the services to be provided by an agency other than the welfare agency.

4. It is recommended that the provisions described above be effective January 1, 1973.

5. In addition to the recommendations limiting Federal funds for social services, the staff suggests that the Committee incorporate in the revenue sharing bill the provision it already approved in H.R. 1 permitting the States the option of either combining or separating their social services and cash assistance programs. This will relieve the States of being forced by regulation to undertake an expensive administrative action which would become unnecessary if the Committee's decision prevails as a part of H.R. 1. This provision is also consistent with the recommendations made earlier in this print that the Committee reemphasize the role of Federally funded social services as an integral part of the public assistance programs designed to reduce dependency on welfare rather than to provide services to the population generally.

